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

Form 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2015

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: 001-36761

KENON HOLDINGS LTD.

(Exact name of registrant as specified in its charter)

(Company Registration No. 201406588W)

Singapore
(State or other jurisdiction of
incorporation or organization)

4911
(Primary Standard Industrial
Classification Code Number)

Not Applicable
(I.R.S. Employer
Identification No.)

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Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class
Ordinary Shares, no par value

Name of Each Exchange on Which Registered
The New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

53,693,975 shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such a shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐

International Financial Reporting Standards as issued
by the International Accounting Standards Board ☒

Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the Registrant has elected to follow:

Item 17 ☐

Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐

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INTRODUCTION AND USE OF CERTAIN TERMS

We have prepared this annual report using a number of conventions, which you should consider when reading the information contained herein. In this annual report, the “Company,” “we,” “us” and “our” shall refer to Kenon Holdings Ltd., or Kenon, and each of our subsidiaries and associated companies, collectively, as the context may require, including:

- I.C. Power Asia Development Ltd. (“IC Power”), formerly I.C. Power Ltd., an Israeli holding company with electricity generation and distribution operations in Latin America, the Caribbean and Israel, in which Kenon has an indirect 100% interest;
- IC Power Pte. Ltd. (“IC Power Singapore”), a Singaporean holding company, which holds a direct 100% interest in IC Power;
- Qoros Automotive Co., Ltd. (“Qoros”), a Chinese automotive company based in China, in which Kenon has a 50% interest;
- ZIM Integrated Shipping Services, Ltd. (“ZIM”), an Israeli global container shipping company, in which Kenon has a 32% interest; and
- Primus Green Energy, Inc. (“Primus”), a New Jersey corporation which is an innovative developer of an alternative fuel technology, in which Kenon, through IC Green, has a 91% interest.

Additionally, this annual report uses the following conventions:

- “HelioFocus” means HelioFocus Ltd., an Israeli corporation with minimal operations, in which Kenon, through IC Green, has a 70% interest, and which is in the process of being wound down;
- “IC” means Israel Corporation Ltd., an Israeli corporation traded on the Tel Aviv Stock Exchange, or the “TASE,” and Kenon’s former parent;
- “IC Green” means IC Green Energy Ltd., an Israeli corporation, which holds Kenon’s equity interests in Primus and HelioFocus, and which held Kenon’s interest in REG.
- “Petrotec” means Petrotec AG, a German company listed on the Frankfurt Stock Exchange, which IC Green sold in December 2014;
- “Quantum” means Quantum (2007) LLC, a Delaware limited liability company, which is the direct owner of our 50% interest in Qoros;
- “REG” means Renewable Energy Group, Inc., a Delaware corporation, in which Kenon held an interest as a result of IC Green’s December 2014 sale of its interest in Petrotec;
- “our businesses” shall refer to each of our subsidiaries and associated companies, collectively, as the context may require;
- “spin-off” shall refer to (i) IC’s January 7, 2015 contribution to Kenon of its interests in each of IC Power, Qoros, ZIM, Tower, Primus, HelioFocus and REG, as well as other intermediate holding companies related to these entities, and (ii) IC’s January 9, 2015 distribution of Kenon’s issued and outstanding ordinary shares, via a dividend-in-kind, to IC’s existing shareholders; and
- “Tower” means Tower Semiconductor Ltd., an Israeli specialty foundry semiconductor manufacturer, listed on the NASDAQ stock exchange, or “NASDAQ” and the “TASE.”

Additionally, this annual report uses the following conventions for IC Power:

- **IC Power’s Operating Companies, Assets in Advanced Stages of Construction, Pipeline Projects and Other Relevant Businesses:**
 - “Acter Holdings” means Inkia Holdings (Acter) Limited, a Cayman Islands corporation through which IC Power held its interest in Southern Cone;
 - “AEI Jamaica” means AEI Jamaica Holdings Ltd, a Jamaican corporation;
 - “AIE” means Advanced Integrated Energy Ltd., an Israeli corporation;
 - “Amayo I” means Consorcio Eólico Amayo S.A., a Panamanian corporation;
 - “Amayo II” means Consorcio Eólico Amayo (Fase II) S.A., a Panamanian corporation;
 - “CDA” means Cerro del Águila S.A., a Peruvian corporation;
 - “Cenérgica” means Cenérgica, S.A. de C.V., a Salvadorian corporation;
 - “Central Cardones” means Central Cardones S.A., a Chilean corporation;
 - “CEPP” means Compañía de Electricidad de Puerto Plata S.A., a Dominican Republic corporation;
 - “COBEE” means Compañía Boliviana de Energía Eléctrica S.A., a Canadian corporation;
 - “Colmito” means Termoeléctrica Colmito Ltda., a Chilean corporation;
 - “Corinto” means Empresa Energética Corinto Ltd., a Cayman Islands corporation;
 - “DEOCSA” means Distribuidora de Electricidad de Occidente, S.A., a Guatemalan corporation;
 - “DEORSA” means Distribuidora de Electricidad de Oriente, S.A., a Guatemalan corporation;
 - “Edegel” means Edegel S.A.A., a Peruvian corporation;
 - “Energuate” means DEOCSA and DEORSA, collectively. Energuate is the trade name of IC Power’s Guatemalan distribution businesses DEORSA and DEOCSA. Energuate is not a legal entity;
 - “Generandes” means Generandes Perú S.A., a Peruvian corporation through which IC Power held its indirect interest in Edegel;
 - “Guatemel” means Comercializadora Guatemalteca Mayorista de Electricidad, S.A., a Guatemalan corporation;
 - “Hadera Paper” means Hadera Paper Ltd., an Israeli corporation;
 - “ICPI” means IC Power Israel Ltd., an Israeli corporation;
 - “ICPNH” means IC Power Nicaragua Holdings, a Cayman Islands corporation, formerly known as AEI Nicaragua Holdings Ltd., or AEI Nicaragua;
 - “Inkia” means Inkia Energy Limited, a Bermudian corporation;
 - “JPPC” means Jamaica Private Power Company Ltd., a Jamaican corporation;
 - “Kallpa” means Kallpa Generación S.A., a Peruvian corporation;
 - “Kanan” means Kanan Overseas I. Inc., a Panamanian corporation;
 - “Nejapa” means Nejapa Power Company S. de R.L., a Panamanian corporation;

- “OPC” means O.P.C. Rotem Ltd., an Israeli corporation;
- “Pedregal” means Pedregal Power Company S.de.R.L., a Panamanian corporation;
- “Puerto Quetzal” means Puerto Quetzal Power L.L.C., a Delaware limited liability company;
- “RECSA” means Redes Eléctricas de Centroamérica, S.A., a Guatemalan corporation;
- “Samay I” means Samay I S.A., a Peruvian corporation;
- “Southern Cone” means Southern Cone Power Perú S.A., a Peruvian corporation through which we held our interest in Generandes.
- “Surpetroil” means Surpetroil S.A.S., a Colombian corporation; and
- “Tipitapa Power” means Tipitapa Power Company Ltd., a Cayman Islands corporation.
- **IC Power’s Regulatory Bodies and Electricity System Coordination Entities**
 - “AMM” means Wholesale Market Administrator (*Administrador del Mercado Mayorista*), a private entity that coordinates the operation of the generation facilities and international interconnections and transmission lines that form Guatemalan National Electricity System;
 - “ANA” means the National Water Authority of Peru (*Autoridad Nacional del Agua*);
 - “CFE” means the Federal Electricity Commission (*Comisión Federal de Electricidad*), which is Mexico’s state-owned power utility;
 - “CND” means the National Dispatch Center of Panama (*Centro Nacional de Despacho*);
 - “CNDC” means the National Dispatch Committee of Bolivia (*Comité Nacional de Despacho de Carga*), a governmental entity responsible for planning and coordinating the operation of the generation, transmission and distribution systems that form the SIN in Bolivia;
 - “CNEE” means the National Electric Energy Commission of Guatemala (*Comisión Nacional de Energía Eléctrica*), which was established pursuant to the General Electricity Law of 1996, Decree 93-96, or General Electricity Law (*Ley General de Electricidad*) and acts as a technical arm of the MEM and which determines the transmission and distribution tariffs and is responsible for ensuring compliance with Guatemalan electricity laws;
 - “COES” means the Committee for the Economic Operation of the System (*Comité de Operación Económica del Sistema Interconectado Nacional*), an independent and private Peruvian entity composed of qualified participants undertaking activities in SEIN which is responsible for planning and coordinating the operation of the generation, transmission and distribution systems that form the SEIN;
 - “CREG” means the Commission for the Regulation of Energy and Gas in Colombia (*Comisión de Regulación de Energía y Gas*);
 - “EA” means the Electricity Authority in Israel, which was established pursuant to the Electricity Sector Law to regulate and supervise, among other things, the provision of essential electric public services in Israel and electricity tariffs;
 - “IEC” means Israel Electric Corporation, a government-owned entity, which generates and supplies the majority of electricity in Israel, transmits and distributes all of the electricity in Israel, acts as the system operator of Israel’s electricity system, determines the dispatch order of generation units, grants interconnection surveys, and sets spot prices, among other roles;
 - “INDECOPI” means the National Institute for the Defense of Competition and Intellectual Property Protection (*Instituto Nacional de Defensa de la Competencia y de la Protección de la Propiedad Intelectual*), the Peruvian antitrust and intellectual property regulator;

- “INDE” means the National Electrification Institute of Guatemala (*Instituto Nacional de Electrificación*), an entity in charge of development of local power production pursuant to the General Electricity Law and which operates through its three subsidiary firms: Empresa de Generación de Energía Eléctrica (EGEE) responsible for power generation, Empresa de Transporte y Control de Energía Eléctrica (ETCEE) responsible for transmission and Empresa de Comercialización de Energía (ECOE) responsible for marketing;
- “MEM” means the Ministry of Energy and Mines of Guatemala (*Ministerio de Energía y Minas*), which is responsible for enforcing the General Electricity Law and the related regulations and for the coordination of policies between CNEE and the AMM and overseeing energy and mining sectors in Guatemala;
- “MINEM” means the Ministry of Energy and Mines of Peru (*Ministerio de Energía y Minas*), which is responsible for, among other things, setting national energy policy, proposing and adopting laws and regulations to supervise the energy sector and granting concessions and authorizations to entities who wish to operate in power generation, transmission or distribution in Peru;
- “OC” means the Coordinating Body (*Organismo Coordinador*), a Dominican governmental authority whose function is to plan and coordinate the operations of the generation, transmission and distribution systems that form the SENI;
- “OSINERGMIN” means the Supervisory Body of Investment in Energy and Mining (*Organismo Supervisor de la Inversión en Energía y Minería*), a Peruvian governmental authority which is responsible for, among other things, ensuring that companies comply with the rules and regulations applicable to the energy industry in Peru and for setting the tariffs to be charged to regulated customers;
- “PUAE” means Israel’s Public Utilities Authority (*Electricity*), the entity which, prior to January 1, 2016, regulated and supervised, among other things, the provision of essential electric public services in Israel and electricity tariffs. As of January 1, 2016, the EA performs this role;
- “Salvadorian CNE” means the National Energy Commission of El Salvador (*Comisión Nacional de Energía*), a governmental entity which is responsible for proposing and adopting policies and regulations for the Salvadorian energy sector;
- “SEIN” means the national interconnected electrical system of Peru (*Sistema Eléctrico Interconectado Nacional*);
- “SENI” means the national interconnected electrical system of the Dominican Republic (*Sistema Eléctrico Nacional Interconectado*);
- “SIC” means the national interconnected electrical system of Chile (*Sistema Interconectado Central*);
- “SIEPAC” means Central American Electrical Interconnection System (*Sistema de Interconexión Eléctrica de los Países de América Central*) that connects the transmission systems of Nicaragua, Panama, Costa Rica, Honduras, El Salvador and Guatemala through a 230 KW transmission line;
- “SIGET” means the General Superintendency of Electricity and Telecommunications (*Superintendencia General de Electricidad y Telecomunicaciones*), a Salvadorian entity which is responsible for ensuring that companies comply with the rules and regulations passed by the Salvadorian CNE, as well as other laws that are applicable to the energy industry in El Salvador;
- “SIN” means a national system formed by generation plants, the interconnected grid, regional transmission lines, distribution lines and consumer loads (*Sistema Interconectado Nacional*) in each of Bolivia, Colombia and Guatemala;
- “SING” means the Interconnected System of Norte Grande of Chile (*Sistema Interconectado Norte Grande*); and
- “UPME” means the Mining and Energy Planning Unit (*Unidad de Planeación Minero Energética*), a special administrative unit of the Ministry of Mines and Energy of Colombia.
- **Industry and Other Terms Relevant to IC Power’s Operations**

- “availability factor” means the percentage of hours a power generation unit is available for generation of electricity in the relevant period, whether or not the unit is actually dispatched or used for generating power;
- “Btu” means British thermal units;
- “CAGR” means compound annual growth rate;
- “COD” means the commercial operation date of a development project;
- “distribution” refers to the transfer of electricity from the transmission lines at grid supply points and its delivery to consumers at lower voltages through a distribution system;
- “EPC” means engineering, procurement and construction;
- “firm capacity” means the amount of energy available for production that, pursuant to applicable regulations, must be guaranteed to be available at a given time for injection to a certain power grid;
- “greenfield projects” means projects constructed on unused land with no need to demolish or remodel existing structures;
- “GWh” means gigawatt hours (one GWh is equal to 1,000 MWh);
- “Heat rate” means the number of Btu of energy contained in the fuel required to produce a kWh of energy (Btu/kWh) for thermal plants;
- “HFO” means heavy fuel oil;
- “IC Power’s capacity” or “IC Power’s installed capacity” means, with respect to each asset, 100% of the capacity of such asset, regardless of IC Power’s ownership interest in the entity that owns such asset;
- “proportionate capacity” means, with respect to each asset, the proportionate capacity of such asset, as determined by IC Power’s ownership interest in the entity that owns such asset;
- “installed capacity” means the intended full-load sustained output of energy that a generation unit is designed to produce (also referred to as name-plate capacity);
- “IPP” means independent power producer, excluding co-generators and generators for self-consumption;
- “kV” means kilovolt;
- “KWh” means kilowatts per hour;
- “MMBtu” means one million metric Btu;
- “MW” means megawatts (one MW is equal to 1,000 kilowatts or KW);
- “MWh” means megawatt per hour;
- “OEM” means original equipment manufacturer;
- “PPA” means power purchase agreement;
- “transmission” refers to the bulk transfer of electricity from generating facilities to the distribution system at load center station in which the electricity is stabilized by means of the transmission grid;
- “VNR” means variable transmission revenue and VNR of transmission system is the estimated cost of replicating a “model” transmission system including an estimated return on capital; and
- “weighted average availability” refers to the number of hours that a generation facility is available to produce electricity divided by the total number of hours in a year.

Although we acquired each of our subsidiaries and associated companies in connection with the spin-off, the operating and other statistical information with respect to each of our subsidiaries and associated companies is presented as of December 31, 2015, unless otherwise indicated, as if we owned such businesses for the periods covered by this annual report.

FINANCIAL INFORMATION

We produce financial statements in accordance with the International Financial Reporting Standards, or IFRS, issued by the International Accounting Standards Board, or IASB, and all financial information included in this annual report is derived from our IFRS financial statements, except as otherwise indicated. In particular, this annual report contains certain non-IFRS financial measures which are defined under “*Item 3.A Selected Financial Data*” and “*Item 4.B Business Overview—Our Businesses—IC Power*.” In addition, certain financial information relating to Tower, where indicated, has been derived from Tower’s financial statements that have been prepared in accordance with U.S. Generally Accepted Accounting Principles, or U.S. GAAP.

Our financial statements for the years ended December 31, 2014 and 2013, and as of December 31, 2014, are presented as combined carve-out financial statements and have been derived from the consolidated financial statements of IC, our former parent. These combined financial statements reflect the assets, liabilities, revenues and expenses directly attributable to us, as well as allocations deemed reasonable by us, to present our combined financial position, profit and loss and other comprehensive income, changes in equity attributable to the owners of the company and cash flows. These combined carve-out financial statements are not necessarily indicative of our financial position, profit and loss and other comprehensive income, or cash flows had we operated as a separate entity throughout the periods presented. We present our combined carve-out financial statements in U.S. Dollars.

Our financial statements as of and for the year ended December 31, 2015, are presented as consolidated financial statements. The audited consolidated financial statements included in this annual report comprise the consolidated statements of profit and loss, other comprehensive income, changes in equity attributable to the owners of the company, and cash flows for the year ended December 31, 2015 and the consolidated statement of financial position as of December 31, 2015. We present our consolidated financial statements in U.S. Dollars.

All references in this annual report to (i) “U.S. Dollars”, “\$” or “USD” are to the legal currency of the United States of America; (ii) “RMB” are to Yuan, the legal currency of the People’s Republic of China, or China; (iii) “NIS” or “New Israeli Shekel” are to the legal currency of the State of Israel, or Israel; (iv) “Euro” are to the legal currency of participating member states for the purposes of the European Monetary Union; (v) “Peruvian Sol” are to the legal currency of Peru; (vi) “Bs” or “Bolivianos” are to the legal currency of the Plurinational State of Bolivia, or Bolivia; (vii) “S\$” are to Singapore Dollars, the legal currency of the Republic of Singapore, or Singapore; (viii) “Colombian pesos” are to the legal currency of the Republic of Colombia, or Colombia; and (ix) “Chilean pesos” are to the legal currency of the Republic of Chile, or Chile. We have made rounding adjustments to reach some of the figures included in this annual report. Consequently, numerical figures shown as totals in some tables may not be arithmetic aggregations of the figures that precede them.

In this annual report, we also include the consolidated financial statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the years ended December 31, 2015, 2014 and 2013, and audited consolidated statements of financial position for Qoros as of December 31, 2015 and 2014, pursuant to Rule 3-09 of Regulation S-X. We also incorporate by reference the (i) unaudited consolidated financial statements of Generandes as of December 31, 2014 and 2013 and for the years ended December 31, 2014 and 2013 and (ii) audited consolidated financial statements of Generandes as of December 31, 2013, 2012 and 2011 and for the years ended December 31, 2013 and 2012, and the related independent auditors’ report thereon, as required by Rule 3-09 of Regulation S-X. These financial statements have been audited according to U.S. Generally Accepted Auditing Standards, except for the financial statements as of and for the year ended December 31, 2014, which are not required to be audited by Rule 3-09 of Regulation S-X because Generandes is not considered a “significant subsidiary” pursuant to Rule 1-02(w) of Regulation S-X for the year ended December 31, 2014.

NON-IFRS FINANCIAL INFORMATION

In this annual report, we disclose non-IFRS financial measures, namely Adjusted EBITDA and Net Debt, each as defined under “*Item 3.A Selected Financial Data—Information on Business Segments*” and “*Item 3.A Selected Financial Data—Information on Business Segments—IC Power*” and “*Item 4.B Business Overview—Our Businesses—IC Power—IC Power’s Description of Operations*.” Each of these measures are important measures used by us, and our businesses, to assess financial performance. We believe that the disclosure of Adjusted EBITDA and Net Debt provides transparent and useful information to investors and financial analysts in their review of our, or our subsidiaries’ and associated companies’, operating performance and in the comparison of such operating performance to the operating performance of other companies in the same industry or in other industries that have different capital structures, debt levels and/or income tax rates.

EXCHANGE RATE INFORMATION

The following tables set forth the historical period-end, average, high and low noon buying rates in New York City for cable transfers in foreign currencies as certified by the Federal Reserve Bank of New York for the U.S. Dollar expressed in RMB per one U.S. Dollar for the periods indicated:

<u>Year</u>	<u>RMB/U.S. Dollar</u>			
	<u>Period end¹</u>	<u>Average rate²</u>	<u>High</u>	<u>Low</u>
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2301	6.2990	6.3879	6.2221
2013	6.0537	6.1412	6.2438	6.0537
2014	6.2046	6.1701	6.2591	6.0402
2015	6.4778	6.2869	6.4896	6.1870

1. Represents the closing exchange rate on the last business day of the applicable period.
2. Represents the average of the closing exchange rates on the last business day of each month during the relevant one-year periods.

<u>Month</u>	<u>RMB/U.S. Dollar</u>	
	<u>High</u>	<u>Low</u>
October 2015	6.3591	6.3180
November 2015	6.3945	6.3180
December 2015	6.4896	6.3883
January 2016	6.5932	6.5219
February 2016	6.5795	6.5154
March 2016	6.5500	6.4480
April 2016 (through April 15, 2016)	6.4810	6.4580

The following tables set forth the historical period-end, average, high and low rates calculated using the daily closing exchange rates, as reported by Bloomberg, for the U.S. Dollar expressed in Peruvian Sol per one U.S. Dollar for the periods indicated:

<u>Year</u>	<u>Peruvian Sol/U.S. Dollar</u>			
	<u>Period end¹</u>	<u>Average rate²</u>	<u>High</u>	<u>Low</u>
2011	2.697	2.755	2.816	2.697
2012	2.568	2.638	2.693	2.568
2013	2.786	2.703	2.802	2.552
2014	2.963	2.839	2.963	2.787
2015	3.414	3.204	3.414	2.975

1. Represents the closing exchange rate on the last business day of the applicable period.
2. Represents the average of the closing exchange rates on the last business day of each month during the relevant one-year periods.

<u>Month</u>	<u>Peruvian Sol/ U.S. Dollar</u>	
	<u>High</u>	<u>Low</u>
October 2015	3.288	3.212
November 2015	3.379	3.284
December 2015	3.414	3.367
January 2016	3.473	3.413
February 2016	3.531	3.477
March 2016	3.518	3.313
April 2016 (through April 21, 2016)	3.930	3.243

MARKET AND INDUSTRY DATA

Certain information relating to the industries in which each of our subsidiaries and associated companies operate and their position in such industries used or referenced in this annual report were obtained from internal analysis, surveys, market research, publicly available information and industry publications. Unless otherwise indicated, all sources for industry data and statistics are estimates or forecasts contained in or derived from internal or industry sources we believe to be reliable. Market data used throughout this annual report was obtained from independent industry publications and other publicly available information. Such data, as well as internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified. In addition, in certain cases we have made statements in this annual report regarding the industries in which each of our subsidiaries and associated companies operate and their position in such industries based upon the experience of our businesses and their individual investigations of the market conditions affecting their respective operations. We cannot assure you that any of these statements are accurate or correctly reflect the position of subsidiaries and associated companies in such industries, and none of our internal surveys or information has been verified by independent sources.

Market data and statistics are inherently predictive and speculative and are not necessarily reflective of actual market conditions. Such statistics are based upon market research, which itself is based upon sampling and subjective judgments by both the researchers and the respondents. In addition, the value of comparisons of statistics for different markets is limited by many factors, including that (i) the markets are defined differently, (ii) the underlying information was gathered by different methods and (iii) different assumptions were applied in compiling the data. Accordingly, although we believe and operate as though all market and industry information presented in this annual report is accurate, the market statistics included in this annual report should be viewed with caution.

REPRESENTATION OF CAPACITY AND PRODUCTION FIGURES

Unless otherwise indicated, statistics provided throughout this annual report with respect to power generation units are expressed in MW, in the case of the capacity of such power generation units, and in GWh, in the case of the electricity production of such power generation units. One GWh is equal to 1,000 megawatt hours, or MWh, and one MWh is equal to 1,000 kilowatt hours, or KWh. Statistics relating to aggregate annual electricity production are expressed in GWh and are based on a year of 8,760 hours. Unless otherwise indicated, IC Power's capacity figures provided in this annual report reflect 100% of the capacity of all of IC Power's assets, regardless of IC Power's ownership interest in the entity that owns each such asset, and IC Power's consolidated generation figures provided in this annual report reflect 100% of the generation figures of IC Power's subsidiaries, and excludes the generation figures of IC Power's associated companies. Excluding the generation figures of AIE, whose generation figures are only presented since the date of its acquisition, generation figures for assets acquired during a year are presented for the full year, regardless of the date within the year when the acquisition occurred. As a result, the generation figures provided in this annual report of Colmito, which we acquired in 2013, and ICPNH, Puerto Quetzal, Surpetroil and JPPC, which IC Power acquired in 2014, reflect 100% of the generation figures of these companies for the years ended December 31, 2013 and 2014, respectively, regardless of IC Power's date of acquisition of such companies. With respect to capacity figures for the year ended December 31, 2014, and any prior periods thereto, IC Power's capacity figures exclude Edegel's 1,540 MW of capacity, as a result of the sale of IC Power's indirect interest in Edegel in September 2014. For information on IC Power's ownership interest in each of its operating companies and associated companies, see "*Item 4.B. Information on the Company—Business Overview—Our Businesses—IC Power.*" For further details on technical conventions used in this annual report, see "*Introduction and Use of Certain Terms.*"

INFORMATION REGARDING TOWER

On July 23, 2015, consistent with our strategy to realize value for our shareholders by, among other things, distributing our interests in our non-primary businesses to our shareholders rationally and expeditiously, we completed the pro rata distribution in specie of 18,030,041 ordinary shares of Tower, representing 23% of the then currently outstanding Tower shares and substantially all of our interest in Tower, to holders of our ordinary shares. As of the date of this annual report, our interest in Tower comprises (i) 2,668 options to purchase 2,668 ordinary shares of Tower and (ii) 1,669,795 Series 9 Warrants to purchase 1,669,795 ordinary shares of Tower, which represents an aggregate of approximately 2% of Tower's outstanding shares.

Tower is subject to the reporting requirements of the Securities and Exchange Commission, or the SEC, and, as a foreign private issuer, Tower is required to file with the SEC annual reports containing audited financial information, and to furnish to the SEC reports containing any material information that Tower provides to its local securities regulator, investors or stock exchange. Tower's published financial statements are prepared according to U.S. GAAP. Information related to Tower contained, or referred to, in this annual report has been derived from Tower's public filings with the SEC. Although we held a significant equity interest in Tower during certain periods discussed in this annual report, we did not control or manage Tower, participate in the preparation of Tower's public reports or financial statements or have any specific information rights regarding Tower during such periods. Any information related to Tower contained, or referred to, in this annual report is provided to satisfy our obligations under the Securities Exchange Act of 1934, or the Exchange Act. You are encouraged to review Tower's publicly available filings, which can be found on the SEC's website at www.sec.gov.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements within the meaning of Section 21E of the Exchange Act, and reflects our current expectations and views of the quality of our assets, our anticipated financial performance, our future growth prospects, the future growth prospects of our businesses, the liquidity of our ordinary shares, and other future events. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts, and are principally contained in the sections entitled “*Item 3. Key Information*,” “*Item 4. Information on the Company*” and “*Item 5. Operating and Financial Review and Prospects*.” These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. Some of these forward-looking statements can be identified by terms and phrases such as “anticipate,” “should,” “likely,” “foresee,” “believe,” “estimate,” “expect,” “intend,” “continue,” “could,” “may,” “plan,” “project,” “predict,” “will,” and similar expressions.

These forward-looking statements relate to:

- our goals and strategies;
- our capital commitments and/or intentions with respect to each of our businesses;
- our ability to implement, successfully or at all, our strategies for us and for each of our businesses following the spin-off;
- our capital allocation principles, as set forth in “*Item 4.B Business Overview*”;
- the funding requirements, strategies, and business plans of our businesses, including statements as to our businesses’ ability to raise third party debt and/or equity financing to fund their operations as needed, including for the construction or expansion of their operations and/or respective facilities;
- the potential listing, offering, distribution or monetization of our businesses and the anticipated timing thereof;
- expected trends in the industries in which each of our businesses operate, including trends relating to the growth of a particular market;
- our expected tax status and treatment;
- fluctuations in the availability and prices of commodities purchased by, or in competition with, our businesses;
- statements relating to litigation and/or regulatory proceedings;
- *with respect to IC Power:*
 - expected supply and demand trends in the Peruvian power market;
 - the expected cost and timing of commencement and completion of existing acquisitions and construction projects, as well as the anticipated installed capacities and business results of such acquisitions or projects;
 - its strategy to source and finance new, development and acquisition projects;
 - its strategy to source and enter into long-term PPAs, and turnkey agreements and the amounts to be paid under such agreements;
 - expected increased demand in certain of the power generation markets where IC Power currently operates or may operate in the future;
 - expected trends in energy consumption, particularly in Latin America;
 - its capital expenditure program;

- the expected revenues of its PPAs, including the PPAs of its assets in advanced stages of construction;
- its strategy to acquire additional generation and distribution businesses;
- the expected cash flows from its distribution businesses;
- future subsidies available to IC Power's businesses and distribution customers;
- expected trends in electrification levels in Guatemala;
- the competitive landscape within Energuate's service areas;
- expected or potential changes in distribution tariffs;
- its ability to enter into or renew its PPAs;
- its expected coverage under its insurance policies;
- the expected initial public offering of IC Power Singapore;
- the price and volume of gas available to OPC and other IPPs in Israel; and
- the potential nationalization of operating assets;
- *with respect to Qoros:*
 - Qoros' expectation to renew or refinance its working capital facilities to support its continued operations and development;
 - Qoros' strategy to increase its sales volumes;
 - expected growth in the Chinese passenger vehicle market, particularly within the C-segment and C-segment SUV market;
 - Qoros' liquidity position;
 - the expected conversion of Qoros' shareholder loans into equity;
 - Qoros' plans to develop its dealer network;
 - the assumptions used in Qoros' impairment analysis, including assumptions related to future sales volumes and price, operating expenses, and the availability of funding, including certain subsidies from local Chinese governments during the projection period;
 - the effect of environmental regulations on Qoros' business;
 - Qoros' ability to increase its production capacity;
 - Qoros' ability to launch new models using its existing platform, to the extent that demand for its vehicles increases;
 - the expected development of the New Energy Vehicle, or NEV, market in China; and
 - Qoros' NEV division.
- *with respect to ZIM:*
 - the assumptions used in Kenon's and ZIM's impairment analysis with respect to Kenon's investment in ZIM, and ZIM's assets, respectively, including with respect to expected fuel price, freight rates, and WAC trends;

- modifications with respect to its operating fleet and lines, including the utilization of larger vessels within certain trade zones;
- the expansion of the Panama Canal; and
- trends related to the global container shipping industry, including with respect to fluctuations in container supply, demand, bunker prices and charter/freights rates;
- *with respect to Primus:*
 - its strategy;
 - its plans to raise capital;
 - its project pipeline; and
 - its expected sources of revenue.

The preceding list is not intended to be an exhaustive list of each of our forward-looking statements. The forward-looking statements are based on our beliefs, assumptions and expectations of future performance, taking into account the information currently available to us and are only predictions based upon our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by these forward-looking statements which are set forth in “*Item 3.D Risk Factors.*” Given these risks and uncertainties, you should not place undue reliance on forward-looking statements as a prediction of actual results.

Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing factors that could cause our actual results to differ materially from those contemplated in any forward-looking statement included in this annual report should not be construed as exhaustive. You should read this annual report, and each of the documents filed as exhibits to the annual report, completely, with this cautionary note in mind, and with the understanding that our actual future results may be materially different from what we expect.

PART I

ITEM 1. Identity of Directors, Senior Management and Advisers

A. Directors and Senior Management

Not applicable.

B. Advisers

Not applicable.

C. Auditors

Not applicable.

ITEM 2. Offer Statistics and Expected Timetable

Not applicable.

ITEM 3. Key Information

A. Selected Financial Data

The following tables set forth our selected combined carve-out financial and other data (for all periods as of and prior to December 31, 2014) and selected consolidated financial and other data (for all periods subsequent to December 31, 2014). This data should be read in conjunction with our audited financial statements, and the related notes thereto, as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013, included elsewhere in this annual report, and the information contained in “Item 5. Operating and Financial Review and Prospects” and “Item 3.D Risk Factors.” The historical financial and other data included here and elsewhere in this annual report should not be assumed to be indicative of our future financial condition or results of operations. During 2015, an immaterial error was identified with respect to the deferred tax calculation relating to the effect of foreign exchange rate on non-monetary assets in previous years in IC Power. Kenon’s and IC Power’s selected financial data for 2014, 2013 and 2012 has been revised to correct this immaterial error.

Our financial statements presented in this annual report have been prepared in accordance with IFRS as issued by the IASB. The assumptions used in the preparation of the selected financial data for 2012 and 2011 set forth below are the same as those used in the preparation of the audited financial statements for 2015, 2014 and 2013, as described in Note 1 to our audited financial statements included elsewhere in this annual report.

The selected financial data below also includes certain non-IFRS measures used by us to evaluate our economic and financial performance. These measures are not identified as accounting measures under IFRS and therefore should not be considered as an alternative measure to evaluate our performance.

	<u>2015</u>	<u>2014</u>	<u>Year Ended December 31,</u>		
			<u>2013¹</u>	<u>2012¹</u>	<u>2011¹</u>
			<i>(in millions of USD)</i>		
Statements of Profit and Loss Data²					
Revenues from sale of electricity	\$1,289	\$1,372	\$ 873	\$ 577	\$ 480
Cost of sales and services	(863)	(981)	(594)	(395)	(334)
Depreciation	(111)	(100)	(70)	(51)	(37)
Gross profit	\$ 315	\$ 291	\$ 209	\$ 131	\$ 109
Selling, general and administrative expenses	(104)	(131)	(73)	(69)	(51)
Gain from distribution of dividend in kind	210	—	—	—	—
Gain from disposal of investees	—	157	—	5	19
Gain on bargain purchase	—	68	1	—	—
Asset impairment	(7)	(48)	—	—	—
Dilution gains from reduction in equity interest held in associates	33	—	—	—	—

	2015	2014	Year Ended December 31,		
			2013 ¹	2012 ¹	2011 ¹
			(in millions of USD)		
Other expenses	(7)	(14)	(5)	—	(4)
Other income	16	51	5	12	29
Operating profit from continuing operations	\$ 456	\$ 374	\$ 137	\$ 79	\$ 102
Financing expenses	(124)	(110)	(69)	(39)	(37)
Financing income	13	16	5	3	3
Financing expenses, net	\$ (111)	\$ (94)	\$ (64)	\$ (36)	\$ (34)
Share in losses of associated companies, net of tax	187 ³	171 ³	127	52	42
Profit from continuing operations before income taxes	\$ 158	\$ 109	\$ (54)	\$ (9)	\$ 26
Income taxes	62	103	49	20	18
Profit / (loss) for the year from continuing operations	\$ 96	\$ 6	\$ (103)	\$ (29)	\$ 8
Profit / (loss) for the year from discontinued operations (after taxes)⁴	—	\$ 471	\$ (513)	\$ (409)	\$ (397)
Profit / (loss) for the year	\$ 96	\$ 477	\$ (616)	\$ (438)	\$ (389)
Attributable to:					
Kenon's shareholders	\$ 73	\$ 458	\$ (631)	\$ (450)	\$ (407)
Non-controlling interests	23	19	15	12	18
Profit / (loss) for the year attributable to Kenon's shareholders derived from:					
IC Power	\$ 63	\$ 199	\$ 61	\$ 59	\$ 60 ⁵
Qoros	(196)	(175)	(127)	(54)	(54)
ZIM	1	(142)	(533)	(432)	(395)
Gain from ZIM in light of deconsolidation and change to associated company	—	609	—	—	—
Tower	(1)	10	(27)	(21)	(8)
Gain from distribution of dividend in kind	210	—	—	—	—
Other ⁶	(4)	(43)	(5)	(2)	(10)
Total profit / (loss) for the year attributable to Kenon's shareholders	\$ 73	\$ 458	\$ (631)	\$ (450)	\$ (407)
Statements of Financial Position Data					
Cash and cash equivalents	\$ 384	\$ 610	\$ 671	\$ 414	\$ 439
Short-term investments and deposits	309	227	30	89	175
Trade receivables, net	123	181	358	323	286
Other current assets	45	59	98	83	93
Income tax receivable	4	4	7	15	8
Inventories	51	55	150	174	161
Total current assets	916	1,136	\$1,314	\$1,098	\$1,162
Total non-current assets⁷	3,567	3,184	4,671	4,880	4,839
Total assets	\$4,483	\$4,320	\$5,985	\$5,978	\$6,001
Total current liabilities	653	\$ 497	\$2,925	\$1,172	\$2,666
Total non-current liabilities	\$2,566	\$2,385	\$2,113	\$3,357	\$1,756
Equity attributable to the owners of the Company	1,061	1,230	710	1,214	1,401
Total equity	\$1,264	\$1,438	\$ 947	\$1,449	\$1,579
Total liabilities and equity	\$4,483	\$4,320	\$5,985	\$5,978	\$6,001
Statements of Cash Flow Data					
Net cash provided by operating activities	\$ 290	\$ 410	\$ 257	\$ 169	\$ 130
Net cash used in investing activities	(737)	(883)	(278)	(320)	(575)
Net cash provided by financing activities	233	430	281	122	269
(Decrease) / increase in cash and cash equivalents	(214)	(42)	260	(29)	(176)

1. Results during these periods have been reclassified to reflect the discontinued operations of ZIM and Petrotec. For further information, see Note 27 to our financial statements included in this annual report.
2. Consists of the consolidated results of IC Power and Primus for 2011 through 2013 and, from June 30, 2014, the consolidated results of HelioFocus; prior to this date, Kenon did not consolidate HelioFocus' results of operations.
3. Includes Kenon's share in ZIM's loss for the six months ended December 31, 2014 and the year ended December 31, 2015. As from July 1, 2014, Kenon accounted for ZIM's results of operations pursuant to the equity method of accounting.
4. Consists of (i) ZIM's results of operations for 2011 through 2013 and the six months ended June 30, 2014 and (ii) Petrotec's results of operations for 2011 through 2014.
5. Includes \$24 million of pre-tax recognition of gain on bargain purchase.
6. Consists of the elimination of intercompany finance income until 2014, Kenon's general and administrative expenses, finance expenses, the results of Primus and gain from reductions in equity invested. From June 30, 2014, also includes the consolidated results of HelioFocus.
7. Includes Kenon's associated companies: (i) Qoros, (ii) Tower (until June 30, 2015), (iii) from June 30, 2014, ZIM; and (iv) prior to June 30, 2014, HelioFocus.

Selected Reportable Segment Data

Kenon is a holding company of (i) IC Power, (ii) Primus, (iii) a 32% interest in ZIM, (iv) a 50% interest in Qoros, (v) until December 24, 2014, Petrotec, and (vi) until July 23, 2015, a 22.5% interest in Tower. Kenon's segments are IC Power, Qoros and Other. Kenon's Other segment includes the results of Primus, and from June 30, 2014, the results of HelioFocus and Kenon (Company level).

The results of the following companies are included in Kenon's statements of profit and loss as share in losses of associated companies, net of tax, for the years set forth below, except as otherwise indicated: (i) Qoros, (ii) ZIM from June 30, 2014, (iii) Tower until June 30, 2015, (iv) HelioFocus until June 30, 2014 (subsequently, HelioFocus' results have been consolidated with Kenon's) and (v) certain non-controlling interests held by IC Power. The following table sets forth selected financial data for Kenon's reportable segments for the periods presented:

	Year Ended December 31, 2015				Consolidated Results
	IC Power	Qoros ¹ <i>(in millions of USD, unless otherwise indicated)</i>	Other ²	Adjustments ³	
Sales	\$ 1,294	\$ —	\$ —	\$ (5)	\$ 1,289
Depreciation and amortization	(119)	—	(1)	—	(120)
Asset impairment	—	—	(7)	—	(7)
Financing income	10	—	3	—	13
Financing expenses	(115)	—	(9)	—	(124)
Share in (losses) income of associated companies	—	(196)	9	—	(187)
Gain from distribution of dividend in kind	—	—	210	—	210
Income (loss) before taxes	\$ 149	\$(196)	\$ 205	\$ —	\$ 158
Income taxes	(62)	—	—	—	(62)
Income (loss) from continuing operations	\$ 87⁴	\$(196)	\$ 205	\$ —	\$ 96
Attributable to:					
Kenon's shareholders	63	(196)	206	—	73
Non-controlling interests	24	—	(1)	—	23
Segment assets ⁵	\$ 4,069	\$ —	\$ 45 ⁶	\$ —	\$ 4,114
Investments in associated companies	9	159	201	—	369
Segment liabilities	3,063	—	156 ⁷	—	3,219
Capital expenditure	533 ⁸	—	—	—	533
Adjusted EBITDA	\$ 372 ^{4,9}	\$ —	\$ 1 ¹⁰	\$ —	\$ 373

	Year Ended December 31, 2015				Consolidated Results
	IC Power	Qoros ¹ (in millions of USD, unless otherwise indicated)	Other ²	Adjustments ³	
Percentage of consolidated revenues	100%	—	—	—	100%
Percentage of consolidated assets	91%	4%	5%	—	100%
Percentage of consolidated assets excluding associated companies	99%	—	1%	—	100%
Percentage of consolidated Adjusted EBITDA	100%	—	—	—	100%

1. Associated company.
2. Includes the results of Primus and HelioFocus; the results of ZIM and Tower (up to June 30, 2015), as associated companies; as well as Kenon's and IC Green's holding company and general and administrative expenses.
3. "Adjustments" includes inter-segment sales.
4. IC Power's net income and Adjusted EBITDA, as reported by Kenon, for the year ended December 31, 2015, differ from the amounts reported by IC Power for the same period as a result of the adjustment of certain provisions at IC Power, which were adjusted in IC Power's 2014 financial statements, but were adjusted in 2015 for Kenon. For further information, see "Item 5. Operating and Financial Review and Prospects—Material Factors Affecting Results of Operations—IC Power—Decisions by the EA Regarding System Management Charges."
5. Excludes investments in associates.
6. Includes Kenon's and IC Green's assets.
7. Includes Kenon's and IC Green's liabilities.
8. Includes the additions of Property, Plant and Equipment, or PP&E, and intangibles based on an accrual basis.
9. With respect to IC Power's Adjusted EBITDA, as reported by Kenon, for the years ended December 31, 2015 and 2014, Kenon defines "Adjusted EBITDA" as net income for the period, as reported by Kenon, before depreciation and amortization, finance expenses (net), asset impairment and income tax expense, excluding share in income of associated companies, gain on bargain purchase and gain from disposal of investees. Adjusted EBITDA is not recognized under IFRS or any other generally accepted accounting principles as a measure of financial performance and should not be considered as a substitute for net income or loss, cash flow from operations or other measures of operating performance or liquidity determined in accordance with IFRS. Adjusted EBITDA is not intended to represent funds available for dividends or other discretionary uses by us because those funds may be required for debt service, capital expenditures, working capital and other commitments and contingencies. Adjusted EBITDA presents limitations that impair its use as a measure of our profitability since it does not take into consideration certain costs and expenses that result from our business that could have a significant effect on net income, such as financial expenses, taxes, depreciation, capital expenses and other related charges. The following table sets forth a reconciliation of IC Power's net income (loss), as reported by Kenon, to its Adjusted EBITDA, as reported by Kenon, for the periods presented. Other companies may calculate EBITDA differently, and therefore this presentation of Adjusted EBITDA may not be comparable to other similarly titled measures used by other companies.

	Year Ended December 31,	
	2015	2014
	(\$ millions)	
Net income for the period	\$ 87	\$ 222
Depreciation and amortization	119	108
Financing expenses, net	104	123
Asset impairment	—	35
Income tax expense	62	99
Share in (income) of associated companies	—	(14)
Gain on bargain purchase	—	(68)
Gain from disposal of investees	—	(157)
Adjusted EBITDA	\$372	\$ 348

10. With respect to its “Other” reporting segment, Kenon defines “Adjusted EBITDA” as income (loss) for the year before finance expenses, net, depreciation and amortization, asset impairment, and income tax expense, excluding gain from distribution of dividend in kind and share in loss of associated companies, net of tax. Adjusted EBITDA is not recognized under IFRS or any other generally accepted accounting principles as a measure of financial performance and should not be considered as a substitute for net income or loss, cash flow from operations or other measures of operating performance or liquidity determined in accordance with IFRS. Adjusted EBITDA is not intended to represent funds available for dividends or other discretionary uses by us because those funds may be required for debt service, capital expenditures, working capital and other commitments and contingencies. Adjusted EBITDA presents limitations that impair its use as a measure of our profitability since it does not take into consideration certain costs and expenses that result from our business that could have a significant effect on net income, such as financial expenses, taxes, depreciation, capital expenses and other related charges. The following table sets forth a reconciliation of our “Other” reporting segment’s income (loss) to its Adjusted EBITDA for the periods presented. Other companies may calculate EBITDA differently, and therefore this presentation of Adjusted EBITDA may not be comparable to other similarly titled measures used by other companies.

	Year Ended December 31,		
	2015	2014	2013
	(in millions of USD)		
Income (loss) for the period	\$ 205	\$ (41)	\$ (50)
Finance expenses (net)	7	(29)	(17)
Depreciation and amortization	1	—	5
Asset impairment	7	13	—
Income tax expense	—	4	—
Gain from distribution of dividend in kind	(210)	—	—
Share in (income) loss from associated companies	(9)	10	32
Adjusted EBITDA	\$ 1	\$ (43)	\$ (30)

	Year Ended December 31, 2014 ¹				
	IC Power	Qoros ²	Other ³	Adjustments ⁴	Combined Carve-Out Results
	(in millions of USD, unless otherwise indicated)				
Sales	\$ 1,358	\$ —	\$ —	\$ 14	\$ 1,372
Depreciation and amortization	(108)	—	—	—	(108)
Financing income	9	—	39	(32)	16
Financing expenses	(132)	—	(10)	32	(110)
Share in (losses) income of associated companies	14	(175)	(10)	—	(171)
Asset impairment	(35)	—	(13)	—	(48)
Gain from disposal of investee	157	—	—	—	157
Gain from bargain purchase	68	—	—	—	68
Income (loss) before taxes	\$ 321	\$ (175)	\$ (37)	\$ —	\$ 109
Income taxes	(99)	—	(4)	—	(103)
Income (loss) from continuing operations	\$ 222⁵	\$ (175)	\$ (41)	\$ —	\$ 6
Attributable to:					
Kenon’s shareholders	197	(175)	(34)	—	(12)
Non-controlling interests	25	—	(7)	—	18
Segment assets ⁶	\$ 3,832	\$ —	\$ 837 ⁷	\$ (785)	\$ 3,884
Investments in associated companies	10	221	205	—	436
Segment liabilities	2,860	—	806 ⁸	(785)	2,881
Capital expenditure ⁹	593	—	12	—	605
Adjusted EBITDA	\$ 348 ^{5, 10}	\$ —	\$ (43) ¹¹	\$ —	\$ 305
Percentage of combined revenues	99%	—	—	1%	100%
Percentage of combined assets	89%	—	23%	(12)%	100%
Percentage of combined assets excluding associated companies	99%	—	21%	(20)%	100%
Percentage of combined Adjusted EBITDA	114%	—	(14)%	—	100%

1. During 2015, an immaterial error was identified with respect to the deferred tax calculation relating to the effect of foreign exchange rate on non-monetary assets in previous years in IC Power. Kenon's and IC Power's financial information for 2014, 2013 and 2012 has been revised to correct this immaterial error.
2. Associated company.
3. Includes financing income from former parent company loans to Kenon's subsidiaries; the results of Primus, HelioFocus (from June 30, 2014) and ZIM (up to June 30, 2014); the results of ZIM (from June 30, 2014), Tower and HelioFocus (up to June 30, 2014), as associated companies; as well as Kenon's and IC Green's holding company and general and administrative expenses.
4. "Adjustments" includes inter-segment sales, and the consolidation entries. For the purposes of calculating the "percentage of combined assets" and the "percentage of combined assets excluding associated companies," "Adjustments" has been combined with "Other."
5. IC Power's net income and Adjusted EBITDA, as reported by Kenon, for the year ended December 31, 2014, differ from the amounts reported by IC Power for the same period as a result of the adjustment of certain provisions at IC Power, which were adjusted in IC Power's 2014 financial statements, but were adjusted in 2015 for Kenon. For further information, see "Item 5. Operating and Financial Review and Prospects—Material Factors Affecting Results of Operations—IC Power—Decisions by the EA Regarding System Management Charges."
6. Excludes investments in associates.
7. Includes Kenon's and IC Green's assets.
8. Includes Kenon's and IC Green's liabilities.
9. Includes the additions of PP&E and intangibles based on an accrual basis.
10. For a reconciliation of IC Power's net income, as reported by Kenon, to its Adjusted EBITDA, as reported by Kenon, for the year ended December 31, 2014, see "Item 3.A Selected Financial Data."
11. Adjusted EBITDA is a non-IFRS measure. For a reconciliation of our "Other" reporting segment's income (loss) to its Adjusted EBITDA, see footnote 10 to the preceding table setting forth the selected financial data for the year ended December 31, 2015.

	Year Ended December 31, 2013 ^{1, 2}				Combined Carve-Out Results
	IC Power	Qoros ³ <i>(in millions of USD, unless otherwise indicated)</i>	Other ⁴	Adjustments ⁵	
Sales	\$ 866	\$ —	\$ —	\$ 7	\$ 873
Depreciation and amortization	(75)	—	(5)	—	(80)
Financing income	5	—	32	(32)	5
Financing expenses	(86)	—	(15)	32	(69)
Share in (losses) income of associated companies	32	(127)	(32)	—	(127)
Income (loss) before taxes	\$ 123	(127)	\$ (50)	\$ —	\$ (54)
Income taxes	49	—	—	—	49
Income (loss) from continuing operations	\$ 74	\$ (127)	\$ (50)	\$ —	\$ (103)
Attributable to:					
Kenon's shareholders	61	(127)	(48)	—	(114)
Non-controlling interests	13	—	(2)	—	11
Segment assets ⁶	\$ 2,749	\$ —	\$3,832 ⁷	\$ (1,136)	\$ 5,444
Investments in associated companies	286	226	28	—	540
Segment liabilities	2,237	—	3,933 ⁸	(1,136)	5,033
Capital expenditure	351 ⁹	—	—	—	351
Adjusted EBITDA	\$ 247 ¹⁰	\$ —	\$ (30) ¹¹	\$ —	\$ 217
Percentage of combined revenues	99%	—	—	1%	100%
Percentage of combined assets	51%	—	65%	(16)%	100%
Percentage of combined assets excluding associated companies	50%	—	70%	(21)%	100%
Percentage of combined Adjusted EBITDA	114%	—	(14)%	—	100%

1. During 2015, an immaterial error was identified with respect to the deferred tax calculation relating to the effect of foreign exchange rate on non-monetary assets in previous years in IC Power. Kenon's and IC Power's financial information for 2014, 2013 and 2012 has been revised to correct this immaterial error.
2. Results during the period have been reclassified to reflect the discontinued operations of ZIM and Petrotec. For further information, see Note 27 to our financial statements included in this annual report.
3. Associated company.
4. Includes financing income from former parent company loans to Kenon's subsidiaries; the results of Primus and ZIM; the results of Tower and HelioFocus, as associated companies; as well as Kenon's and IC Green's holding company and general and administrative expenses.
5. "Adjustments" includes inter-segment sales and the consolidation entries. For the purposes of calculating the "percentage of combined assets" and the "percentage of combined assets excluding associated companies," "Adjustments" has been combined with "Other."
6. Excludes investments in associates.
7. Includes Kenon's, IC Green's and ZIM's assets.
8. Includes Kenon's, IC Green's and ZIM's liabilities.
9. Includes the additions of PP&E and intangibles based on an accrual basis.
10. For a reconciliation of IC Power's net income, as reported by IC Power, to its Adjusted EBITDA, as reported by IC Power, see "Item 3.A Selected Financial Data."
11. For a reconciliation of our "Other" reporting segment's income (loss) to its Adjusted EBITDA, see footnote 10 to the table setting forth the selected financial data for the year ended December 31, 2015.

IC Power

The following tables set forth other financial and key operating data for IC Power for the periods presented:

	2015	Year Ended December 31,			
		2014	2013	2012	2011
		(\$ millions, except as otherwise indicated)			
Net income from continuing operations ¹	49	128	45	39	53
Net income for the period	53 ²	256 ²	74	68	73
Adjusted EBITDA ³	326 ²	395 ²	247	154	120
Net debt ⁴	1,903	1,557	1,143	1,001	701
Installed capacity of operating companies and associated companies at end of period (MW)	2,665	2,642	2,070	1,572	1,280
Proportionate capacity of operating companies and associated companies at end of period (MW)	2,170	2,108	1,608	1,198	979
Weighted average availability during the period (%)	95%	94%	94%	93%	91%
Gross energy generated (GWh)	13,109	13,156	8,820	6,339	6,011
Energy sold under PPAs (GWh)	13,748	14,220	9,217	5,365	5,212

1. The share in net income attributable to non-controlling interests held by third parties in IC Power's subsidiaries was \$17 million, \$29 million, \$13 million, \$10 million and \$13 million for the years ended December 31, 2015, 2014, 2013, 2012 and 2011 respectively.
2. IC Power's Adjusted EBITDA and net income, as reported by Kenon, for the years ended December 31, 2015 and 2014 differ from the amounts reported by IC Power for the same period as a result of the adjustment of certain provisions at IC Power, which were adjusted in IC Power's 2014 financial statements, but were adjusted in 2015 for Kenon. For further information, see "Item 5. Operating and Financial Review and Prospects—Material Factors Affecting Results of Operations—IC Power—Decisions by the EA Regarding System Management Charges."

3. IC Power defines “Adjusted EBITDA” for each period as net income (loss) for the period before depreciation and amortization, financing expenses, net, income tax expense and asset write-off, excluding share in (income) loss of associated companies, gain on bargain purchase, capital gains, and net (income) loss from discontinued operations, net of tax, excluding dividends received from discontinued operations. Adjusted EBITDA is not recognized under IFRS or any other generally accepted accounting principles as a measure of financial performance and should not be considered as a substitute for net income or loss, cash flow from operations or other measures of operating performance or liquidity determined in accordance with IFRS. Adjusted EBITDA is not intended to represent funds available for dividends or other discretionary uses because those funds may be required for debt service, capital expenditures, working capital and other commitments and contingencies. Adjusted EBITDA presents limitations that impair its use as a measure of IC Power’s profitability since it does not take into consideration certain costs and expenses that result from IC Power’s business that could have a significant effect on IC Power’s net income, such as finance expenses, taxes and depreciation. The following table sets forth a reconciliation of IC Power’s net income to its Adjusted EBITDA for the periods presented. Other companies may calculate Adjusted EBITDA differently, and therefore this presentation of Adjusted EBITDA may not be comparable to other similarly titled measures used by other companies:

	Year Ended December 31,						
	2015	2014	2013	2012	2011	2010 ⁽ⁱ⁾	2009 ⁽ⁱ⁾
	(\$ millions)						
Net income (loss) for the period	\$ 53	\$ 256	\$ 74	\$ 68	\$ 73	\$ 36	\$ 66
Depreciation and amortization ⁽ⁱⁱ⁾	119	108	76	55	41	28	26
Financing expenses, net	104	119	80	44	36	24	18
Income tax expense	50	63	48	18	16	6	8
Asset write-off	—	35	—	—	—	—	—
Share in (income) of associated companies	—	(2)	(2)	(2)	(2)	(1)	(1)
Gain on bargain purchase	—	(71) ⁽ⁱⁱⁱ⁾	(1)	—	(24)	—	—
Capital gains	—	—	—	—	—	—	(35)
Net (income) loss from discontinued operations, net of tax, excluding dividends received from discontinued operations	—	(113) ^(iv)	(28)	(29)	(20)	(11)	(17)
Adjusted EBITDA	\$326	\$ 395	\$247	\$154	\$120	\$ 82	\$ 65

- (i) IC Power was incorporated in January 2010. Financial data for the year ended December 31, 2010 reflects the consolidated results of Inkia and OPC from April 1, 2010 and June 30, 2010, respectively, the time of their transfer to IC Power.
- (ii) Includes depreciation and amortization expenses from cost of sales and general, selling and administrative expenses.
- (iii) Includes \$68 million of income from gain on bargain purchase and \$3 million of income from the measurement of fair value.
- (iv) Excludes \$15 million received from Edegel post-equity method accounting, which is reflected as “other income” in our discontinued operations for that period, but is included in net income (loss) for the period, so is therefore included in Adjusted EBITDA for the period.

4. Net debt is calculated as total debt, excluding debt owed to our parent, minus cash and short term deposits and restricted cash. Net debt is not a measure recognized under IFRS. The table below sets forth a reconciliation of our total debt to net debt.

	As of December 31,				
	2015	2014	2013	2012	2011
	(\$ millions)				
Total debt ⁽ⁱ⁾	\$2,565	\$2,348	\$1,669	\$1,266	\$1,093
Cash ⁽ⁱⁱ⁾	662	791	526	265	392
Net debt	\$1,903	\$1,557	\$1,143	\$1,001	\$ 701

- (i) Total debt comprises loans from banks and third parties and debentures, excluding liabilities of disposal group classified as held for sale and loans owed to our parent, and includes long term and short term debt.
- (ii) Includes short-term deposits and restricted cash of \$302 million, \$208 million, \$9 million, \$81 million and \$171 million at December 31, 2015, 2014, 2013, 2012 and 2011, respectively.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Our business, financial condition, results of operations and liquidity can suffer materially as a result of any of the risks described below. While we have described all of the risks we consider material, these risks are not the only ones we face. We are also subject to the same risks that affect many other companies, such as technological obsolescence, labor relations, geopolitical events, climate change and risks related to the conducting of international operations. Additional risks not known to us or that we currently consider immaterial may also impair our business operations. Our businesses routinely encounter and address risks, some of which may cause our future results to be different—sometimes materially different—than we presently anticipate.

Risks Related to Our Diversified Strategy and Operations

Some of our businesses have significant capital requirements. If these businesses are unable to obtain sufficient financing from third party financing sources or renew or refinance their working capital facilities, they may not be able to operate, and we may deem it necessary to provide such capital, provide a guaranty or indemnity in connection with any financings, provide collateral in connection with any financings, including via the cross-collateralization of assets across businesses, or we may refrain from investing further in any such businesses, all of which may materially impact our financial position and results of operations.

The business plans of our businesses contemplate additional debt or equity financing which is expected to be raised from third parties. However, our businesses may be unable to raise the necessary capital from third party financing sources, and in this case Kenon would be their only source of funding. For example, Qoros will require additional cash to further its development and, until it achieves significant sales levels, to meet its operating expenses, financing expenses, and capital expenditures. For further information on Qoros' liquidity requirements, see *“Qoros will require additional capital resources to meet its operating expenses.”*

The cash resources on our balance sheet (\$58 million) are currently insufficient to fund any significant additional investments in Qoros or our other businesses, particularly in light of our indirect guarantees of Qoros' indebtedness. In the event that Qoros or one or more of our other businesses require capital, either in accordance with their business plans or in response to new developments or to meet operating expenses, and such businesses are unable to raise such financing, Kenon may (i) issue equity in the form of shares or convertible instruments (through a pre-emptive offering or otherwise), (ii) provide financing to a business using funds received from the operations or sales of Kenon's other businesses, (iii) sell part, or all, of its interest in any of its businesses, (iv) raise debt financing at the Kenon level or (v) provide guarantees or collateral in support of the debt of its businesses. To the extent debt financing is available to it, any debt financing that Kenon incurs may not be on favorable terms, may require Kenon to agree to restrictive covenants that limit how Kenon manages its investments in its businesses, and may also limit dividends or other distributions by Kenon. In addition, any equity financing, whether in the form of a sale of shares or convertible instruments, would dilute existing holders of our ordinary shares and any such equity financing could be at prices that are lower than the current trading prices.

In the future, third party financing sources may also require Kenon to guarantee an individual business' indebtedness and/or provide additional collateral, including collateral via a cross-collateralization of assets across businesses. To the extent Kenon guarantees an individual business' indebtedness, it may divert funds received from one business to another business. We may also sell some or all of our interests in any of our businesses to provide funding for another business. Additionally, if we cross-collateralize certain assets (i.e., pledging shares or assets of one of our operating companies to secure debt of another of our operating companies) in order to provide additional collateral to a lender, we may lose an asset associated with one business in the event that a separate business is unable to meet its debt obligations. Furthermore, if Kenon provides any of our businesses with additional capital, provides any third parties with indemnification rights or a guaranty, and/or provides additional collateral, including via cross-collateralization, this could reduce our liquidity. For further information on the capital resources and requirements of each of our businesses, see *“Item 5.B Liquidity and Capital Resources.”*

Qoros will require additional capital resources to meet its operating expenses.

Qoros commenced commercial operations at the end of 2013. Qoros has incurred losses since inception and is continuing to experience losses and negative operating cash flow and expects that this will continue until it achieves significantly higher levels of sales. Qoros' operating expenses, debt service requirements, capital expenditures and other liquidity requirements are significant. Until Qoros experiences a significant increase in sales, it will continue to require additional financing, including the renewal or refinancing of its working capital facilities, to meet these expenses and requirements, and there is no assurance that Qoros will experience an increase in sales in the near-term, if at all.

Qoros has historically relied upon capital contributions, loans, and bank guarantees from its shareholders (Chery Automobile Co. Ltd, or Chery, and Kenon) to fund its development and operations. Qoros' shareholders have made equity contributions in the aggregate amount of RMB8.3 billion and loans of RMB1.5 billion, Chery has guaranteed RMB2,200 million principal amount of Qoros debt (plus interest and fees) and Kenon has provided back-to-back guarantees to Chery for up to RMB1,100 million, plus certain interest and fees. For further information on the risks related to Kenon's guarantee obligations in respect of Qoros' indebtedness, see *"—Kenon has significant "back-to-back" guarantee obligations to Chery in respect of guarantees that Chery has given for Qoros' bank debt and has pledged a portion of its interests in Qoros to secure Qoros' bank debt."*

Qoros' cash flows from operations are not sufficient to meet its operating expenses and debt service requirements at this time, and it does not expect to generate sufficient cash flows from operations to meet such liquidity requirements until it achieves a significant increase in sales, and it may not experience an increase in sales in the near-term or at all. Qoros' available liquidity and capital resources are limited, and it has significant obligations. As of December 31, 2015, Qoros had total loans and borrowings (excluding shareholder loans) of RMB6.0 billion and current liabilities (excluding shareholder loans) of RMB4.3 billion, including trade and other payables of RMB2.6 billion. As of December 31, 2015, Qoros had current assets of RMB1.5 billion, including cash and cash equivalents of RMB257 million. Qoros has long-term, short-term and working capital credit facilities, but amounts available under such facilities are limited. Qoros actively manages its trade payables, accrued expenses and other operating expenses in connection with the management of its liquidity requirements and available resources.

In April 2016, Ansonia Holdings Singapore B.V., or Ansonia, which owns approximately 46% of the outstanding shares of Kenon, entered into a loan agreement to provide loans of up to \$50 million to Qoros to support Qoros' ordinary course working capital requirements, subject to Wuhu Chery making corresponding loans. Ansonia and Wuhu Chery are each expected to initially fund approximately \$25 million of these loans, with remaining amounts at the discretion of Ansonia and Wuhu Chery. In light of the investments made by Kenon in Qoros, including guarantees of Qoros' indebtedness, and Kenon's strategy to refrain from material "cross-allocation" (i.e., investing returns from one business into another), Kenon will not make any loans or other investments in Qoros as part of this transaction. For more information see *"Item 5. Operating and Financial Review and Prospects—Recent Developments—Qoros—Ansonia's Agreement to Invest in Qoros."* Qoros is continuing to seek additional financing for its operations.

Qoros will need to secure additional financing to meet its operating expenses (including accounts payable) and debt service requirements. If Qoros is not able to raise additional financing as required, it may be unable to continue operations, in which case Kenon may lose its entire investment in Qoros and Kenon may be required to make payments under its back-to-back guarantees to Chery in respect of Qoros' bank debt. Alternatively, Chery or other investors may choose to make additional investments in Qoros (without a corresponding Kenon investment) which may result a dilution of Kenon's interest. See *"—Some of our businesses have significant capital requirements. If these businesses are unable to obtain sufficient financing from third party financing sources or renew or refinance their working capital facilities, they may not be able to operate, and we may deem it necessary to provide such capital, provide a guaranty or indemnity in connection with any financings, provide collateral in connection with any financings, including via the cross-collateralization of assets across businesses, or we may refrain from investing further in any such businesses, all of which may materially impact our financial position and results of operations."* above.

Kenon has significant repayment obligations under the IC Credit Facility.

In connection with the spin-off, IC provided Kenon with a \$200 million credit facility, or the IC Credit Facility. During the initial five-year term of the IC Credit Facility, Kenon has agreed to pay IC an annual commitment fee equal to 2.1% of the undrawn amount of the credit facility, which will be capitalized as a payment-in-kind and added to the outstanding amount of the credit facility. Principal and interest payments accrue annually, and become due and payable in accordance with the

terms of the credit facility, with interest payments over the first five-years being paid-in-kind. Kenon has pledged 66% of its interest in IC Power Singapore and IC Power Singapore has pledged 66% of its interest in IC Power to secure Kenon's obligations under the IC Credit Facility, which is now fully drawn. Kenon may be required to use a substantial portion of cash flows received from its businesses to make payments to IC in accordance with the IC Credit Facility, which may reduce Kenon's ability to advance cash to its businesses or to pay dividends to its shareholders in the future, and Kenon may be unable to generate sufficient cash to make such payments. If Kenon is unable to fulfill its payment obligations under the terms of the loan, IC could elect to declare all amounts outstanding thereunder immediately due and payable and terminate all commitments to extend further credit to Kenon. If IC accelerates the repayment of Kenon's obligations (including any acceleration resulting if Kenon fails to make payments under its back-to-back guarantees to Chery), Kenon may not have sufficient liquidity to repay such obligations. For further information on the risks related to Kenon's guarantee obligations in respect of Qoros' indebtedness, see "*—Kenon has significant "back-to-back" guarantee obligations to Chery in respect of guarantees that Chery has given for Qoros' bank debt and has pledged a portion of its interests in Qoros to secure Qoros' bank debt.*" In such circumstances, Kenon would need to raise external financing to repay this facility to avoid losing the shares in IC Power Singapore that it has pledged.

Kenon may also need to raise debt financing or issue equity, and such issuance could result in a full, or partial, dilution of your direct equity interest in Kenon or indirect equity interest in Kenon's businesses. The IC Credit Facility also contains covenants that restrict our ability to make distributions and incur additional indebtedness. For example, prior to a listing of IC Power Singapore's equity, the IC Credit Facility prohibits Kenon from distributing dividends to its shareholders, unless such dividends consist of all, or a portion of, Kenon's equity interests in ZIM. Additionally, there are further restrictions on dividends following an initial public offering, or an IPO, or listing of IC Power Singapore. If, at any time after a listing of IC Power Singapore's equity, we seek to (i) distribute a dividend to our shareholders (in cash or in kind), (ii) incur additional debt, (iii) sell, transfer, or allocate a portion, or all, of our interest in IC Power Singapore, or (iv) sell all of IC Power Singapore's assets, the IC Credit Facility will require the value of Kenon's remaining interest in IC Power Singapore to be, at any given time, equal to at least two times Kenon's net debt (which shall be equal to the outstanding principal amount of the credit facility *plus* the outstanding principal amount of any additional debt owed by Kenon to third parties *minus* Kenon's cash on hand), in each case *plus* interest and fees. Kenon's compliance with such terms may limit its operating and financial flexibility, which may affect Kenon's ability to execute its strategy and thereby have a material adverse effect on Kenon's business, financial condition, results of operations or liquidity. For further information on the terms of the loan from IC to Kenon, see "*Item 5.B Liquidity and Capital Resources—Kenon's Liquidity and Capital Resources—Kenon's Commitments and Obligations—IC Credit Facility.*"

We have approximately \$58 million in cash, and, other than the IC Credit Facility (which we have fully drawn), we have not entered into any other credit facilities at the Kenon level. We are dependent on our businesses for cash flows from operations and to meet our obligations under the IC Credit Facility and our other obligations, including our obligations under our back-to-back guarantees to Chery with respect to Qoros' bank debt. For further information on the risks related to our dependence on our businesses for our liquidity, see "*—We are a holding company and are dependent upon cash flows from our businesses to meet our existing and future obligations.*"

Disruptions in the financial markets could adversely affect Kenon or its businesses, which may not be able to obtain additional financing on acceptable terms or at all.

Kenon's businesses may seek to access capital lending markets for various purposes, which may include raising funding for the repayment of indebtedness, acquisitions, capital expenditures and for general corporate purposes. For example, Kenon's subsidiary IC Power Singapore has filed a registration statement with the SEC to register an initial public offering of its shares. The ability of Kenon's businesses to access capital lending markets, and the cost of such capital, could be negatively impacted by disruptions in those markets. In 2008, 2009 and 2010, credit markets experienced significant dislocations and liquidity disruptions, and capital markets in the beginning of 2016 have demonstrated significant volatility. These disruptions impacted other areas of the economy and led to a slowdown in general economic activity. Similar disruptions in the credit markets could make it more difficult or expensive for our businesses to access the capital or lending markets if the need arises and may make financing terms for borrowers less attractive or available. Furthermore, a decline in the value of any of our businesses, which are or may be used as collateral in financing agreements, could also impact their ability to access financing.

Kenon may seek to access the capital or lending markets to obtain financing in the future, including to support its businesses. The availability of such financing and the terms thereof will be impacted by many factors, including: (i) our financial performance, (ii) our credit ratings or absence of a credit rating, (iii) the liquidity of the overall capital markets, and (iv) the state of the economy. There can be no assurance that Kenon will be able to access the capital markets on acceptable terms or at all. If Kenon deems it necessary to access financing and is unable to do so on acceptable terms or at all, this could have a material adverse effect on our financial condition or liquidity.

We are dependent upon access to the capital markets to execute our strategy with respect to our non-primary interests.

Our strategy may include sales or distributions of our interests in our non-primary businesses. Our ability to distribute or monetize our non-primary businesses is heavily dependent upon the public equity markets. For example, the ability to realize any value from a business disposition may depend upon our ability to complete an initial public offering of the business in which such investment is held. Even if the securities of our business are publicly traded, large holdings of securities can often be disposed of only over a substantial length of time, exposing the investment returns to risks of downward movement in market prices during the intended disposition period. Accordingly, under certain conditions, we may be forced to either sell our equity interest in a particular business at lower prices than expected to realize or defer such a sale, potentially for a long period of time.

We are a holding company and are dependent upon cash flows from our businesses to meet our existing and future obligations.

We are a holding company of various operating companies, and as a result, do not conduct independent operations or possess significant assets other than investments in and advances to our businesses. We have significant obligations and limited liquidity, and as a result, we will depend on funds from our businesses or external financing to meet our obligations.

We have approximately \$58 million in cash, and have fully drawn the IC Credit Facility. We will depend on funds from our subsidiaries or associated companies (or from sales of interests in subsidiaries and associated companies) to repay the IC Credit Facility as well as any interest and fees outstanding on the loan, and, for so long as the loan remains outstanding, to make payments of interest on the loan and to make any payments we may be required to make under the back-to-back guarantees we have given to Chery in respect of Qoros' bank debt. Kenon's subsidiary IC Power Singapore has filed a registration statement with the SEC to register and conduct an initial public offering of IC Power Singapore's shares, and a portion of the proceeds of the offering would be used to repay up to \$220 million of loans owing from IC Power Singapore to Kenon. However, there is no assurance as to when such an IPO would take place, if at all, or that the proceeds would be applied to repay this obligation to Kenon.

In addition, Kenon has provided back-to-back guarantees to Chery of RMB1,100 million, plus certain interest and fees, in respect of certain of Qoros' indebtedness. For further information on, and an overview of, each of the guarantees provided by Kenon in respect of Qoros' debt, see "*Item 5.B Liquidity and Capital Resources—Kenon's Liquidity and Capital Resources—Kenon's Commitments and Obligations—Back-to-Back Guarantees Provided to Chery.*" Kenon may not have sufficient liquidity to pay the full amount of its back-to-back guarantees if it is required to do so. In the event that Kenon is required to make such payments, it would need to obtain such funds from its businesses, which may include IC Power (via dividends, loans or advances, or the repayment of loans or advances to us, which may be funded by sales of assets or minority interests in our businesses), or obtain external financing, which may result in dilution of shareholders (in the event of equity financing) or additional debt obligations for the company (in the event of debt financing). In the event Kenon is required to make payments on its back-to-back guarantees and does not have sufficient liquidity to do so, there may be a cross-default under the IC Credit Facility, which would require Kenon to obtain additional financing or obtain such funds from its businesses to pay the outstanding amounts under such facility. In the event that funds from its businesses or external financing are not available to meet such obligations on reasonable terms or at all, Kenon may need to sell assets to meet such obligations, and its ability to sell assets may be limited in light of the various pledges over the shares and assets within its most valuable asset, IC Power Singapore. Any sales of assets may not be at attractive prices, particularly if such sales must be made quickly to meet Kenon's obligations.

Accordingly, we depend upon the receipt of sufficient funds from our businesses (via dividends, loans or advances, or the repayment of loans or advances to us) or external financing to satisfy our obligations, including our obligations under the IC Credit Facility, or, if required, to make payments in respect of our back-to-back guarantees to Chery in respect of Qoros' indebtedness, and if such funds or financing are not available or sufficient, we may decide to sell interests in our businesses and use the proceeds resulting therefrom to make payments in respect of these obligations, which could reduce amounts available for distributions to our shareholders, and may result in our disposition of assets in circumstances where we might otherwise not have considered such dispositions to be in the best interest of our shareholders.

We have provided loans and guarantees in the past to support our businesses, such as Qoros, and we may provide additional loans to or make investments in or provide guarantees in support of our businesses. Our liquidity requirements will increase to the extent we make further loans or grant additional guarantees to support our businesses.

In addition, as our businesses are legally distinct from us and will generally be required to service their debt obligations before making distributions to us, our ability to access such cash flow from our businesses may be limited in some circumstances and we may not have the ability to cause our entities to make distributions to us, even if they are able to do so. Additionally, the terms of existing and future joint venture, financing, or cooperative operational agreements and/or the laws and jurisdictions under which each of our businesses are organized may also limit the timing and amount of any dividends, other distributions, loans or loan repayments to us. In the case of IC Power, which is a holding company of numerous businesses, its ability to make payments to us may be further limited if its businesses are unable to make payments to it.

Additionally, as dividends are generally taxed and governed by the relevant authority in the jurisdiction in which the company is incorporated, there may be numerous and significant tax or other legal restrictions on the ability of our businesses, including, for example, IC Power's businesses and their ability to remit funds to IC Power or to us, or to remit such funds without incurring significant tax liabilities or incurring a ratings downgrade.

We do not have the right to manage, and in some cases do not control, several of our businesses, and therefore we may not be able to realize some or all of the benefits that we expect to realize from our businesses.

As we do not own a majority interest in Qoros, one of our primary assets, or ZIM, we are subject to the operating and financial risks of these business, the risk that these businesses may make business, operational or financial decisions that we do not agree with, and the risk that we may have objectives that differ from those of the applicable business itself or its controlling shareholder. Our ability to control the development and operation of these investments may be limited, and we may not be able to realize some or all of the benefits that we expect to realize from these investments. For example, we may not be able to cause these businesses to make distributions to us in the amount or at the time that we need or want such distributions.

Furthermore, the loans that Ansonia has agreed to make to our subsidiary Quantum (which will be used by Quantum to make back-to-back loans to Qoros) will be convertible into equity of Quantum at a 10% discount to the implied value of Qoros based upon the receipt of third-party financing. Accordingly, upon such conversion, Kenon's indirect interest in Qoros will be diluted, which will result in economic dilution and Kenon having less control over the Qoros business. In connection with the loan agreement, Ansonia also has certain consent rights with respect to actions that we take in respect of our interest in Qoros. For further information on Ansonia's agreement to invest in Qoros, see "Item 5. Operating and Financial Review and Prospects—Recent Developments—Qoros—Ansonia's Agreement to Invest in Qoros."

In addition, we rely on the internal controls and financial reporting controls of our businesses and the failure of our non-controlled businesses to maintain effective controls or to comply with applicable standards could make it difficult to comply with applicable reporting and audit standards. For example, the preparation of our consolidated financial statements requires the prompt receipt of financial statements from each of our subsidiaries and associated companies, some of whom rely on the prompt receipt of financial statements from each of their subsidiaries and associated companies. Additionally, in certain circumstances, we may be required to file with our annual report on Form 20-F, or a registration statement filed with the SEC, financial information of associated companies which has been audited in conformity with SEC rules and regulations and relevant audit standards. We may not, however, be able to procure such financial statements, or such audited financial statements, as applicable, from our subsidiaries and associated companies and this could render us unable to comply with applicable SEC reporting standards.

Some of our businesses are highly leveraged.

Some of our businesses are significantly leveraged and may incur additional debt financing in the future. As of December 31, 2015, we had approximately \$2.7 billion of outstanding indebtedness on a consolidated basis, including long-term debt, short-term debt and debentures, and including IC Power's \$2.6 billion of outstanding indebtedness. As of December 31, 2015, Qoros had outstanding indebtedness of RMB6.0 billion (excluding shareholder loans) (approximately \$923 million), and ZIM had outstanding indebtedness of approximately \$1.5 billion.

Highly leveraged assets are inherently more sensitive to declines in earnings, increases in expenses and interest rates, and adverse market conditions. A leveraged company's income and net assets also tend to increase or decrease at a greater rate than would otherwise be the case if money had not been borrowed. Consequently, the risk of loss associated with a leveraged company is generally greater than for companies with comparatively less debt. Additionally, a significant portion of our businesses' assets (including their interests in certain of their subsidiaries) have been pledged to secure indebtedness, and as a result, the amount of collateral that is available for future secured debt or credit support and a business' flexibility in dealing with its secured assets may be limited. For example, certain of Kallpa's assets, which represent a significant percentage of IC Power's assets secure Kallpa's senior secured credit facility, and IC Power uses a substantial portion of its consolidated cash flows from operations to make debt service payments, thereby reducing its ability to use its cash flows to fund operations, capital expenditures, or future business opportunities. Additionally, notwithstanding the completion of its restructuring on July 16, 2014, ZIM remains highly leveraged and will continue to face risks associated with those of a highly leveraged company.

Our businesses will generally have to service their debt obligations before making distributions to us or to any other shareholder. In addition, many of the financing agreements relating to the debt facilities or our operating companies contain covenants and limitations, including the following:

- limits on the ratio of debt to EBITDA;
- minimum required ratios of EBITDA to interest expense;
- minimum equity;
- limits on the incurrence of liens or the pledging of certain assets;
- limits on the incurrence of subsidiary debt;
- limits on the ability to enter into transactions with affiliates, including us;
- limits on the ability to pay dividends to shareholders, including us; and
- limits on our ability to sell assets, including interests in subsidiaries and associated companies.

If any of our businesses are unable to repay or refinance their indebtedness as it becomes due, or if they are unable to comply with their covenants, we may decide to sell assets or to take other disadvantageous actions, including (i) reducing financing in the future for investments, acquisitions or general corporate purposes or (ii) dedicating an unsustainable level of our cash flow from operations to the payment of principal and interest on their indebtedness. As a result, the ability of our businesses to withstand competitive pressures and to react to changes in the various industries in which we operate could be impaired. If we choose not to pursue any of these alternatives, a breach of any of our businesses' debt instruments and/or covenants could result in a default under the relevant debt instrument(s). Upon the occurrence of such an event of default, the lenders could elect to declare all amounts outstanding thereunder to be immediately due and payable and, in the case of credit facility lenders, terminate all commitments to extend further credit. If the lenders accelerate the repayment of the relevant borrowings, the relevant business may not have sufficient assets to repay any outstanding indebtedness, which could result in a complete loss of that business for us. Furthermore, the acceleration of any obligation under a particular debt instrument may permit the holders of other material debt to accelerate their obligations pursuant to "cross default" provisions, which could have a material adverse effect on our business, financial condition and liquidity.

As a result, our businesses' degree of leverage could have a material adverse effect on our business, financial condition, results of operations or liquidity.

In addition, we have guarantee obligations with respect to certain Qoros debt and have pledged a portion of our interest in Qoros to support certain Qoros debt. See *"—Kenon has significant "back-to-back" guarantee obligations to Chery in respect of guarantees that Chery has given for Qoros' bank debt and has pledged a portion of its interests in Qoros to secure Qoros' bank debt."*

Our success will be dependent upon the efforts of a limited number of directors and executive officers.

Our success will be dependent upon the decision-making of our directors and executive officers as well as the directors and executive officers of our businesses. The loss of any or all of our directors and executive officers could delay the implementation of our strategies or divert our directors and executive officers' attention from our operations which could have a material adverse effect on our business, financial condition, results of operations or liquidity.

Foreign exchange rate fluctuations and controls could have a material adverse effect on our earnings and the strength of our balance sheet.

Through our businesses, we have facilities and generate costs and revenues in a number of geographic regions across the globe. As a result, a significant portion of our revenue and certain of our businesses' operating expenses, assets and liabilities, are denominated in currencies other than the U.S. Dollar. The predominance of certain currencies varies from business to business, with many of our businesses generating revenues or incurring indebtedness in more than one currency. For example, most of ZIM's revenues and a significant portion of its expenses are denominated in the U.S. Dollar. However, a material portion of ZIM's expenses are denominated in local currencies.

Additionally, we have provided back-to-back guarantees to Chery of RMB1,100 million, plus certain interest and fees, in respect of certain of Qoros' indebtedness. As a result, we are subject to several arrangements that may expose us to RMB exchange rate fluctuations.

Furthermore, our businesses may pay distributions or make payments to us in currencies other than the U.S. Dollar, which we must convert to U.S. Dollars prior to making dividends or other distributions to our shareholders if we decide to make any distributions in the future. Foreign exchange controls in countries in which our businesses operate may further limit our ability to repatriate funds from unconsolidated foreign affiliates or otherwise convert local currencies into U.S. Dollars.

Consequently, as with any international business, our liquidity, earnings, expenses, asset book value, and/or amount of equity may be materially affected by short-term or long-term exchange rate movements or controls. Such movements may give rise to one or more of the following risks, any of which could have a material adverse effect on our business, financial condition, results of operations or liquidity:

- *Transaction Risk*—exists where sales or purchases are denominated in overseas currencies and the exchange rate changes *after* our entry into a purchase or sale commitment but *prior* to the completion of the underlying transaction itself;
- *Translation Risk*—exists where the currency in which the results of a business are reported differs from the underlying currency in which the business' operations are transacted;
- *Economic Risk*—exists where the manufacturing cost base of a business is denominated in a currency different from the currency of the market into which the business' products are sold; and
- *Reinvestment Risk*—exists where our ability to reinvest earnings from operations in one country to fund the capital needs of operations in other countries becomes limited.

If our businesses are unable to manage their interest rate risks effectively, our cash flows and operating results may suffer.

Certain of our businesses' indebtedness bears interest at variable, floating rates. In particular, some of this indebtedness is in the form of Consumer Price Index (CPI)-linked, NIS-denominated bonds. We, or our businesses, may incur further indebtedness in the future that also bears interest at a variable rate or at a rate that is linked to fluctuations in a currency in the form of other than the U.S. Dollar. Although our businesses attempt to manage their interest rate risk, there can be no assurance that they will hedge such exposure effectively or at all in the future. Accordingly, increases in interest rates or changes in the CPI that are greater than changes anticipated based upon historical trends could have a material adverse effect on our or any of our businesses' business, financial condition, results of operations or liquidity.

Risks Related to the Industries in Which Our Businesses Operate

Current conditions in the global economy, and in the industries in which our businesses operate in particular, could have a material adverse effect on us.

The business and operating results of each of our businesses have been, and will continue to be, affected by worldwide economic conditions, particularly conditions in the energy generation, passenger vehicle, and shipping industries our businesses operate in. The global economic conditions that began in 2008 have affected the operating results and profitability of our businesses. These conditions have included slower global economic growth, a credit market crisis, lower levels of consumer and business confidence, downward pressure on prices, continued high unemployment levels, reduced levels of capital expenditures, fluctuating commodity prices (specifically prices for electricity, natural gas, heavy fuel oil, bunker, gasoline, and crude oil), bankruptcies, government deficit reduction and austerity measures, heightened volatility, uncertainties with respect to the stability of the emerging markets, concerns for the economic stability of the United States and several countries in Europe, budget consolidation measures by governments, and other challenges affecting the global economy. Recent volatility in global financial markets and in prices for oil and other commodities could result in a continuation or worsening of these conditions. As a result of these conditions, some of the government and non-government customers of our businesses have experienced deterioration of their businesses, cash flow shortages, and/or difficulty in obtaining financing. As a result, existing or potential customers may delay or cancel plans to purchase the products and/or services of our portfolio subsidiaries, including long-term purchases of energy capacity (in the case of IC Power) or purchases of shipping capacity (in the case of ZIM), or may not be able to fulfill their obligations to us in a timely fashion. Furthermore, the vendors, suppliers and/or partners of each of our businesses may be experiencing similar conditions, which may impact their ability to fulfill their obligations. In addition, volatility in global fuel prices can affect margins at IC Power. For further information, see "*Risks Related to IC Power—The production and profitability of IPPs in Israel may be adversely affected by changes in Israel's regulatory environment.*"

Additionally, economic downturns may alter the priorities of governments to subsidize and/or incentivize participation in any of the markets in which our businesses operate. For example, economic downturns or political dynamics may impact the

availability of financial incentives provided by the Chinese government to Chinese automobile purchases. If slower growth in the global economy continues for a significant period and/or there is additional significant deterioration in the global economy (as a result of recent volatility in global markets and commodity prices, or otherwise), such occurrences could have a material adverse effect on our business, financial condition, results of operations or liquidity.

Our businesses' operations expose us to risks associated with conditions in those markets.

Through our businesses, we operate and service customers in a number of geographic regions across the globe, including emerging markets. There are certain risks inherent in conducting business in emerging markets, including:

- heightened economic volatility;
- difficulty in enforcing agreements, collecting receivables and protecting assets;
- the possibility of encountering unfavorable circumstances from host country laws or regulations;
- fluctuations in revenues, operating margins and/or other financial measures due to currency exchange rate fluctuations and restrictions on currency and earnings repatriation;
- unfavorable changes in regulated electricity tariffs;
- trade protection measures, import or export restrictions, licensing requirements and local fire and security codes and standards;
- increased costs and risks of developing, staffing and simultaneously managing a number of foreign operations as a result of language and cultural differences;
- issues related to occupational safety, work hazard, and adherence to local labor laws and regulations;
- potentially adverse tax developments;
- changes in the general political, social and/or economic conditions in the countries where we operate, particularly in emerging markets;
- the threat of nationalization and expropriation;
- the presence of corruption in certain countries;
- fluctuations in available municipal funding in those instances where a project is government-financed;
- terrorist activities; and
- cyber-attacks.

If any of our businesses are impacted by any of the aforementioned factors, such an impact could have a material adverse effect on our business, financial condition, results of operations or liquidity.

We require qualified personnel to manage and operate our various businesses.

As a result of our decentralized structure, we require qualified and competent management to independently direct the day-to-day business activities of each of our businesses, execute their respective business plans, and service their respective customers, suppliers and other stakeholders, in each case across numerous geographic locations. Many of the products and services offered by our businesses are highly technical in nature and may require specialized training or physically demanding work. Therefore, we must be able to retain employees and professionals with the skills necessary to understand the continuously developing needs of our customers and to maximize the value of each of our businesses. This includes developing talent and leadership capabilities in the emerging markets in which certain of our businesses operate, where the depth of skilled employees may be limited. Changes in demographics, training requirements and/or the unavailability of qualified personnel could negatively impact the ability of each of our businesses to meet these demands. Unpredictable increases in the demand for our goods and/or services, or the geographical diversity of our businesses, may exacerbate the risk of not having a sufficient number of trained personnel. If any of our businesses fail to train and retain qualified personnel, or if they experience excessive turnover, we may experience declining sales, production/manufacturing delays or other inefficiencies, increased recruiting, training or relocation costs and other difficulties, any of which could have a material adverse effect on our business, financial condition, results of operations or liquidity.

Significant raw material shortages, supplier capacity constraints, production disruptions, supplier quality and sourcing issues or price increases could increase our operating costs and adversely impact the competitive positions of the products and/or services of our businesses.

The reliance of certain of our businesses on certain third-party suppliers, contract manufacturers and service providers, or commodity markets to secure raw materials (e.g., natural gas, HFO, and diesel for IC Power and bunker for ZIM), parts, components and sub-systems used in their products or services exposes us to volatility in the prices and availability of these materials, parts, components, systems and services. Some of these suppliers or their sub-suppliers are limited- or sole-source suppliers.

For example, Kallpa, the largest IC Power operating company, is party to a natural gas exclusive supply agreement with a consortium of suppliers, pursuant to which such consortium supplies Kallpa with all of its natural gas requirements based upon a base price, in U.S. Dollars, set on the date of the agreement and indexed on two producer price indices pursuant to the terms of the agreement. Additionally, Kallpa is party to a natural gas exclusive transportation agreement with a gas transporter. OPC is party to a natural gas exclusive supply agreement with a consortium of suppliers who, in accordance with a resolution passed by the Israeli Natural Gas Council, may be required to allocate gas otherwise designated for OPC to other consumers in the event of a capacity shortage. For further information on the terms and nature of IC Power's relationships with certain of its raw material suppliers, see *"—Risks Related to IC Power—Supplier concentration may expose IC Power to significant financial credit or performance risk, particularly with respect to those agreements which may expire during the life of its power plants"* and *"Item 4.B Business Overview—Our Businesses—IC Power—IC Power's Description of Operations—IC Power's Raw Materials and Suppliers."*

For further information on the terms and nature of Qoros' relationships with certain of its raw material suppliers, see *"—Risks Related to Our Interest in Qoros—Qoros is dependent upon its suppliers"* and *"Item 4.B Business Overview—Our Businesses—Qoros—Qoros' Sourcing and Suppliers."*

A disruption in deliveries from these and other third-party suppliers, contract manufacturers or service providers, capacity constraints, production disruptions, price increases, or decreased availability of raw materials or commodities, including as a result of catastrophic events, could have an adverse effect on the ability of our businesses to meet their commitments to customers or could increase their operating costs. Our businesses could encounter supply problems and may be unable to replace a supplier that is not able to meet their demand in either the short- or the long-term; these risks are exacerbated in the case of raw materials or component parts that are sourced from a single-source supplier. Furthermore, quality and sourcing issues experienced by third-party providers can also adversely affect the quality and effectiveness of our businesses' products and/or services and result in liability and reputational harm that could have a material adverse effect on our business, financial condition, results of operations or liquidity.

Some of our businesses must keep pace with technological changes and develop new products and services to remain competitive.

The markets in which some of our businesses operate experience rapid and significant changes as a result of the introduction of both innovative technologies and services. To meet customer needs in these areas, these businesses must continuously design new, and update existing, products and services, as well as invest in, and develop new technologies. Introducing new products and technologies requires a significant commitment to research and development that, in return, requires the expenditure of considerable financial resources that may not always result in success. For example, Qoros recently announced expansion initiatives which aim to target more effectively the opportunities presented by the significant structural changes impacting the automotive industry. The opportunities Qoros intends to target are those being created by the shift towards ultra-low and zero emission vehicles, low environmental impact technologies, the growth of alternative forms of car usage and ownership and the application of self-drive technologies in the field of personal transportation. For further information on Qoros' new initiatives, see *"Item 5. Operating and Financial Review and Prospects—Recent Developments—Qoros—Launch of New Business Divisions."*

Our sales and profitability may suffer if our businesses invest in technologies that do not operate, or may not be integrated, as expected or that are not accepted into the marketplace as anticipated, or if their services, products or systems are not introduced to the market in a timely manner, in particular, compared to its competitors, or become obsolete. Furthermore, in some of these markets, the need to develop and introduce new products rapidly in order to capture available opportunities may lead to quality problems. Our operating results depend to a significant extent on our ability, and the ability of these businesses, to anticipate and adapt to changes in markets and to reduce the costs of producing high-quality, new and existing products and services. If we, or any of these businesses, are unsuccessful in our efforts, such a failure could have a material adverse effect on our business, financial condition, results of operations or liquidity.

Our businesses operate in highly competitive markets.

The worldwide markets for our services, products and solutions are highly competitive in terms of pricing, service and product quality, development and introduction time, customer service and financing terms. In many of our businesses, we face downward price pressure and we are or could be exposed to market downturns or slower growth, which may increase in times of declining investment activities, government incentives and/or consumer demand. We face strong competitors, some of which are larger and may have greater resources in a given business area, as well as competitors from emerging markets, which may have better, more efficient cost structures. Some industries in which our businesses operate are undergoing consolidation, which may result in stronger competition and a change in our relative market position.

For example, in recent years, the power production industry has been characterized by strong and increasing competition with respect to both obtaining long-term and short-term PPAs—which provide for the sale of electricity, independent of actual generation allocations or provisions of availability, to financially stable distribution companies or other unregulated consumers—and acquiring existing power generation assets. In certain markets, these factors have caused reductions in the prices negotiated in PPAs and, in many cases, have caused higher acquisition prices for existing assets through competitive bidding processes. The evolution of competitive electricity markets and the development of highly efficient power plants have also caused, or are anticipated to cause, price pressure in certain power markets where IC Power sells or intends to sell power. For example, IC Power expects the generation capacity in Peru to increase at a faster rate than the demand for such electricity, resulting in an oversupply of capacity and a downward pressure on energy and capacity prices. Additionally, certain competitors might be more effective and faster in capturing available market opportunities, which in turn may negatively impact IC Power's market share.

Furthermore, the passenger vehicle market in China is highly competitive, as China has been one of the world's fastest growing economies, in terms of gross domestic product, or GDP, in recent years, and has also been the fastest growing among major passenger vehicle markets in the world. Many of the largest global manufacturers, through joint venture relationships with Chinese manufacturers, and numerous established domestic manufacturers, compete within this market. Some of these manufacturers have longer operating histories, or may be able to devote greater resources to their operations than Qoros, which may impact Qoros' competitiveness and ability to increase sales. Additionally, the decline in growth rate that occurred in China in 2015 in connection with volatility in the Chinese financial markets and a slowdown in the Chinese economy resulted in increased competition in China's automotive market through price reductions, which has resulted in reduced margins. In response to market conditions, in February 2016, Qoros announced suggested retail price reductions of approximately 10% on its existing models. In addition to reducing margins, increased competition may make it difficult for Qoros to increase sales.

In addition, the container shipping industry is highly competitive, with the top three carriers in terms of global capacity—A.P. Moller-Maersk Group, Mediterranean Shipping Company and CMA CGM S.A.—accounting for approximately 37% of global capacity, and the remaining carriers each contributing less than 5% of global capacity as of December 2015. Certain of ZIM's large competitors may be better positioned and have greater financial resources than ZIM and may therefore be able to offer more attractive schedules, services and rates to attract and retain customers. In addition, there has been an increase in mergers and acquisitions within the container shipping industry in recent years, which has further concentrated global capacity among certain of ZIM's competitors. If one of ZIM's competitors expands its market share in a market in which ZIM operates, or intends to enter, through a merger or acquisition, or otherwise, this could have a material adverse effect on ZIM's market share.

Any of these factors alone, or in combination, may negatively impact one or more of our businesses and thereby have a material adverse effect on our business, financial condition, results of operations or liquidity.

Our businesses may be adversely affected by work stoppages, union negotiations, labor disputes and other matters associated with our labor force.

As of December 31, 2015, we, and our consolidated businesses, employ, directly and indirectly, approximately 1,361 employees. Qoros and ZIM directly employed 1,772 and 4,050 employees, respectively, as of December 31, 2015. Our operating companies could experience strikes, industrial unrest, or work stoppages. For example, in June and November 2015, COBEE's facilities in Bolivia experienced a brief strike. Although the strikes at COBEE's facilities did not result in a work stoppage or have a material effect on IC Power's results of operations, there can be no assurance that future strikes or industrial unrest will not occur or lead to a work stoppage which could have an effect adverse effect on IC Power's results of operations.

Additionally, ZIM, which employs, directly and indirectly, 4,050 employees around the globe, could experience strikes, industrial unrest or work stoppages. A significant portion of ZIM's Israeli employees and employees of the ports ZIM uses are members of unions. In April and May 2014, ZIM experienced labor strikes as a result of disagreements related to ZIM's operational and financial restructuring plans and other employee concerns. Collective bargaining agreements addressing certain of these concerns were entered into in November 2014 and January 2015.

Disruptions in the operations of any of our businesses as a result of labor stoppages or strikes may also occur in the future and, if so, such disruptions could materially and adversely affect our or the relevant businesses' reputation and could adversely affect operations. Additionally, a work stoppage at any one of the suppliers of any of our businesses could materially and adversely affect our operations if an alternative source of supply were not readily available. Stoppages by employees of our customers could also result in reduced demand for our products or services which could have a material adverse effect on our business, financial condition, results of operations or liquidity.

The activities of certain of our businesses may be impacted by the geopolitical, economic and security conditions in Israel and the Middle East.

Some of our businesses are incorporated, and certain of the operations of our businesses are located, in Israel. Therefore, the existing security, economic and geopolitical conditions in Israel and the Middle East could affect our existing relationships with certain foreign corporations, as well as affect the willingness of potential partners to enter into transactions or business relationships with Israeli companies, particularly our businesses that are based in or have facilities which are located in Israel. Since July 2014, for example, ZIM's west coast operations have been subject to political activity which, in certain instances, had immaterial effects on ZIM's operational activities. Additionally, numerous countries, corporations and organizations around the globe limit their business activities in Israel and their business ties with Israeli-based companies. For example, ZIM's status as an Israeli company has limited, and may continue to limit, ZIM's ability to call on certain ports and has therefore impacted, and may continue to impact, ZIM's ability to enter into alliances and operational partnerships with other shipping companies. Additionally, Israel has been and is subject to terrorist activity, with varying levels of severity. Parties with whom we or our businesses do business have sometimes declined to travel to Israel during periods of heightened unrest or tension, forcing us to make alternative arrangements where necessary. Developments in the political and security situation in Israel may also result in parties with whom we have agreements claiming that they are not obligated to perform their commitments under those agreements pursuant to force majeure provisions. Although the number of businesses limiting their ties to Israel is decreasing, any deterioration in the security or geopolitical conditions in Israel and/or the Middle East could adversely impact our business relationships and thereby have a material adverse effect on our business, financial condition, results of operations or liquidity.

Israel's geopolitical situation has led to security issues and, as a result, our Israel-based operations or associated companies, including IC Power, its subsidiaries OPC and AIE, and ZIM may be exposed to hostile activities (including harm to computer systems or, with respect to IC Power's operations or development projects, attacks on critical infrastructure, such as gas transmission systems or pipelines), security restrictions connected with Israeli bodies/organizations overseas, possible isolations by various bodies for numerous political reasons, and other limitations (such as a prohibition against entering into specific ports). Certain of OPC's, AIE's or ZIM's employees in Israel are also subject to being called upon to perform military service in Israel, and their absence may have an adverse effect upon the operations of the relevant business. Generally, unless exempt, male adult citizens of Israel under the age of 41 are obligated to perform up to 36 days of military reserve duty annually and are subject to being called to active duty at any time under emergency circumstances. Furthermore, while OPC is classified as an "essential facility" by the State of Israel, and therefore, certain of its key employees are exempt from military service in times of emergency, OPC's employees may be subject to being called upon to perform military service should OPC lose this classification. Additionally, ZIM's owned and chartered vessels, including those vessels that do not sail under the Israeli flag, may be subject to control by the authorities of the State of Israel in order to protect the security of or bring essential supplies and services to the State of Israel. Israeli legislation also allows the State of Israel to use ZIM's vessels in times of emergency.

Any of the aforementioned events and conditions could disrupt IC Power's or ZIM's operations, which could, in turn, have a material adverse effect on our business, financial condition, results of operations or liquidity.

We, and each of our businesses, face cyber-security risks.

Our business operations, and the operations of our various operating companies, rely upon secure information technology systems for data processing, storage and reporting. As a result, we, and our businesses, maintain information security policies and procedures for managing such information technology systems. Despite careful security and controls design, implementation and updating, such security measures may be ineffective and our information technology systems, or those of our businesses, may be subject to cyber-attacks, including malicious software, network, system, application and data breaches and such cyber-security breaches may result in operational disruptions or information misappropriation.

Furthermore, ZIM and IC Power's subsidiaries OPC and AIE may be at greater risk for cyber-attacks due to their status as Israeli corporations, as a number of Israeli corporations have been the subject of recent cybersecurity attacks. For example, in January 2016, Israel's Electricity Authority, or the EA, was the subject of one of the largest cyber-attacks in Israeli history and had to shut down several of its systems in order to address the cyber-attack. Should Kenon or any of its operating businesses experience a cyber-attack, this could have a material adverse effect on our, or any of our operating companies', business, financial condition or results of operation. For further information on the risks related to IC Power's information technology systems, see "*—The interruption or failure of IC Power's information technology, communication and processing systems or external attacks and invasions of these systems could have an adverse effect on IC Power.*"

Risks Related to Legal, Regulatory and Compliance Matters

We, and each of our businesses, are subject to legal proceedings and legal compliance risks.

We are subject to a variety of legal proceedings and legal compliance risks in virtually every part of the world. We, our businesses, and the industries in which we operate, are periodically reviewed or investigated by regulators and other governmental authorities, which could lead to enforcement actions, fines and penalties or the assertion of private litigation claims and damages. Changes in laws or regulations could require us, or any of our businesses, to change manners of operation or to utilize resources to maintain compliance with such regulations, which could increase costs or otherwise disrupt operations. Protectionist trade policies and changes in the political and regulatory environment in the markets in which we operate, such as foreign exchange import and export controls, tariffs and other trade barriers and price or exchange controls, could affect our businesses in several national markets, impact our profitability and make the repatriation of profits difficult, and may expose us or any of our businesses to penalties, sanctions and reputational damage. In addition, the uncertainty of the legal environment in some regions could limit our ability to enforce our rights.

While we intend to adopt, and believe that each of our businesses have adopted, appropriate risk management and compliance programs, the global and diverse nature of our operations means that legal and compliance risks will continue to exist and additional legal proceedings and other contingencies, the outcome of which cannot be predicted with certainty, will arise from time to time. No assurances can be made that we will be found to be operating in compliance with, or be able to detect violations of, any existing or future laws or regulations. A failure to comply with or properly anticipate applicable laws or regulations could have a material adverse effect on our business, financial condition, results of operations or liquidity.

We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar anti-bribery laws outside of the United States.

The U.S. Foreign Corrupt Practices Act, or the FCPA, and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials or other persons for the purpose of obtaining or retaining business. Recent years have seen a substantial increase in anti-bribery law enforcement activity, with more frequent and aggressive investigations and enforcement proceedings by both the U.S. Department of Justice and the SEC, increased enforcement activity by non-U.S. regulators, and increases in criminal and civil proceedings brought against companies and individuals. Our policies mandate compliance with these anti-bribery laws. We operate, through our businesses, in many parts of the world that are recognized as having governmental and commercial corruption. Additionally, because many of our customers and end users are involved in infrastructure construction and energy production, they are often subject to increased scrutiny by regulators. We cannot assure you that our internal control policies and procedures will protect us from reckless or criminal acts committed by our employees, the employees of any of our businesses, or third party intermediaries. In the event that we believe or have reason to believe that our employees or agents have or may have violated applicable anti-corruption laws, including the FCPA, we may decide or be required to investigate or have outside counsel investigate the relevant facts and circumstances, which can be expensive and require significant time and attention from senior management. Violations of these laws may result in criminal or civil sanctions, inability to do business with existing or future business partners (either as a result of express prohibitions or to avoid the appearance of impropriety), injunctions against future conduct, profit disgorgements, disqualifications from directly or indirectly engaging in certain types of businesses, the loss of business permits or other restrictions which could disrupt our business and have a material adverse effect on our business, financial condition, results of operations or liquidity.

Our global operations necessitate the importation and exportation of goods and technology across international borders on a regular basis. From time to time, we, or our businesses, obtain or receive information alleging improper activity in connection with such imports or exports. Our policy mandates strict compliance with applicable trade laws. Nonetheless, we cannot provide assurance that our policies and procedures will always protect us from actions that would violate U.S. and/or

foreign laws. Such improper actions could subject us to civil or criminal penalties, including material monetary fines, denial of import or export privileges, or other adverse actions. The occurrence of any of the aforementioned factors could have a material adverse effect on our business, financial condition, results of operations or liquidity.

In addition, our subsidiary IC Power has made acquisitions in recent years and has recently acquired a new business in Guatemala. We face risks with respect to compliance with the FCPA and similar anti-bribery laws through our acquisition of new companies and the due diligence we perform in connection with an acquisition may not be sufficient to enable us fully to assess an acquired company's historic compliance with applicable regulations.

Certain of our businesses are subject to regulatory restrictions relating to ties with hostile entities and/or countries.

As a result of their international activities and operations in various industries worldwide, certain of our businesses are exposed to regulations in Israel and in other countries governing business relations with hostile entities or countries. We have taken, and will continue to take, measures to ensure our compliance with such regulations. Despite our best precautions, however, the wide-reaching business activities of our businesses may expose us to sanctions, which could have a material adverse effect on our business, financial condition, results of operations or liquidity.

Risks Related to IC Power

IC Power's results of operations and financial condition are dependent upon the economic, environmental, social and political conditions in those countries in which IC Power operates.

IC Power has operating assets, and assets in advanced stages of construction, in 11 countries, including emerging markets, and it expects to have additional development projects in these or other countries. As a result, IC Power's results of operations are dependent upon the economic, social and political conditions in each of the countries in which it operates, and IC Power is exposed to a variety of risks, including risks related to:

- heightened economic volatility;
- difficulty in enforcing agreements, collecting receivables and protecting assets;
- difficulty in obtaining authorizations, permits and licenses required for the operation of its assets;
- the possibility of encountering unfavorable circumstances from host country laws or regulations;
- fluctuations in revenues, operating margins and/or other financial measures due to currency exchange rate fluctuations and restrictions on currency and earnings repatriation;
- trade protection measures, import or export restrictions, licensing requirements and environmental, local fire and security codes and standards;
- increased costs and risks of developing, staffing and simultaneously managing a number of foreign operations as a result of language and cultural differences;
- issues related to occupational safety, work hazard, and adherence to local labor laws and regulations;
- potentially adverse tax developments or interpretations;
- changes in political, social and/or economic conditions;
- the threat of nationalization and expropriation;
- the presence of corruption in certain countries;
- fluctuations in the availability of funding;
- a potential deterioration in IC Power's relationships with the different stakeholders in the communities surrounding its facilities; and
- terrorist or other hostile activities.

Additionally, IC Power's revenue is derived primarily from the sale of electricity, and the demand for electricity is largely driven by the economic, political and regulatory conditions of the countries in which IC Power operates. Therefore, IC Power's results of operations and financial condition are, to a large extent, dependent upon the overall level of economic activity in these emerging market countries. Should economic or political conditions deteriorate in Peru, or in any of the other countries in which IC Power operates, or in emerging markets generally, such an occurrence could have a material adverse effect on IC Power's business, financial condition, results of operations or liquidity.

IC Power operates in highly competitive markets.

The worldwide markets for power generation are highly competitive in terms of pricing, quality, development and introduction time, customer service and financing terms. In many of the markets in which IC Power operates, it faces downward price pressure and it is or could be exposed to market downturns or slower growth, which may increase in times of declining investment activities, government incentives and/or consumer demand. IC Power faces strong competitors, some of which are larger and may have greater resources in a given business area than it has, as well as competitors from emerging markets, which may have better, more efficient cost structures.

For example, IC Power has two assets in advanced stages of construction in Peru—CDA and Samay I—which it expects to collectively provide 1,110 MW of capacity. IC Power expects generation capacity and, to a lesser extent, the demand for electricity, to increase in Peru. As the increase in demand is expected to be less than the increase in capacity, this oversupply in the Peruvian market is expected to affect the price levels in Peru. As IC Power sells energy and capacity on the spot market in Peru and expects to enter into, and renegotiate, PPAs during this period of downward pressure on energy prices, the oversupply in the Peruvian market may adversely affect IC Power's business or results of operations.

Additionally, in recent years, the power production industry has been characterized by strong and increasing competition with respect to obtaining long-term and short-term PPAs—which provide for the sale of electricity, independent of actual generation allocations or provisions of availability, to financially stable distribution companies or other non-regulated consumers—and acquiring existing power generation assets. In certain markets, these factors have caused reductions in the prices negotiated in PPAs and, in many cases, have caused higher acquisition prices for existing assets through competitive bidding processes. The evolution of competitive electricity markets and the continued development of highly efficient gas-fired power plants have also caused, or are anticipated to cause, price pressure in certain power markets where IC Power sells or intends to sell power. Certain competitors might be more effective and faster in capturing available market opportunities, which in turn may negatively impact IC Power's market share.

Any of these factors alone, or in combination, may negatively impact one or more of IC Power's businesses and thereby have a material adverse effect on its business, financial condition, results of operations or liquidity.

IC Power primarily operates, and expects to continue to primarily operate, in emerging markets.

IC Power has operations in a number of emerging markets, including Peru, Guatemala, Chile and Colombia. Investing in the securities of a company with operations in emerging markets generally involves a higher degree of risk than investing in the securities of a company with operations in a more developed market. For example, IC Power is subject to increased political, social and economic instability, which may affect the economic results of the emerging markets in which it operates and which stems from many factors, including:

- high interest rates;
- abrupt changes in currency values;
- high levels of inflation;
- exchange controls;
- wage and price controls and increased employment-related regulations;
- regulations on imports of equipment and other necessities (goods and services) relevant to operations;
- changes in governmental, economic or tax policies; and
- social and political tensions,

any of which could have a material adverse effect on its financial condition, results of operations or liquidity.

IC Power is a holding company and is dependent upon cash flows from its subsidiaries to meet its existing and future obligations.

IC Power is a holding company of various operating companies, and as a result, does not conduct independent operations or possesses significant assets other than investments in its businesses. Therefore, IC Power depends upon the receipt of sufficient funds from its businesses (via dividends or loans) to meet its obligations, including to contribute committed capital to its businesses, repay any amounts it may borrow in the future, and to pay dividends or other distributions to IC Power's shareholders. However, as IC Power's corporate structure includes several intermediate holding companies which, along with IC Power's operating businesses, are legally distinct from IC Power, such businesses will generally be required to service their debt obligations before making distributions to IC Power. Therefore, IC Power's ability to access such cash flow from its businesses may be limited in some circumstances and it may not have the ability to cause its entities to make distributions to it, even if they are able to do so. Additionally, the terms of existing and future joint ventures, financings, or cooperative operational agreements and/or the laws and jurisdictions under which each of IC Power's businesses is incorporated may also limit the timing and amount of any dividends, other distributions, loans or loan repayments to IC Power.

Additionally, as dividends are generally taxed and governed by the relevant authority in the jurisdiction in which the company is incorporated or where the company is a tax resident, there may be numerous and significant tax or other legal restrictions on the ability of IC Power's businesses to remit funds to it, or to remit such funds without IC Power's, or its businesses', incurring significant tax liabilities or incurring a ratings downgrade.

IC Power is significantly leveraged.

As of December 31, 2015, IC Power had \$2,565 million of outstanding indebtedness on a consolidated basis. In January 2016, IC Power completed the acquisition of Energuate, which it funded, in part, with a \$120 million credit facility which it entered into in December 2015, and which was fully drawn in connection with the completion of the acquisition. IC Power also assumed Energuate's debt of \$289 million as of January 22, 2016. Some of IC Power's debt agreements include financial covenants, affirmative and negative covenants, and/or events of default or mandatory prepayments for contractual breaches, change of control events, and/or material mergers and divestments, among other provisions.

IC Power uses a substantial portion of its cash flow from operations or investing activities to make debt service payments, reducing IC Power's ability to use cash flow to fund its operations, capital expenditures or future business opportunities. In addition, a number of IC Power's credit facilities are secured. For example, Kallpa's senior secured credit facility, Kallpa's capital leases, and the OPC financing agreement are secured by certain of the assets of those companies. The pledge of a significant percentage of IC Power's assets to secure its debt has reduced the amount of collateral that is available for future secured debt or credit support as well as its flexibility in dealing with these secured assets. This level of indebtedness and related security, as well as the terms governing such indebtedness, could have other important consequences for IC Power, including:

- increasing IC Power's vulnerability to general adverse economic and industry conditions;
- limiting IC Power's flexibility in planning for, or reacting to, changes in its business and the industry;
- limiting IC Power's ability to enter into long-term power sales or fuel purchases which require credit support;
- limiting IC Power's ability to adjust to changing market conditions and placing IC Power at a competitive disadvantage compared to its competitors that are not as highly leveraged;
- limiting IC Power's ability to distribute dividends or other payments to its shareholders without leading to a downgrade of its outstanding indebtedness or long-term corporate ratings, if at all; and
- limiting, along with the financial and other restrictive covenants relating to such indebtedness, among other things, IC Power's ability to borrow additional funds for working capital including collateral postings, capital expenditures, acquisitions and general corporate or other purposes.

IC Power also provides performance, and other, guarantees, from time to time, in support of the financing and development of certain of its operating companies. As of December 31, 2015, IC Power had provided performance, or other, guarantees in an aggregate amount of \$137 million.

IC Power may be unable to refinance its existing indebtedness or raise additional indebtedness on favorable terms, or at all.

IC Power may need to refinance all, or a portion of, its indebtedness on or before the respective maturity dates. The ability to refinance any such indebtedness, obtain additional financing or comply with its existing lenders' requirements will depend on, among other things:

- IC Power's financial condition, or the financial condition of its relevant subsidiaries, at the time of the proposed refinancing;
- the amount of financing outstanding and lender requirements outstanding at the time of the proposed refinancing;
- restrictions in any of IC Power's credit agreements, indentures, or other outstanding indebtedness; and
- other factors, including the condition of the capital markets.

If IC Power does not have adequate access to credit, it may be unable to refinance its existing borrowings and credit facilities on commercially reasonable terms and may be forced to raise financing at a higher cost or on less favorable terms (e.g., by providing collateral, security or guarantees to lenders and/or accepting higher interest rates) when its existing indebtedness matures. Additionally, if IC Power is not able to refinance any of its indebtedness and does not generate sufficient cash flow from operations, and additional borrowings or refinancings or proceeds of asset sales are not available to IC Power, it may not have sufficient cash to enable it to meet all of its obligations. Should future access to capital be unavailable to IC Power, it may have to sell assets or decide not to build new plants or expand or improve existing facilities, any of which could affect IC Power's future growth.

If IC Power is unable to manage its interest rate risks effectively, its cash flows and operating results may suffer.

As IC Power continues to draw down on its credit facilities with third parties and raise additional third party financing to fund its capital expenditures (including development projects and acquisitions), it may experience an increase in interest costs. Many of the debt agreements of IC Power's operating companies have floating interest rates (e.g., many of the debt instruments are tied to London Interbank Offered Rate, or LIBOR) and a continued increase in interest rates could increase the cost of the capital required to continue to fund IC Power's development and expansion efforts. In particular, some of this indebtedness is in the form of CPI-linked, NIS-denominated bonds. IC Power, or its businesses, may incur further indebtedness in the future that also bears interest at a variable rate or at a rate that is linked to fluctuations in a currency other than the U.S. Dollar.

Although IC Power's businesses attempt to manage their interest rate risk by entering into interest rate swaps, there can be no assurance that they will hedge such exposure effectively, in full, or at all in the future. Accordingly, increases in interest rates or changes in the CPI could have a material adverse effect on IC Power's or any of its businesses' business, financial condition, results of operations or liquidity.

IC Power's expansion, development and acquisition strategy may be limited.

IC Power's growth strategy contemplates (1) the expansion, construction or development of power generation facilities and (2) the acquisition and development of generation and distribution companies in key growth markets. The ability to pursue such growth opportunities successfully will depend upon IC Power's ability to identify projects and properties suitable for expansion, construction or acquisitions, and negotiate purchase or engineering, procurement and construction agreements on commercially reasonable terms. Due to growing environmental restrictions, transmission line saturation, obstacles for fuel transportation and a scarcity of sites in which new plants may be located, the development of new assets in the countries in which IC Power operates—such as CDA, Samay I, Kanan and AIE—and in the countries in which IC Power may operate in the future, are subject to increased developmental competition and involve higher development costs than in the past, which could have an adverse impact on its strategy and business.

Additionally, IC Power relies significantly on its ability to successfully access the capital markets as a source of liquidity and such reliance may be increased to the extent that IC Power utilizes cash from its operations to distribute funds to its shareholders or repay loans. IC Power's ability to arrange financing with no or limited recourse, and the costs of such capital, are dependent upon numerous factors, some of which are beyond its control. Commercial lending institutions sometimes refuse to provide financing in certain less developed economies, and in these situations IC Power may seek direct or indirect (through credit support or guarantees) project financing from a limited number of multilateral or bilateral international financial institutions or agencies. As a pre-condition to making such project financing available, the lending institutions may also require sponsor guarantees for completion risks and governmental guarantees of certain business and sovereign related

risks. However, the financing from international financial agencies or governmental guarantees required to complete projects may not be available when needed. If so, IC Power may have to abandon potential projects or invest more of its own funds, which may not be in line with its investment objectives and would leave less funds for other investments and projects.

An inability to identify and source appropriate projects / acquisitions, negotiate the agreements relating to such projects / acquisitions, or secure the necessary funding, could have an adverse impact on IC Power's strategy and, as a result, could have a material adverse effect on its business.

IC Power's assets in advanced stages of construction may not be completed or, if completed, may not be completed on time or perform as expected.

IC Power is in the advanced stages of constructing the CDA plant, a run-of-the-river hydroelectric project on the Mantaro River in central Peru, the Samay I plant, a cold-reserve open-cycle diesel and natural gas (dual-fired) thermoelectric plant in Mollendo, Arequipa, in southern Peru and Kanan, a thermal generation project in Panama.

There can be no assurance that CDA, Samay I or Kanan will reach its COD in accordance with IC Power's current expectations. Any of the CDA, Samay I or Kanan plants may not be completed within IC Power's expected costs or in a timely fashion, or at all, and developmental delays could result in increased costs or breaches of the PPAs relating to these assets. In the case of the CDA plant, an additional minor delay in the completion of the CDA plant could result in an inability to fulfill IC Power's obligations under its PPAs (as is currently the case with Kanan) or an obligation to purchase energy on the spot market in order to meet its contractual obligations under the relevant PPAs, which may reduce IC Power's anticipated revenues or margins. For further information on the timing and the construction of the CDA and Samay I plants, see "Item 4.B Business Overview—Our Businesses—IC Power—IC Power's Description of Operations—Peru Segment—Cerro del Aguila (CDA)" and "Item 4.B Business Overview—Our Businesses—IC Power—IC Power's Description of Operations—Peru Segment—Samay I," respectively.

If IC Power's construction efforts with respect to the CDA or Samay I plants are not successful, or are delayed, IC Power may, notwithstanding any liquidated damages to which IC Power is entitled to in accordance with its EPC contracts for these projects, incur penalties or additional costs, or abandon the project and write-off the costs incurred in connection with such project. At the time of abandonment, IC Power would expense all capitalized development costs incurred in connection therewith and may incur additional losses associated with any related contingent liabilities, the occurrence of which could have a material adverse effect on its business, financial condition, results of operations or liquidity.

Proposed and potential construction or development projects may not be completed or, if completed, may not be completed on time or perform as expected.

IC Power plans to expand its operations through projects constructed on unused land, or greenfield projects. Greenfield projects require IC Power to spend significant sums on engineering, permitting, legal, financial advisory and other expenses in preparation for competitive bids that IC Power may not win or before IC Power determines whether a development project is even feasible, economically attractive or capable of being financed. These activities consume a portion of IC Power's management's focus and could increase IC Power's leverage or reduce its consolidated profitability.

Furthermore, once IC Power decides to proceed with a project and, if applicable, enter into a turnkey agreement to commence the construction of a project, its development and construction still involve numerous additional risks, including:

- unanticipated cost overruns;
- claims from contractors;
- an inability to obtain financing at affordable rates or at all;
- delays in obtaining necessary permits and licenses, including environmental permits;
- unforeseen engineering, environmental and geological problems;
- adverse changes in the political and regulatory environment in the country in which the project is located;
- opposition by political, environmental and other local groups;
- shortages or increases in the price of equipment, materials or labor;

- work stoppages or other labor disputes;
- adverse weather conditions, natural disasters, accidents or other unforeseen events; and
- an inability to perform under PPAs as a result of any delays in the assets becoming operational.

Any of these risks could result in IC Power's financial returns on its projects being lower than expected, or could cause IC Power to operate below expected capacity or availability levels. This, in turn, could result in IC Power's experiencing lost revenues and/or increased expenses. Although IC Power maintains insurance to protect against some of these risks, such insurance may not be sufficient. As a result, projects may cost more than anticipated and IC Power may be unable to fund principal and interest payments underlying its construction financing obligations, if any. In addition, a default under such a financing obligation could result in IC Power losing its interest in a power generation facility.

In August 2015, IC Power acquired 100% of the shares of AIE from Hadera Paper for NIS 60 million (approximately \$16 million). AIE, which currently operates an 18 MW steam turbine, holds a conditional license for the construction of a cogeneration power station in Israel. As part of the acquisition, IC Power will need to complete the construction of AIE's facilities, which IC Power expects will cost approximately \$250 million (including the consideration paid for the acquisition of AIE). The project is in the advanced development stage, construction is expected to commence in mid-2016, and the AIE plant, which is expected to have a capacity of 135 MW, is expected to reach its COD in the second half of 2018. However, there is no guarantee that IC Power will be able to finance the AIE project or commence or complete AIE's construction within a timely fashion, at the expected cost, or at all.

Acquisitions may not perform as expected.

IC Power has recently completed several acquisitions and plans to continue to develop its portfolio through acquisitions in certain attractive markets, including those in which IC Power does not currently operate. For example, in January 2016, IC Power completed its acquisition of Energuate, which consists of two Guatemalan distribution companies, as well as two smaller related businesses.

Acquisitions require IC Power to spend significant sums on legal, financial advisory and other expenses and consume a portion of its management's focus. Acquisitions may increase IC Power's leverage or reduce its profitability. Future acquisitions may be large and complex, and IC Power may not be able to complete them successfully or, if completed successfully, such acquisitions may not be completed at the cost or in the time frame in which they are expected.

Although acquired businesses may have significant operating histories at the time IC Power acquires them, IC Power will have no history of owning and operating these businesses and potentially limited or no experience operating in these particular lines of business, or operating businesses in the countries in which these acquired businesses are located. For example, IC Power has not previously operated or owned companies within the distribution sector, and this may affect IC Power's ability to effectively operate Energuate. Future growth in revenues, earnings and cash flow will be partly dependent on future economic conditions and conditions in the Guatemalan electricity distribution industry and IC Power's ability to operate within this industry. With respect to IC Power's recent acquisition of Energuate and other acquisitions IC Power has made, as well as any other acquisition which IC Power may consummate in the future:

- acquired businesses may not perform as expected;
- IC Power may incur unforeseen obligations or liabilities;
- for a generation business, the fuel supply needed to operate the acquired business at full capacity may not be available;
- acquired businesses may not generate sufficient cash flow to support the indebtedness existing at acquisition, the indebtedness incurred to acquire them or the capital expenditures needed to operate them;
- the rate of return from acquired businesses may be lower than anticipated in IC Power's decision to invest its capital to acquire them;
- any benefits gained may not outweigh the management and personnel resources which will need to be diverted from IC Power's operations to achieve those benefits; and

- IC Power may not be able to expand as planned or to integrate the acquired company's activities and achieve the economies of scale and any expected efficiency or other gains IC Power had planned, which often drive such acquisition decisions.

IC Power's generation companies may not be able to enter into, or renew existing, long-term contracts for the sale of energy and capacity, contracts which reduce volatility in IC Power's results of operations.

IC Power's generation companies sell a substantial majority of their energy under long-term PPAs. IC Power's generation companies rely upon PPAs with a limited number of customers for the majority of their energy sales and revenues over the term of such PPAs, which typically range from one to 15 years. Some of IC Power's generation companies' long-term PPAs are at prices above current spot market prices. Depending on market conditions and regulatory regimes, it may be difficult for IC Power's generation companies to secure long-term PPAs with new customers, renew existing long-term PPAs as they expire, or enter into long-term PPAs to support the development of new projects. As a result, IC Power's generation companies have been, and may continue to be required to sell capacity on the spot market at the rates dictated by such market. In addition, in December 2011, the Bolivian government amended the applicable law to prohibit generation companies from entering into new PPAs. As a result, IC Power will be unable to extend or replace COBEE's current PPA, under which IC Power has contracted 18.9% of COBEE's installed capacity, when it expires in October 2017.

When the distribution companies in El Salvador organize tenders under the supervision of the SIGET for new long-term PPAs, the bidding rules generally do not permit the participation of HFO-fired generators, such as Nejapa, in tenders for PPAs with terms in excess of five years. An increase in the availability of, and demand for, renewable energy in the other countries in which IC Power's generation companies operate could lead to similar prohibitions in those countries and a further reduction in their ability to enter into long-term PPAs.

Furthermore, the introduction of a more efficient energy generation technology could adversely affect the competitiveness of gas-fired energy plants, such as Kallpa, Las Flores, and, potentially, Samay I, in the dispatch order. Similarly, IC Power's generation assets face potential displacements in dispatch merit orders as new, more efficient technologies become available in their markets. Any displacement of dispatch merit orders could affect the competitiveness of IC Power's generation assets and thereby impact their ability to enter into long-term PPAs. If IC Power's generation companies are unable to enter into long-term PPAs, they may be required to sell electricity into spot markets at prices that may be below the prices established in their PPAs, including in those countries which are, or may be, experiencing an oversupply in capacity in the short- to medium-term. Because of the volatile nature of power prices, if IC Power's generation companies are unable to secure long-term PPAs, they could face increased volatility in their earnings and cash flows and could experience substantial losses during certain periods which could have a material adverse effect on IC Power's business, financial condition, results of operations or liquidity.

Supplier concentration may expose IC Power to significant financial credit or performance risk, particularly with respect to those agreements which may expire during the life of its power plants.

IC Power relies on natural gas and HFO to fuel most of its power generation facilities. The delivery of these fuels to IC Power's various generation facilities is dependent upon a number of factors, including the continuing financial viability of contractual counterparties and the infrastructure (including barge facilities, roadways and natural gas pipelines) available to serve each generation facility. Any disruption in the fuel delivery infrastructure or failure of a counterparty to perform, may lead to delays, disruptions or curtailments in the production of power at one or more of IC Power's generation facilities. This risk of disruption is compounded by the supplier concentration that characterizes many of IC Power's operating companies.

IC Power sources most of its HFO from a limited number of suppliers. In the event of shipping delays which may affect IC Power's suppliers, IC Power may experience delays in the receipt and transportation of its HFO. Additionally, many of its gas suppliers are sole or monopolistic suppliers, and may exercise monopolistic control over their supply of natural gas to IC Power. The Kallpa and Las Flores plants' generation facilities, for example, rely on a consortium, composed of Pluspetrol Peru Corporation S.A., Pluspetrol Camisea S.A., Hunt Oil Company of Peru L.L.C. Sucursal del Perú, SK Corporation Sucursal Peruana, Sonatrach Peru Corporation S.A.C., Tecpetrol del Perú S.A.C. and Repsol Exploración Perú Sucursal del Perú, which IC Power collectively refers to as the Camisea Consortium, for the provision of natural gas and on a sole supplier for the transportation of such natural gas. If these suppliers cannot perform under their contracts, the Kallpa and Las Flores plants would be unable to generate electricity at their facilities, and such a failure could prevent Kallpa and Las Flores from fulfilling their contractual obligations, which could have a material adverse effect on IC Power's business and financial results. Continued supply of natural gas to the Kallpa and Las Flores plants is dependent upon a number of factors, over which IC Power has no control, including:

- levels of exploration, drilling, reserves and production of natural gas in the Camisea fields and other areas in Peru and the price of such natural gas;
- accessibility of the Camisea fields and other gas production areas in Peru, which may be affected by weather, natural disasters, geographic and geological conditions, environmental restrictions and regulations, activities of terrorist group or other impediments to access;
- the availability, price and quality of natural gas from alternative sources;
- market conditions for the renewal of such agreements before their expiration and IC Power's ability to renew such agreements and the terms of any renewal; and
- the regulatory environment in Peru.

Upon the commencement of Samay I's second operational stage, Samay I's plant will operate as a natural gas-fired power plant, and will thereby be dependent upon the Camisea Consortium for the provision of natural gas to it and will also depend upon gas transportation services rendered by Concesionaria Gasoducto Sur Peruano S.A.'s through its natural gas pipeline, which is currently under construction.

Furthermore, as these suppliers are the principal suppliers of natural gas and natural gas transportation services to substantially all generation facilities in Peru fueled by natural gas, a change in the terms of their agreements with IC Power or other power generators, or a failure by either of these suppliers to meet their contractual obligations, could have a significant effect on Peru's entire electricity supply and, therefore, prompt the Peruvian governmental authorities to undertake certain remedial actions. Any such actions could adversely affect the operations of the Kallpa or Las Flores plants, or the expected operations of the Samay I plant.

Similarly, OPC has a gas supply agreement with a single supplier, which provides for the curtailment of OPC's gas supply in the event of a lack of pipeline capacity. Although OPC has never experienced a significant decline in its gas supply as a result of a lack of pipeline capacity, there can be no assurance that such declines will not occur. OPC also relies on a single transporter for the transport of its natural gas requirements. If such parties are unable to perform under their contracts with OPC, or are forced to curtail, in whole or in part, their supply or transport of natural gas to OPC, OPC would not be able to generate electricity using natural gas, which could adversely affect OPC's operations and financial performance.

Moreover, certain of IC Power's contracts for natural gas are scheduled to expire during the life of the power plants which they service. These contracts have not yet been extended or replaced with one or more contracts on comparable terms. For example, Kallpa, IC Power's largest asset, purchases its natural gas requirements for its generation facilities from the Camisea Consortium pursuant to a natural gas supply agreement which expires in June 2022 and which has not yet been extended. If IC Power is unable to renew, or enter into supply contracts and, in particular, enter into long-term supply contracts, IC Power may be required to purchase its natural gas on spot markets at prices that may be significantly greater than the prices IC Power previously paid for such commodities, or may be unable to purchase such commodities on competitive prices at all. As a result, IC Power could face increased volatility in its earnings and cash flows and could experience substantial losses during certain periods which could have a material adverse effect on its business, financial condition, results of operations or liquidity.

Certain of IC Power's facilities are affected by climate conditions and changes in the climates or other occurrences of natural phenomena in the countries in which these facilities operate could have a material adverse effect on IC Power.

Certain of IC Power's generation facilities are based on hydroelectric power generation. As a result, their operating results are directly impacted by water sources which are, in turn, affected by the amount of rainfall and snowmelt. The occurrence of natural phenomena, such as El Niño and La Niña, two climactic phenomena that influence rainfall regularity in some of the Latin American countries in which IC Power operates, may result in droughts which affect its results of operations. A prolonged drought in a country in which IC Power's generation facilities rely on hydroelectric energy may reduce its ability to operate its hydroelectric plants at full capacity. In addition, a prolonged drought may result in disputes with governments, regulators, local communities, farmers and other stakeholders over water use. As a result of such disputes, IC Power may be forced to enter into agreements which restrict its ability to use water for hydroelectric generation.

Droughts and excessive rainfall also affect the operation of IC Power's thermal plants, including those facilities which use natural gas or HFO as fuel, in the following manner:

- During periods of drought, thermal plants are used more frequently. Operating costs of thermal plants can be considerably higher than those of hydroelectric plants. IC Power's operating expenses may increase during these periods.
- IC Power's thermal plants require water for cooling and a drought not only reduces the availability of water, but also increases the concentration of chemicals, such as sulfates in the water. The high concentration of chemicals in the water IC Power uses for cooling increases the risk of damaging the equipment at its thermal plants as well as the risk of violating relevant environmental regulations. As a result, IC Power may have to purchase water from areas that are also experiencing shortages of water. These water purchases may increase IC Power's operating costs, as well as the costs relating to its social responsibility commitments.
- Thermal power plants burning gas generate emissions such as sulfur dioxide (SO₂) and nitrogen oxide (NO_x) gases. When operating with diesel, they also release particulate matter into the atmosphere. Therefore, greater use of thermal plants during periods of drought increases the risk of unsatisfactory performance of the abatement equipment used to control pollutant emissions.
- During excessive rainfall periods, hydroelectric plants increase their generation, which reduces the spot prices in the system, and also reduces the dispatch of thermal power plants. As a result, IC Power's thermal plants selling energy to the spot market may face a reduction in their margins due to their lower dispatch or due to sales occurring at the lower spot prices.

Additionally, certain of IC Power's facilities are also exposed to additional climate change risk and to the specific natural phenomena occurring in their respective countries of operation, including earthquakes (due to heightened seismic activity), hurricanes and flooding, landslides, volcanic eruptions, fire, and other natural disasters. For example, in 2007, Peru experienced a 7.9 magnitude earthquake that struck the central coast of Peru. In 2015, Peru has also experienced flooding. The occurrence of any of the natural calamities listed above may cause significant damage to IC Power's power stations and facilities.

Furthermore, the production of wind energy depends heavily on suitable wind conditions, which are variable and difficult to predict. Operating results for such plants vary significantly from period to period depending on the wind resource during the periods in question. Therefore, the electricity generated by IC Power's wind energy plants may not meet its anticipated production levels or the rated capacity of the turbines located there, which could adversely affect its business.

IC Power could experience severe business disruptions, significant decreases in revenues based on lower demand arising from climate changes or catastrophic events, or significant additional costs to IC Power not otherwise covered by business interruption insurance policies. There may be an important time lag between a major climate change event, accident or catastrophic event and IC Power's recovery from any insurance policies, which typically carry non-recoverable deductible amounts, and in any event, are subject to caps per event. Furthermore, many of IC Power's supply agreements, including its natural gas supply agreements and transportation services agreements, contain force majeure provisions that allow for the suspension of performance by its counterparties for the duration of certain force majeure events. If a force majeure event were to occur and IC Power's counterparties were to temporarily suspend performance under their contracts, IC Power may be forced to find alternative suppliers in the market on short notice (which IC Power may be unable to do) and incur additional costs. Additionally, any of these events could cause adverse effects on the energy demand of some of IC Power's customers and of consumers generally in the affected market, the occurrence of which could have a material adverse effect on its business, financial condition, results of operations or liquidity.

IC Power is exposed to electricity spot market, fuel and other commodity price volatility.

IC Power's generation companies purchase and sell electricity in the wholesale spot markets. During the years ended December 31, 2015, 2014 and 2013, IC Power's generation companies purchased 17%, 18% and 18% of the electricity that they sold (in GWh) from the spot market, respectively. As a result, IC Power is exposed to spot market prices, which tend to fluctuate substantially. Unlike most other commodities, electric power can only be stored on a very limited basis and generally must be produced concurrently with its use. As a result, power prices are subject to significant volatility from supply and demand imbalances, especially within the spot markets in which IC Power may purchase and sell electricity. Typically, spot market prices for electricity are volatile and the demand for such electricity often reflects the cyclical fluctuating cost of coal, natural gas and oil, rain volumes or the conditions of hydro reservoirs. The Peruvian and Chilean electricity markets are also indirectly affected by the price of copper, as a result of the electricity-intensive mining industry, which represents a significant source of the electricity demand in these markets. Therefore, a decline in such mining activity could adversely affect IC Power, and any changes in the supply and cost of coal, natural gas and oil, rain volumes, the conditions of hydro reservoirs, the unexpected unavailability of other generating units, or the supply and cost of copper, may impact the volume of electricity

demanding by the market. Volatility in market prices for fuel and electricity may result from many factors which are beyond its control and IC Power does not generally engage in hedging transactions to minimize such risks. For further information on the effects of fluctuations in oil prices on IC Power's results of operations, see "Item 5. Operating and Financial Review and Prospects—Material Factors Affecting Results of Operations—IC Power—Fluctuations in Oil Prices and Currency Exchange Rates."

IC Power is exposed to counterparty risks.

IC Power's cash flows and results of operations are dependent upon the continued ability of its customers to meet their obligations under their relevant PPAs. Additionally, a small number of customers purchase a significant portion of IC Power's output under PPAs that account for a substantial percentage of the anticipated revenue of its generation companies. Although IC Power's generation companies evaluate the creditworthiness of their various counterparties, its generation companies may not always be able to, if at all, fully anticipate, detect, or protect against deterioration in a counterparty's creditworthiness and overall financial condition. The deterioration of creditworthiness or overall financial condition of a material counterparty (or counterparties) could expose IC Power to an increased risk of non-payment or other default under its contracts with them. For example, CEPP, IC Power's Dominican Republic generation subsidiary, has experienced significant payment delays under its PPAs.

Furthermore, if any of the counterparties to IC Power's PPAs were to become insolvent, IC Power may be unable to recover payment under local insolvency laws. For example, under Peruvian insolvency laws, if a private counterparty under any of IC Power's PPAs were to become insolvent, its claims with respect to payments due by such counterparty under its relevant contract will rank junior to, among others, the counterparty's labor, social security, taxes, pension fund and secured obligations. In such a case, IC Power's ability to recover payments due on its existing PPAs in Peru may be limited. Any default by any of IC Power's key customers could have a material adverse effect on IC Power's business, financial condition, results of operations or liquidity.

IC Power relies on power transmission facilities that it does not own or control and that are subject to transmission constraints. If these facilities fail to provide IC Power with adequate transmission capacity, IC Power may be restricted in its ability to deliver wholesale electric power and IC Power may either incur additional costs or forego revenues.

IC Power depends upon transmission facilities owned and operated by others to deliver the wholesale power it sells from its power generation plants. If transmission is disrupted, or if the transmission capacity infrastructure is inadequate, IC Power's ability to sell and deliver wholesale power may be adversely impacted. If the power transmission infrastructure in one or more of the markets that IC Power serves is inadequate, its recovery of wholesale costs and profits may be limited. If restrictive transmission price regulation is imposed, the transmission companies may not have sufficient incentive to invest in expansion of transmission infrastructure. IC Power cannot predict whether transmission facilities will be expanded in specific markets to accommodate competitive access to those markets, a failure of which could have a material adverse effect on its business, financial condition, results of operations or liquidity. In addition, in some of the markets in which IC Power operates, different spot prices may occur within the grid as a result of a transmission constraint. As a result, IC Power may need to purchase energy in the spot market in order to fulfill a PPA obligation in one part of the grid, even if IC Power is generating energy in another part of the grid, and such purchase may occur at a spot market price which is higher than its own generation cost.

If any of IC Power's generation units are unable to generate energy as a result of a breakdown or other failure, IC Power may be required to purchase energy on the spot market to meet its contractual obligations under the relevant PPAs.

The breakdown or failure of one of IC Power's generation facilities may require IC Power to purchase energy in the spot market to meet its contractual obligations under its PPAs, while simultaneously resulting in an increase in the spot market price of energy, resulting in a contraction, or loss, of its margins. In addition, the failure or breakdown of one of IC Power's generation units may prevent that particular facility from performing under applicable PPAs which, in certain situations, could result in termination of the PPA or liability for liquidated damages, the occurrence of which could have a material adverse effect on its business, financial condition, results of operations or liquidity. For example, due to unscheduled maintenance of one of its turbines in the first half of 2013, Kallpa was required to make energy purchases on the spot market to meet its obligations under its PPAs. For further information on the effect of the Kallpa plants' unscheduled maintenance stoppage on its cost of sales in 2013, see "Item 5.A—Operating Results—Year Ended December 31, 2014 Compared to Year Ended December 31, 2013—Cost of Sales."

IC Power maintains insurance policies for property value and business interruptions, intended to mitigate any losses due to customary risks. However, we cannot assure you that the scope of damages suffered in such an event would not exceed the policy limits, deductibles, losses, or loss of profits outlined in IC Power's insurance coverage. IC Power may be materially

and adversely affected if it incurs losses that are not fully covered by its insurance policies and such losses could have a material adverse effect on its business, financial condition, results of operations or liquidity. For further information on the risks related to IC Power's insurance policies, see "*—IC Power's insurance policies may not fully cover damage, and IC Power may not be able to obtain insurance against certain risks.*"

Some of the countries in which IC Power operates, or may operate in the future, have experienced terrorist activity and social unrest in the past and it is possible that a resurgence of terrorism in any of these countries could occur in the future.

Some of the countries in which IC Power operates, or may operate in the future, have experienced terrorist activity and social unrest in the past. For example, Peru, the country in which IC Power has its largest operations, experienced terrorist activity that reached its peak of violence against the government and private sector in the late 1980s and early 1990s. IC Power's operating company in Peru represented 47% of IC Power's Adjusted EBITDA, as reported by IC Power, for the year ended December 31, 2015. Any terrorist activities or other hostile actions in Peru could have a material adverse effect on IC Power's business, financial condition and results of operation. Adjusted EBITDA is a non-IFRS measure. For a reconciliation of Kallpa's net income to Kallpa's Adjusted EBITDA (which reflects the portion of IC Power's Adjusted EBITDA which is represented by Peru), see "*Item 3.A Selected Financial Data—Information on Business Segments—IC Power.*"

The existing security, economic and geopolitical conditions in Israel and the Middle East could affect IC Power's operations in Israel. Israel has been and is subject to terrorist activity, with varying levels of severity. Parties with whom IC Power does business have sometimes declined to travel to Israel during periods of heightened unrest or tension, forcing IC Power to make alternative arrangements where necessary. Developments in the political and security situation in Israel may also result in parties with whom IC Power has agreements claiming that they are not obligated to perform their commitments under those agreements pursuant to force majeure provisions. Any deterioration in the security or geopolitical conditions in Israel and/or the Middle East could adversely impact IC Power's business relationships and thereby have a material adverse effect on its business, financial condition, results of operations or liquidity.

Israel's geopolitical situation has led to security issues and, as a result, IC Power's Israel-based subsidiary OPC, as well as any additional entities IC Power may develop or acquire in Israel, including AIE, may be exposed to hostile activities (including harm to computer systems or, with respect to its operations, missile attacks on its facilities or attacks on critical infrastructure, such as gas transmission systems or pipelines), security restrictions connected with Israeli bodies/organizations overseas, possible isolations by various bodies for numerous political reasons, and other limitations. Any of the aforementioned events and conditions could disrupt IC Power's and OPC's operations, which could, in turn, have a material adverse effect on its business, financial condition, results of operations or liquidity.

Inflation in any of the countries in which IC Power currently operates, or will operate, could adversely affect IC Power.

If any of the countries in which IC Power currently operates, or in which IC Power may operate in the future, experiences substantial inflation, the costs of its operations could increase and its operating margins could decrease, which could materially and adversely affect its results of operations. A number of the countries in which IC Power operates have experienced significant inflation in prior years, including Peru, its primary country of operation. Inflationary pressures may also impact IC Power's margins to the extent that cost increases driven by inflation are not accompanied by corresponding increases in the price of electricity or capacity sold, or limit its ability to trigger the minimum thresholds set forth in the price adjustment mechanisms in IC Power's PPAs or long-term supply agreements or access foreign financial markets, and may also prompt government intervention in the economy of the affected country, including the introduction of government policies that may adversely affect the overall performance of such economy. Any of the foregoing could have a material adverse effect on IC Power's business, financial condition, results of operations or liquidity.

IC Power has granted rights to the minority shareholders of certain of its subsidiaries.

Although IC Power owns a majority of the voting equity in most of its businesses, IC Power has entered into, and may, and in some instances, will be required to, continue to enter into, shareholders' agreements granting minority rights to the minority shareholders of certain of those entities. For example, IC Power has entered into shareholders' agreements with, among others, Energía del Pacífico S.A., or Energía del Pacífico, a member of the Quimpac group and the minority shareholder of Kallpa, CDA and Samay I, as well as with Veolia Energy Israel Ltd., or Veolia, the minority shareholder of OPC, and Centrans Energy Services Inc. the minority shareholder of IC Power's Nicaraguan assets. Among other things, IC Power's shareholders' agreements generally grant the applicable minority shareholder veto rights over significant acquisitions and dispositions as well as the incurrence of significant debt. Therefore, IC Power's ability to develop and operate any of its businesses governed by a shareholders' agreement may be limited if IC Power is unable to obtain the approval of a minority shareholder for certain corporate actions IC Power deems to be in the best interest of the relevant business. In addition, such shareholders' agreements may limit IC Power's ability to dispose of its interests in any of these businesses. IC Power's

operation of its subsidiaries may also subject IC Power to litigation proceedings initiated by the minority shareholders of its subsidiaries. For further information on its shareholders' agreements, see "*Item 4.B Business Overview—Our Businesses—IC Power—Shareholders' Agreements.*"

IC Power could face risks, or barriers to exit, in connection with the disposals or transfers of its businesses or their assets.

IC Power continually assesses the strategic composition of its power generation portfolio and may, as a result of its assessments, divest its interests in businesses whose operations are inconsistent with its long-term strategic plan. Divestitures can generate organizational and operational efficiencies, cash for use in IC Power's capital investment program and operations, and cash to repay outstanding debt. However, divestitures may also result in a decline in IC Power's net income or profitability.

Additionally, IC Power may face exit barriers, including high exit costs or objections from various stakeholders, in connection with dispositions of certain of its operating companies or their assets. For example, pursuant to Israel's Electricity Sector Law 5756-1996, or Electricity Sector Law, the transfer of control over an entity that holds a generation license in Israel must be approved by the EA. Additionally, pursuant to OPC's PPA with the IEC and OPC's syndicated credit agreement, both the IEC and OPC's lenders must consent to IC Power's transfer of control of OPC to a third party. Such restrictions, as well as similar restrictions contained in other shareholders' agreements or financing agreements in respect of IC Power's other operating companies may prohibit IC Power from disposing of its interests in its businesses, and such prohibitions may have a material adverse effect on its development and growth strategy. Furthermore, although IC Power has recently exported power generation barges (from Guatemala and the Dominican Republic to Panama), IC Power may face opposition from local governments in connection with any decision to sell and/or export any of the power generation barges that IC Power has installed or may install from one country to another country.

IC Power requires qualified personnel to manage and operate its various businesses and projects.

As a result of IC Power's decentralized structure, IC Power requires qualified and competent management to independently direct the day-to-day business activities of each of its businesses, execute their respective business and/or project development plans, and service their respective customers, suppliers and other stakeholders, in each case across numerous geographic locations. The services offered by IC Power's businesses are highly technical in nature and require specialized training and/or physically demanding work. Therefore, IC Power must be able to retain employees and professionals with the skills necessary to understand the continuously developing needs of IC Power's customers, to maximize the value of each of its businesses, and to ensure the timely and successful completion of any expansion or development projects. This includes developing talent and leadership capabilities in the emerging markets in which certain of IC Power's businesses operate, where the depth of skilled employees may be limited. Changes in demographics, training requirements and/or the unavailability of qualified personnel could negatively impact the ability of each of IC Power's businesses to meet these demands. Unpredictable increases in the demand for its services, or the geographical diversity of its businesses, may exacerbate the risk of not having a sufficient number of trained personnel.

In addition, IC Power's operating companies could experience strikes, industrial unrest or work stoppages. In June and November 2015, COBEE's facilities in Bolivia experienced a brief strike. Although neither of the strikes at COBEE facilities resulted in a work stoppage nor had a material effect on IC Power's results of operations, there can be no assurance that future strikes or industrial unrest will not occur or lead to a work stoppage which could have an effect on its results of operations. A significant percentage of IC Power's employees in Bolivia, Israel and Jamaica are members of unions, and, as of December 31, 2015, approximately 23% of all of its employees were unionized. For further information on IC Power's unionized employees, see "*Item 4.B Business Overview—Our Businesses—IC Power—Employees.*"

If any of IC Power's businesses fail to train and retain qualified personnel, or if they experience excessive turnover, strikes or work stoppages, IC Power may experience declining production, maintenance delays or other inefficiencies, increased recruiting, training or relocation costs and other difficulties, any of which could have a material adverse effect on its business, financial condition, results of operations or liquidity.

IC Power's success will also be dependent upon the decision-making of its directors and executive officers as well as the directors and executive officers of its businesses. The loss of any or all of IC Power's directors and executive officers could affect the creation or implementation of its short-term plans or long-term strategies or divert its directors and executive officers' attention from its operations, which could result in a delay in the completion of a project, affect its ability to enter into PPAs, or otherwise have a material adverse effect on its business, financial condition, results of operations or liquidity.

The interruption or failure of IC Power's information technology, communication and processing systems or external attacks and invasions of these systems could have an adverse effect on IC Power.

IC Power depends on information technology, communication and processing systems to operate its businesses. Such systems are vital to each of IC Power's operating companies' ability to monitor its power plants' operations, maintain generation and network performance, adequately generate invoices to customers, achieve operating efficiencies and meet its service targets and standards. Damage to its networks and backup mechanisms may result in service delays or interruptions and limit IC Power's ability to provide customers with reliable service over its networks. Some of the risks to IC Power's networks and infrastructure include:

- physical damage to access lines, including theft, vandalism, terrorism or other similar events;
- energy surges or outages;
- software defects;
- scarcity of network capacity and equipment;
- disruptions beyond IC Power's control;
- breaches of security, including cyber-attacks and other external attacks; and
- natural disasters.

The occurrence of any such event could cause interruptions in service or reduce IC Power's generation capacity, either of which could reduce its revenues or cause IC Power to incur additional expenses.

Furthermore, as a distribution company with over 1.6 million customers, Energuate processes and retains certain sensitive and confidential customer information in the ordinary course of its business. Should Energuate experience a security breach resulting in the misappropriation, loss or unauthorized disclosure of confidential information, this may disrupt Energuate's business and result in reputational harm and litigation.

Although IC Power has operational insurance with business interruption coverage that may protect it against specific insured events, IC Power may not be insured for all events or for the full amount of the lost margin or additional expense. In addition, the occurrence of any such event may subject IC Power to penalties and other sanctions imposed by the applicable regulatory authorities. The occurrence of damages to IC Power's networks and systems could have a material adverse effect on its business, financial condition, results of operations or liquidity. For further information on the recent cyber-attack on the EA and the risks related to OPC and AIE's information technology systems due to their status as Israeli corporations, see *"—We, and each of our businesses, face cyber-security risks."*

IC Power is exposed to material litigation and/or administrative proceedings.

IC Power is involved in various litigation proceedings, and may be subject to future litigation proceedings, any of which could result in unfavorable decisions or financial penalties against IC Power, and IC Power will continue to be subject to future litigation proceedings, which could have material adverse consequences to its business.

For example, since 2010, the Peruvian Tax Authority (*Superintendencia Nacional de Administración Tributaria*), known as SUNAT for its abbreviation in Spanish, has issued tax assessments to Kallpa and its lenders (as lessors under the Kallpa leases) for payment of import taxes allegedly owed by Kallpa and its lenders in connection with the engineering services of the EPC contractors for Kallpa I, II, III and IV. Kallpa and its lenders disputed the tax assessments before SUNAT and, after SUNAT confirmed the assessments, appealed before the Peruvian Tax Administrative Court, or the Tribunal Fiscal. In January 2015, the Tribunal Fiscal rejected Kallpa and its lenders' appeal in respect of the Kallpa I assessment, and Kallpa subsequently challenged the decision in the Peruvian courts. However, in order to challenge the administrative ruling of the Tribunal Fiscal in the judicial system, Kallpa and its lenders were required to pay the tax assessment of Kallpa I. A decision of the Tribunal Fiscal of the Kallpa appeals in respect of the Kallpa II and III assessments is still pending. As of December 31, 2015, the total tax exposure related to claims by SUNAT against Kallpa and its lenders in connection with the importation of equipment related to the Kallpa I, II, III and IV projects, equaled approximately \$31.2 million, including interest and fines. For further information on these proceedings, see *"Item 4.B Business Overview—Our Businesses—IC Power—Legal Proceedings—Kallpa—Import Tax Assessments."*

Litigation and/or regulatory proceedings are inherently unpredictable, and excessive verdicts do occur. Adverse outcomes in lawsuits and investigations could result in significant monetary damages, including indemnification payments, or injunctive relief that could adversely affect IC Power's ability to conduct its business and may have a material adverse effect on IC Power's financial condition and results of operations. For example, the Tribunal Fiscal's decision, with respect to the Kallpa I plant, could have a negative impact on the outstanding rulings and assessments in respect of the Kallpa II and III plants or other plants or projects. In addition, such investigations, claims and lawsuits could involve significant expense and diversion of IC Power's management's attention and resources from other matters, each of which could also have a material adverse effect on its business, financial condition, results of operations or liquidity.

IC Power's insurance policies may not fully cover damage, and IC Power may not be able to obtain insurance against certain risks.

IC Power maintains insurance policies intended to mitigate its losses due to customary risks. These policies cover IC Power's assets against loss for physical damage, loss of revenue and also third-party liability. However, we cannot assure you that the scope of damages suffered in the event of a natural disaster or catastrophic event would not exceed the policy limits of its insurance coverage. In addition, IC Power may be required to pay insurance deductibles, which are not recoverable, in order to utilize its insurance policies. IC Power maintains all-risk physical damage coverage for losses resulting from, but not limited to, fire, explosions, floods, windstorms, strikes, riots, mechanical breakdowns and business interruption. IC Power's level of insurance may not be sufficient to fully cover all losses that may arise in the course of its business or insurance covering its various risks may not continue to be available in the future. In addition, IC Power may not be able to obtain insurance on comparable terms in the future. IC Power may be materially and adversely affected if IC Power incurs losses that are not fully covered by its insurance policies and such losses could have a material adverse effect on its business, financial condition, results of operations or liquidity. For further information on IC Power's insurance policies, see "Item 4.B Business Overview—Our Businesses—IC Power—Insurance."

Future expansion into new markets or businesses involve significant costs and risks, and may be unsuccessful.

IC Power is constantly monitoring and assessing development and acquisition opportunities. In particular, IC Power may seek to diversify and expand its operations to certain countries in which IC Power does not currently have a presence, such as Mexico, through greenfield development projects and acquisitions. Additionally, in January 2016, IC Power expanded and diversified by entering into the electricity distribution business through its acquisition of Energuate in Guatemala.

IC Power has limited experience in operating a distribution business and does not have any experience operating companies in certain of the other countries in which IC Power is considering expansion, such as Mexico. In entering into new markets and operating in these new businesses, IC Power would face managerial, commercial, technological and regulatory risks. The business strategies, managerial expertise and institutional knowledge that IC Power utilizes and has developed over time with regard to power generation in the countries in which IC Power currently operates may not be applicable to the distribution business, or to the energy sectors of the countries in which IC Power is considering expansion. As expansion into a new market or business will require significant investment of capital and management resources, such expansions will involve many risks, including risks related to:

- obtaining the necessary government and regulatory licenses and authorizations to operate;
- the significant capital expenditures required to establish a footprint in these businesses and markets;
- competition from experienced market participants;
- an inability to attract customers, create brand awareness and establish brand credibility;
- an inability to establish relationships with regulators, stakeholders and other market participants; and
- barriers to entry.

Additionally, with respect to IC Power's recent acquisition of Energuate, IC Power's ability to integrate Energuate's operations into its existing business will be important to IC Power's future success. However, the acquisition of Energuate may not improve, and may even adversely affect, IC Power's results of operations, and the integration of Energuate into IC Power's existing business may expose IC Power to additional risks, liabilities and losses. Additionally, the process of integrating the Energuate business will likely involve significant costs and absorb management time and resources and may otherwise distract management from other opportunities or problems in IC Power's primary business of power generation and its primary markets, such as Peru and Israel. Similarly, if IC Power acquires companies or assets in new markets such as Mexico, IC

Power cannot provide assurance that such expansion and integration efforts will be successful, or that it will be able to successfully execute its business plan. If IC Power is unsuccessful in its attempt to expand into new businesses or markets, this could have a material adverse effect on its material adverse effect on IC Power's business, financial condition, results of operations or liquidity.

The production and profitability of IPPs in Israel may be adversely affected by changes in Israel's regulatory environment.

The EA, which was known as Israel's Public Utilities Authority (Electricity), or the PUAE, until January 1, 2016, regulates and supervises, among other things, the provision of essential electric public services in Israel and OPC's operations can be affected by changes in the EA's policies, regulations, and tariffs. The EA's generation component tariff, for example, serves as the base price for OPC's calculation of the sale price of its energy to its private customers. As a result, its increases or decreases have a related effect on the sales price of OPC's energy and OPC's revenues. In addition, the price at which OPC purchases its natural gas from its sole natural gas supplier, the Tamar Group, a group composed of Noble Energy Mediterranean Ltd., or Noble, Delek Drilling Limited Partnership, Isramco Negev 2 Limited Partnership, Avner Oil Exploration Limited Partnership and Dor Gas Exploration Limited Partnership, is predominantly indexed (in excess of 70%) to changes in the EA's generation component tariff, pursuant to the price formula set forth in OPC's supply agreement with the Tamar Group. As a result, increases or decreases in this tariff have a related effect on OPC's cost of sales and margins.

In July 2013, the EA published four generation component tariffs/power cost indicators, ranging from NIS 386 per MWh to NIS 333.2 per MWh, instead of the single tariff that had previously been used. In January 2015, the EA reduced the tariff rates by approximately 10%. In connection with the indexation of their natural gas price formula for OPC's gas supply agreement with the Tamar Group, OPC and the Tamar Group disagreed as to which of the EA's July 2013 tariffs applied to OPC's supply agreement and have a similar disagreement with respect to the tariffs published in January 2015. OPC and the Tamar Group remain in discussions with respect to this disagreement.

Additionally, on September 8, 2015, the EA published a final decision, which became effective on September 13, 2015, reducing the EA generation component tariff by approximately 12%. This reduction will result in a corresponding decline in the sale prices of OPC's energy and OPC's revenues. In addition, the natural gas price formula in OPC's supply agreement is subject to a floor mechanism. As a result of previous declines in the EA generation component tariff, OPC began to pay the ultimate floor price in November 2015. Therefore, the September 2015 decline and any further declines in the EA generation component tariff, will not result in a corresponding decline in OPC's natural gas expenses, and will lead to a greater decline in OPC's margins, which may have a material adverse effect on OPC's business, results of operations and financial condition.

Furthermore, since 2013, the EA had been in the process of determining a system cost tariff. In August 2015, the EA published a decision that IPPs in Israel would be obligated to pay system management service charges, which charges are retroactively effective as of June 1, 2013. According to the EA decision, as amended in September 2015 and December 2015, the amount of system management service charges that would be payable by OPC from the effective date of June 1, 2013 to June 30, 2015, is approximately NIS 163 million (approximately \$43 million), which includes interest rate and linkage costs of NIS 8 million (approximately \$2 million). The approximately NIS 163 million which the EA has deemed payable by OPC is based upon the "average rate" of the system management service charges. However, as the rate of the new system management service charges, like other rates of the EA, varies by season (e.g., summer and winter) and by demand period (peak, shoulder and off-peak), the EA's final calculation of the amount payable by OPC will be based upon the applicable time of use rates, which provides different energy rates for different seasons (e.g., summer and winter) and different periods of time during the day, or "Time of Use" rates. For further information on Israel's seasonality and the related EA tariffs, see "*Item 4.B Business Overview—Our Businesses—IC Power—IC Power's Industry Overview—Israel.*" For further information on the effect of EA tariffs on IC Power's revenues and margins, see "*Item 5. Operating and Financial Review and Prospects—Material Factors Affecting Results of Operations—IC Power—EA Tariffs Affect IC Power's Results in Israel Segment.*" IC Power is considering the implications of this decision and may contest it.

Additionally, a steering committee was appointed by the State of Israel in July 2013 to propose comprehensive reform of IEC. Although the steering committee had not published its final recommendations, and there had not been any formal announcements concerning the steering committee's discussions or negotiations with IEC and the State of Israel for some time, in November 2015, the steering committee announced that it resumed its discussions regarding comprehensive reform of IEC and the Israeli electricity market. If OPC incurs significant costs or experiences a further reduction in revenues or margins as a result of changes in regulation or the establishment of any new regimes or the implementation of any such laws or governmental regulations, this could have a material adverse effect on IC Power's business, financial condition, results of operations or liquidity. For further information on the regulation of the Israeli electricity sector, see "*Item 4.B Business Overview—Our Businesses—IC Power—Regulatory, Environmental and Compliance Matters—Regulation of the Israeli Electricity Sector—EA.*"

Governments have a high degree of influence in the countries in which IC Power operates.

IC Power operates in 11 countries and therefore is subject to significant and diverse government regulation. The laws and regulations affecting IC Power's operations are complex, dynamic and subject to new interpretations or changes. Such regulations affect almost every aspect of IC Power's businesses, have broad application and, to a certain extent, limit management's ability to independently make and implement decisions regarding numerous operational matters. Additionally, governments in many of the markets in which IC Power operates frequently intervene in the economy and occasionally make significant changes in monetary, credit, industry and other policies and regulations. Government actions to control inflation and other policies and regulations have often involved, among other measures, price controls, currency devaluations, capital controls and limits on imports. IC Power has no control over, and cannot predict, what measures or policies governments may enact in the future. The results of operations and financial condition of IC Power's businesses may be adversely affected by changes in governmental policy or regulations in the jurisdictions in which IC Power operates if those changes impact, among other things:

- consumption of electricity and natural gas;
- supply of electricity and natural gas;
- operation and maintenance of generation, transmission or distribution facilities, including the receipt of provisional and/or permanent operational licenses;
- tariffs or royalties on the use of water for hydroelectric or thermal plants;
- energy policy;
- rules governing the dispatch merit order;
- key permits or operating licenses that IC Power currently holds;
- calculations of marginal costs or spot prices;
- subsidies and incentives;
- regulated rates and tariffs, including under PPAs where tariffs are based on regulated rates;
- labor, environmental, or other laws;
- mandatory salary increases;
- public consultations for new projects;
- social responsibility obligations;
- economic growth;
- currency fluctuations and inflation;
- fiscal policy and interest rates;
- capital control policies and liquidity of domestic capital and lending markets;
- tax laws, including the effect of tax laws on distributions from IC Power's subsidiaries;
- import/export restrictions;
- acquisitions, construction, or dispositions of power assets; and
- other political, social and economic developments in or affecting the countries in which its operating companies are based.

Uncertainty over whether governments will implement changes in policy or regulations affecting these or other factors in the future may also contribute to economic uncertainty and heightened volatility in the securities markets. For example, in 2016, there will be elections in Peru and Jamaica, and the results of such elections may create economic or regulatory uncertainty.

Existing or future legislation and regulation or future audits could require material expenditures by IC Power or otherwise have a material adverse effect on its operations. For example, Peruvian regulators have increased their reviews of permitting, licensing and concession applications and have recently imposed time limits on newly-granted licenses and concessions. Additionally, unregulated clients will be provided access to the spot market on January 1, 2016. However, as the regulatory rules that would govern their access have not yet been approved, there remains uncertainty as to how such access will be implemented and the impact such access may have on power companies in Peru, including IC Power's Peruvian assets. The provision of such access could result in increased competition in the Peruvian generation sector and/or result in increased pressures to reduce contractual prices in Peru. Furthermore, general elections in Peru are expected to take in place in April 2016, and presidential and congressional elections may impact the development of certain industries, affect the interpretation of existing legislation or result in the enactment of additional regulations, actions or agencies, which may result in changes in regulations in Peru that adversely affect IC Power's business. Peruvian regulators may also enact processes to expand generation capacity in Peru in excess of the rate of demand growth, which expansion could therefore have a negative impact on spot and contractual prices in Peru, which in turn could reduce the margins of IC Power's Peruvian assets. Moreover, Peruvian regulators may amend the rules that govern how natural gas prices in Peru are determined and such prices are used to determine the variable fuel cost of thermal generation units that burn such fuel. As a result, any such amendment may affect the order of dispatch of thermal generation units in the Peruvian system (such as Kallpa or Samay I), which may have a material adverse effect on IC Power's margins or results of operations.

Additionally, government agencies could take enforcement actions against IC Power and impose sanctions or penalties on it for failure to comply with applicable regulations. Depending on the severity of the infraction, enforcement actions could include the closure or suspension of operations, the imposition of fines or other remedial measures, and the revocation of licenses. Compliance with enhanced regulations could force IC Power to make capital expenditures and divert funds away from planned investments in a manner that could have a material adverse effect on its business, financial condition, results of operations or liquidity.

Due to populist political trends that have become more prevalent in certain of the countries in which IC Power operates over recent years, some of the governments or authorities in countries where IC Power operates might seek to promote efforts to increase government involvement in regulating economic activity, including the energy sector, which could result in the introduction of additional political factors in economic decisions. For example, Bolivia has nationalized natural gas and petroleum assets, as well as generation companies that compete with IC Power. Bolivia has also dictated mandatory salary increases for both public and private companies, affecting the profitability of IC Power's company in Bolivia, COBEE. For further information on the risks related to the Bolivian government's recent nationalization of certain generation companies, see "*The Bolivian government has nationalized energy industry assets, and IC Power's remaining operations in Bolivia may also be nationalized.*"

If IC Power fails to comply with existing regulations and legislation, or reinterpretations of existing regulations and new legislation or regulations, such as those relating to the reduction of anti-competitive conduct, air and water quality, ecological waterflow for hydroelectric plants, noise avoidance, electromagnetic radiation, fuel and other storage facilities, volatile materials, renewable portfolio standards, cyber security, emissions or air quality social responsibility, obligations or public consultations, performance standards, climate change, hazardous and solid waste transportation and disposal, protected species and other environmental matters, or changes in the nature of the energy regulatory process, this may have a significant adverse impact on IC Power's financial results.

The Bolivian government has nationalized energy industry assets, and IC Power's remaining operations in Bolivia may also be nationalized.

Bolivia has experienced political and economic instability that has resulted in significant changes in its general economic policies and regulations and the adoption of a new constitution in 2006 that, among other things, prohibits private ownership of certain oil and gas resources. In May 2010, the Bolivian government nationalized Empresa Eléctrica Guaracachi S.A., or Guaracachi, Empresa Eléctrica Valle Hermoso S.A., or Valle Hermoso and Empresa Eléctrica Corani S.A., or Corani, each a significant generation company in Bolivia. In May 2012, the Bolivian government nationalized Transportadora de Electricidad S.A., a transmission company that had previously operated as a subsidiary of Red Eléctrica de España. In December 2012, Electricidad de La Paz S.A. (Electropaz) and Empresa de Luz y Fuerza de Oruro S.A. (Elfeo)—companies which had no previous ownership relationship with the Bolivian government—were also nationalized.

Although there were elections in Bolivia during the third quarter of 2014, and such elections resulted in the re-election of certain key government officials, it is unclear whether the Bolivian government will continue nationalizing entities involved in its power utility market. It is also unclear whether such nationalization (if any) would be adequately compensated for by the Bolivian government. IC Power's subsidiary COBEE is one of the few remaining privately-held generation companies in Bolivia. Although we believe IC Power's circumstances differ from those of the nationalized generation companies (because COBEE was not previously owned by the Bolivian government), there is a risk that COBEE will be subject to nationalization. Such nationalization may include the expropriation or nullification of IC Power's existing concessions, licenses, permits, agreements and contracts, as well as effective nationalization resulting from changes in Bolivian regulatory restrictions or taxes, among other things, that could have an adverse impact on COBEE's profitability. If COBEE were indeed nationalized, we cannot assure you that IC Power would receive fair compensation for its interests in COBEE.

IC Power could face nationalization risks in other countries as well. The nationalization of any of IC Power's operating companies or power generation plants, even if fair compensation for such nationalization is received, could have a material adverse effect on its business, financial condition, results of operations or liquidity.

IC Power's business and profitability may be adversely affected if water rights are limited or denied.

Certain of IC Power's generation facilities rely on hydroelectric power generation. For instance, in Bolivia, COBEE facilities generate power from, among others, ten run-of-the-river hydroelectric plants in the Zongo river valley and four run-of-the-river hydroelectric plants in the Miguillas river valley. In addition, IC Power is currently developing CDA's plant, a 510 MW run-of-the-river hydroelectric project in Peru.

IC Power owns water rights in Bolivia granted by the Bolivian Ministry of Energy and Hydrocarbons and in Peru, granted by the National Water Authority (*ANA—Autoridad Nacional del Agua*). From time to time, local governments and regulators may amend regulations pertaining to water rights. Furthermore, IC Power may be unable to obtain, or otherwise experience difficulty in obtaining, water rights in connection with the construction of new hydroelectric plants, which may impact the viability, design, timing or profitability of a project. Local governments may also try to impose a royalty or tariff for water use on IC Power's hydroelectric plants. In addition, several plants are required to leave a percentage of the water available in the river and therefore may not utilize such water in their generation activities (this reserve is commonly referred to as the 'ecological waterflow'). Local governments may decide to enact a change in the regulation or in the calculation of the ecological waterflow, thereby reducing available volumes of water for power generation in IC Power's plants. Any limitations on IC Power's current water rights, its ability to obtain additional water rights, or its ability to effectively utilize its existing rights, could have a material adverse effect on its current hydroelectric plants and its hydroelectric projects.

IC Power's equipment, facilities, operations and new projects are subject to numerous environmental, health and safety laws and regulations.

IC Power is subject to a broad range of environmental, health and safety laws and regulations which require IC Power to incur ongoing costs and capital expenditures and expose IC Power to substantial liabilities in the event of non-compliance. These laws and regulations require IC Power to, among other things, minimize risks to the natural and social environment while maintaining the quality, safety and efficiency of IC Power's facilities. Furthermore, as IC Power's operations are subject to various operational hazards, including personal injury and the loss of life, IC Power is subject to laws and regulations that provide for the health and safety of its employees.

These laws and regulations also require IC Power to obtain and maintain environmental permits, licenses and approvals for the construction of new facilities or the installation and operation of new equipment required for its business. Some of these permits, licenses and approvals are subject to periodic renewal. Government environmental agencies could take enforcement actions against IC Power for any failure to comply with applicable laws and regulations. Such enforcement actions could include, among other things, the imposition of fines, revocation of licenses, suspension of operations or imposition of criminal liability for non-compliance. Environmental laws and regulations can also impose strict liability for the environmental remediation of spills and discharges of hazardous materials and wastes and require IC Power to indemnify or reimburse third parties for environmental damages. As fuel leaks may occur when fuel is received from containerships at sea (as is the case for fuel received in El Salvador and the Dominican Republic), sea water may be inadvertently polluted at the time of fuel receipt; IC Power's primary operational environmental risk relates to the potential leaking of such fuel. Although IC Power has operating procedures in place to minimize these, and other, environmental risks, there is no assurance that such procedures will prove successful in avoiding inadvertent spills or discharges.

IC Power expects the enforcement of environmental, health and safety rules to become more stringent over time, making its ability to comply with the applicable requirements and obtain permits and licenses in a timely fashion more difficult. Additionally, compliance with changed or new environmental, health and safety regulations could require IC Power

to make significant capital investments in additional pollution controls or process modifications. These expenditures may not be recoverable and may consequently divert funds away from planned investments in a manner that could have a material adverse effect on IC Power's business, financial condition, results of operations or liquidity.

While IC Power intends to adopt, and believe that each of its businesses has adopted, appropriate risk management and compliance programs, the nature of its operations means that legal and compliance risks will continue to exist and additional legal proceedings and other contingencies, the outcome of which cannot be predicted with certainty, will arise from time to time. No assurances can be made that IC Power will be found to be operating in compliance with, or be able to detect violations of, any existing or future laws or regulations. A failure to comply with or properly anticipate applicable laws or regulations could have a material adverse effect on IC Power's business, financial condition, results of operations or liquidity.

In the case of new project developments, environmental or other regulations may change during the course of IC Power's development of such projects, potentially increasing the costs of such projects or making them inviable projects for completion.

Foreign exchange rate fluctuations and controls could have a material adverse effect on IC Power's earnings and the strength of its balance sheet.

Through IC Power's businesses, IC Power has facilities and generate costs and revenues in a number of countries in Latin America, the Caribbean and Israel. Although IC Power's costs and revenues are generally denominated in the U.S. Dollar, or are linked to the U.S. Dollar as a result of its PPAs or supply agreements, OPC's revenues, operating expenses, assets and liabilities are denominated in New Israeli Shekels. Therefore, significant fluctuations in the New Israeli Shekel against the U.S. Dollar could have a material adverse effect on IC Power's earnings and the strength of its balance sheet. In IC Power's other countries of operation, which generally have a direct or indirect link to the U.S. Dollar, the effects of the indexation may materialize on a delayed basis or may require a minimum threshold to be triggered; inflationary pressures, which impact exchange rate fluctuations, may also impact its margins to the extent that cost increases driven by inflation are not accompanied by corresponding increases in the price of electricity or capacity sold. In addition, some costs, such as payroll and taxes, are normally denominated in local currency, and this denomination exposes IC Power to the foreign exchange fluctuations of the relevant local currency vis-a-vis the U.S. Dollar. Furthermore, whereas the financial statements of IC Power and each of its generation companies are prepared in U.S. Dollars, Energuate prepares its financial statements in Guatemalan Quetzales. Significant fluctuations in the Guatemalan Quetzal against the U.S. Dollar could have a material adverse effect on IC Power's earnings and the strength of its balance sheet.

Furthermore, IC Power's businesses may pay distributions or make payments to IC Power in currencies other than the U.S. Dollar, which IC Power must convert to U.S. Dollars prior to making dividends or other distributions to us if IC Power decides to make any distributions in the future. Foreign exchange controls in countries in which IC Power's businesses operate may further limit its ability to repatriate funds or otherwise convert local currencies into U.S. Dollars. Although exchange rates within Peru, for example, are determined by market conditions, with regular purchase and sale operations by the Peruvian Central Reserve Bank (*Banco Central de Reserva del Perú*) in the foreign exchange market in order to reduce volatility in the value of Peru's currency against the U.S. dollar, this has not always been the case. Should the relevant regulatory bodies in any of the countries in which IC Power operates institute protectionist and interventionist laws and policies or restrictive exchange rate policies in the future, such policies could have a material adverse effect on its operating companies or its financial condition, results of operations or liquidity.

Consequently, as with any international business, IC Power's liquidity, earnings, expenses, asset book value, and/or amount of equity may be materially affected by short-term or long-term exchange rate movements or controls. Such movements may give rise to, among other risks, translation risk, which exists where the currency in which the results of a business are reported differs from the underlying currency in which the business' operations are transacted, which could have a material adverse effect on IC Power's business, financial condition, results of operations or liquidity. For further information on the effect of exchange rates on IC Power's results of operations, see "Item 5. Operating and Financial Review and Prospects—Material Factors Affecting Results of Operations—IC Power—Fluctuations in Oil Prices and Currency Exchange Rates."

IC Power's growth may be limited by antitrust laws.

IC Power has acquired a number of operating power generation companies. In the future, IC Power may seek to expand its operations within any of the countries in which IC Power currently, or may in the future, operates. Government policies, specifically antitrust and competition laws in these relevant countries, can impact its ability to execute this strategy successfully.

In Peru, for example, INDECOPI, the Peruvian antitrust regulator, reviews acquisition agreements that may result in vertical or horizontal market concentration in the electricity sector and, in connection with such review, may, impose conditions upon the parties to such agreements.

Similarly, in Israel, the Antitrust Authority is authorized to prevent market power accumulation through the regulation of mergers in Israel. Additionally, IC Power's expansion activities in Israel may be limited by the Law for Promotion of Competition and Reduction of Concentration – 2013, or the Concentration Law. Pursuant to such law, if IC Power, or a company controlled by it, intends to obtain or purchase a license for the production of electricity in the future for a power plant which exceeds 175 MW, such obtainment or purchase will be subject to the procedures set forth in the Concentration Law, the EA, and the Ministry of National Infrastructures, Energy and Water Resources, which will consider how such obtainment or purchase may affect the concentration in the power generation market. According to the guidelines published by the EA in March 2015: (1) the maximum capacity of electricity production facilities, using conventional and cogeneration technologies, held or controlled by one person, is capped, and (2) a person may not hold or control a dominant market share in a production technology. Entities deemed to be under common control with IC Power would be considered having capacity of a single person. Therefore, the capacity of entities which may be considered to be under common control with IC Power may prevent IC Power from effecting certain acquisitions or otherwise increasing its operations in Israel.

Additionally, IC Power may consider disposing of certain assets, or equity interests in certain of its operating assets, to further its development and operational expansion. Such dispositions may also be impacted by antitrust and competition laws in the countries in which IC Power operates, if the acquirers of such interest have significant interests in the power generation market, or the purported transaction may cross any of the applicable legal thresholds. For example, IC Power's 2014 sale of its 21% indirect interest in Edegel to Edegel's indirect controlling shareholder was subject to regulatory approval from INDECOPI.

Risks Related to IC Power's Acquisition of Energuate

IC Power may not achieve the expected benefits of the Energuate acquisition.

IC Power acquired Energuate in January 2016 with the expectation that the acquisition would result in various benefits to IC Power, including a successful initial entry into electricity distribution. Some of those benefits may not be achieved or, if achieved, may not be achieved at the cost or in the time frame in which they are expected. Also, any benefits may not outweigh the management and personnel resources which will need to be diverted from IC Power's operations to achieve those benefits. Whether IC Power will actually realize the anticipated benefits depends on future events and circumstances, some of which, including market and regulatory conditions, are beyond IC Power's control. Future growth in revenues, earnings and cash flow will be partly dependent on future economic conditions and conditions in the Guatemalan electricity distribution industry.

Furthermore, the process of integrating the operations of Energuate is expected to take time and IC Power may be unable to accomplish the integration smoothly or successfully. This risk is heightened by the fact that the Energuate acquisition represents IC Power's initial entry into the electricity distribution business, and as such, IC Power does not have prior experience operating such a business. In addition, IC Power may experience difficulties in integrating Energuate's financial reporting, which could result in IC Power's disclosure controls and procedures and internal controls over financial reporting becoming ineffective. For example, the Energuate businesses have not historically prepared their respective financial statements under IFRS. While IC Power is in the process of evaluating and integrating Energuate's system of controls into its business, IC Power may be unsuccessful in doing so in a timely manner. IC Power's failure to successfully integrate the Energuate businesses may result in a significant diversion of management's time from on-going business matters, and may have a material adverse effect on its business, results of operations or financial condition.

The tariffs that Energuate charges for the distribution of electricity are determined by CNEE, and unfavorable changes to the distribution tariffs could have a material adverse effect on IC Power's results of operations.

The price that Energuate charges consumers for electricity distributed is based on distribution tariffs, consisting of an electricity charge and a Value Added by Distribution (*Valor Agregado de Distribución*), or VAD, charge, which is determined on the basis of the legal and regulatory proceedings by CNEE every five years. There are seven different tariffs that are applicable to Energuate's regulated customers, and each of Energuate's regulated customers purchases electricity at one of these tariff rates. The VAD component of the distribution tariff is revised every five years with semi-annual adjustments for inflation and local currency exchange rates against the US dollar. The tariffs are set by the CNEE.

The process of establishing the distribution tariffs involves several parties, including distribution companies, and takes place over several stages. While the tariffs are intended to be set on the basis of objective criteria, the parties who participate in

the process of establishing the tariffs can exercise discretion. The CNEE will reassess the VAD charge in January 2019. If the CNEE does not appropriately revise the distribution tariff, due to, among others, political pressure or an economic crisis, this may have a material adverse effect on IC Power's business, financial condition or results of operations. In addition, if the semi-annual adjustments to the VAD component of the distribution tariff are insufficient to fully account for inflation or exchange rate effects, this may have a material adverse effect on IC Power's business, financial condition or results of operations.

IC Power will be required to make significant capital expenditures to improve Energuate's transmission grid and service quality and reduce electricity losses.

IC Power believes that additional investment in Energuate's capital expenditures will be required to, among other things, modernize Energuate's transmission grid, improve service quality and customer satisfaction levels and reduce electricity losses. As such, IC Power intends to invest over \$30 million in Energuate in 2016, and expect that its capital expenditures will increase in the coming years. IC Power may finance its capital expenditure program through cash on hand, internally generated funds or financing from the domestic and international capital markets. IC Power's ability to make these capital expenditures depends on a variety of factors, including changes to the tariffs Energuate charges to its customers, IC Power's access to domestic and international capital markets, the results of IC Power's other subsidiaries and a variety of operating, regulatory or other contingencies. IC Power may not have the financial resources to make the necessary capital expenditures in a timely manner. In addition, should the CNEE's revision to the distribution tariffs Energuate charges to its regulated customers be unfavorable, IC Power may be unable to recoup the costs of its capital expenditure program. A failure to make the necessary capital expenditures in a timely manner and recoup the cost of such program could have a material adverse effect on IC Power's business, financial condition, results of operation or liquidity.

A slowdown in the growth of electricity demand in Guatemala could adversely affect Energuate's business, financial condition and results of operations.

In times of economic crisis, electricity demand in Guatemala has grown at lower rates due to declines in overall levels of economic activity and has resulted in the deterioration of the ability of many consumers to pay their electricity bills. A slowdown in the growth of electricity sales or a decline in collection rates from customers due to a deterioration of Guatemalan economic conditions may have a material adverse effect on IC Power's business, financial condition, results of operations or liquidity.

If Energuate is unable to successfully control electricity losses, IC Power's results of operations could be adversely affected.

Energuate experiences two types of electricity losses: technical losses and commercial losses. Technical losses occur in the ordinary course of Energuate's distribution of electricity, while commercial losses result from illegal connections, fraud and underbilling. Energuate's total electricity losses in the year ended December 31, 2015 and 2014 were 17.3% and 17.7% of its total energy received, respectively. The distribution tariffs that Energuate charges its regulated customers include a VAD component, which provides for an allowance for losses incurred in the distribution of electricity determined by the CNEE. To the extent that Energuate's electricity losses exceed the allowance contemplated in the VAD component of the distribution tariff, Energuate will bear the costs of such losses.

IC Power intends to reduce commercial losses through improving customer billing practices, increasing targeted inspections and meter replacements, implementing a communication program with local communities and modernizing Energuate's facilities to reduce tampering, especially in areas where electricity theft has been more prevalent, while reducing technical losses by investing in the modernization of Energuate's transmission grid and distribution system. However, these strategies may not effectively combat Energuate's electricity losses. Should Energuate's electricity losses remain high or increase, this could have a material adverse effect on IC Power's business, financial condition, results of operations or liquidity.

Defaults by Energuate's consumers due to, among other causes, a reduction in subsidies, could adversely affect IC Power's business, operational results and/or financial condition.

Energuate records a provision for doubtful receivables for past due receivables owed by its customers. Energuate may be unable to collect amounts payable from numerous consumers in arrears. If such debts are not totally or partially settled, this may have a material adverse effect on IC Power's business, financial condition and results of operations or liquidity. Additionally, the amount of receivables that IC Power is unable to collect may exceed the provision that IC Power has constituted. Should the amount of debts in arrears from Energuate's consumers exceed the amounts IC Power has provisioned, this could have a material adverse effect on IC Power's business, financial conditions, results of operations or liquidity.

INDE currently provides electricity rate subsidies for low-income customers to assist in their payment of their electricity bills, and a significant percentage of Energuate's regulated customers rely on tariffs from INDE. Due to budgetary constraints, INDE may be required to reduce the subsidies it provides to low-income customers. Should INDE reduce electricity rate subsidies, Energuate's customers may be unable to bear the cost of their electricity, leading to a decrease in collection rates and an increase in doubtful receivables, which could have a material adverse effect on IC Power's business, financial condition, results of operations or liquidity.

Energuate is subject to comprehensive regulation of its business, which may affect IC Power's financial performance.

Energuate's business is subject to extensive regulation by various Guatemalan regulatory authorities, particularly the CNEE. The CNEE regulates and oversees Guatemala's electricity sector, and establishes Energuate's distribution tariffs. If Energuate is obligated by the CNEE to make additional and unexpected capital investments and is not allowed to adjust its tariffs accordingly, if the CNEE does not authorize the recovery of all costs or if it modifies the regulations related to tariff adjustments, Energuate may be adversely affected.

Furthermore, Energuate has been, and in the future may continue to be, subject to significant fines and penalties by regulatory authorities for, among others, failure to meet quality and delivery standards, some of which may be due to causes out of Energuate's control, such as service distributions attributable to problems at generation facilities. Fines relating to Energuate's failure to meet any quality or delivery standards are payable by granting credits to its customers to offset a portion of their electricity charges, while those not directly related to customers are paid directly to CNEE. In the years ended December 31, 2015 and 2014, Energuate's paid fines and penalties totaled approximately \$210 thousand and \$450 thousand, respectively. In addition, Energuate is currently subject to ongoing proceedings with respect to fines and penalties for failure to meet quality and delivery standards, which may have a material adverse effect on IC Power's business, financial condition and results of operations. If Energuate fails to comply with any of these conditions, the Guatemalan government may seek to obtain payment of these fines and penalties from IC Power, terminate Energuate's authorizations or require the sale of Energuate's assets, each of which could have a material adverse effect on IC Power's business, financial condition and results of operations.

In addition, electricity is a utility with high social impact, particularly within the service areas in which Energuate operates. As such, there is frequent public debate and pressure to modify the regulatory framework for the Guatemalan electricity industry. From time to time, various proposals are made to modify the electricity regulatory framework, and such proposals, if implemented, may affect Energuate's ability to conduct its operations profitably, or at all. In addition, in 2016, a new president was inaugurated in Guatemala, and such regime change may result in modifications to the electricity regulatory framework. Both the implementation of Energuate's strategy for growth and its ordinary business may be adversely affected by governmental actions, including changes to current legislation, the termination of national and local authorization licenses or permits, the forced sale of Energuate's distribution assets in a public auction, the creation of more rigid criteria for qualification in public energy auctions, a delay in the revision and implementation of new tariffs or a modification of the tariff regime.

Energuate's authorizations can be terminated if its service levels fall below those required by its authorization agreements with the Ministry of Energy and Mining.

Energuate conducts its electricity distribution business pursuant to authorization agreements which were executed between DEORSA and the MEM and DEOCSA and the MEM. The authorization agreements require Energuate to comply with certain service and quality standards. The Guatemalan government has the right to impose fines and ultimately revoke Energuate's authorizations if it does not comply with the minimum quality standards established in the regulations under the General Electricity Law or meet certain levels of customer satisfaction. In the event that Energuate's authorizations are terminated, Energuate's distribution assets may, after a series of proceedings, be sold in a public auction, as provided for in the General Electricity Law. A termination of Energuate's authorizations would have immediate negative effects on Energuate's business and results of operations, which could have a material adverse effect on IC Power's business, financial condition and results of operations.

Energuate operates in certain conflict zones which have been and may continue to be subject to high levels of electricity theft and other illicit activity, low collection rates and violent protest.

Energuate's service area includes "conflict zones", which are areas characterized by high levels of electricity theft and low collection rates. In certain of the "conflict zones" in which Energuate operates, particularly along the borders of Mexico, there is little government control and presence. In such areas, Energuate's ability to conduct its operations has been, and may continue to be, affected by illicit activities, such as drug trafficking and violent crime.

Furthermore, Energuate has faced opposition in such areas from a variety of social organizations, some of whom promote violent protests and energy theft. In recent years, local organizations in Energuate's service area have conducted

violent protests to challenge electricity prices. Energuate has undertaken efforts to improve its relationships with the communities in the service areas in which it operates; however, these efforts may be unsuccessful. Electricity theft and other illicit activity, low collection rates and social protests in certain of the “conflict zones” in which Energuate operates may have a material adverse effect on IC Power’s business, financial condition and results of operations.

Risks Related to Our Interest in Qoros

Qoros depends on additional financing to further its development and, until it achieves significant sales levels, to meet its operating expenses, financing expenses, and capital expenditures.

Qoros commenced commercial operations at the end of 2013. Qoros has incurred losses since inception and is continuing to experience losses and negative operating cash flow and expects that this will continue until it achieves significantly higher levels of sales. Qoros’ operating expenses, debt service requirements, capital expenditures and other liquidity requirements are significant. Until Qoros experiences a significant increase in sales, it will continue to require additional financing, including the renewal or refinancing of its working capital facilities, to meet these expenses and requirements, and there is no assurance that Qoros will experience an increase in sales in the near-term, if at all, or obtain additional financing.

Qoros’ available liquidity and capital resources are limited, and it has significant obligations. Qoros has historically relied upon capital contributions, loans, and bank guarantees from its shareholders (Chery and Kenon) to fund its development and operations. As of December 31, 2015, Qoros total loans and borrowings (excluding shareholder loans) of RMB6.0 billion and current liabilities (excluding shareholder loans) of RMB4.3 billion, including trade and other payables of RMB2.6 billion. As of December 31, 2015, Qoros had current assets of RMB1.5 billion, including cash and cash equivalents of RMB257 million. Qoros has long-term, short-term and working capital credit facilities, but amounts available under such facilities are limited. Qoros actively manages its trade payables, accrued expenses and other operating expenses in connection with the management of its liquidity requirements and available resources.

In April 2016, Ansonia, which owns approximately 46% of the outstanding shares of Kenon, entered into a loan agreement to provide loans of up to \$50 million to Qoros to support Qoros’ ordinary course working capital requirements, subject to Wuhu Chery making corresponding loans. Ansonia and Wuhu Chery are each expected to initially fund approximately \$25 million of these loans, with remaining amounts at the discretion of Ansonia and Wuhu Chery. In light of the investments made by Kenon in Qoros, including guarantees of Qoros’ indebtedness, and Kenon’s strategy to refrain from material “cross-allocation” (i.e., investing returns from one business into another), Kenon will not make any loans or other investments in Qoros as part of this transaction. For more information see “Item 5. Operating and Financial Review and Prospects—Recent Developments—Qoros—Ansonia’s Agreement to Invest in Qoros.” Qoros is continuing to seek additional financing for its operations.

Qoros will need to secure additional financing to meet its operating expenses (including accounts payable) and debt service requirements. If Qoros is not able to raise additional financing as required, it may be unable to continue operations, in which case Kenon may lose its entire investment in Qoros and Kenon may be required to make payments under its back-to-back guarantees to Chery in respect of Qoros’ bank debt. See “—Some of our businesses have significant capital requirements. If these businesses are unable to obtain sufficient financing from third party financing sources or renew or refinance their working capital facilities, they may not be able to operate, and we may deem it necessary to provide such capital, provide a guaranty or indemnity in connection with any financings, provide collateral in connection with any financings, including via the cross-collateralization of assets across businesses, or we may refrain from investing further in any such businesses, all of which may materially impact our financial position and results of operations.”

Qoros’ future success is dependent upon an increase in sales volumes and continued expansion of its dealer network.

- Qoros’ success will depend upon Qoros increasing its sales volumes, which will depend on:
- the continued development of the Qoros brand;
- the successful launch of the Qoros 5 SUV, which Qoros launched in March 2016;
- expansion of its dealer network;
- build-up of its aftersales and services infrastructure;
- managing its procurement, manufacturing and supply processes;

- establishing effective, and continuing to improve, customer service processes; and
- securing additional financing to support its operating and capital expenses and further its growth and development.

Qoros' ability to increase its sales volumes and generate profits will require the execution of effective planning and management processes, and such execution may be influenced by Qoros' ability to sell its vehicle models within Qoros' targeted price range, at prices that generate profits for Qoros, and at targeted volumes, as well as factors out of Qoros' control, such as state of the Chinese economy.

Qoros sold approximately 14,250 vehicles in 2015, as compared to 7,000 in 2014. The volume of sales Qoros is able to achieve will have a significant impact on Qoros' liquidity, future success, and the ability to continue its commercial operations altogether. Qoros' ability to increase its sales will depend, in part, upon its ability to expand its dealer network and increase the proportion of high-performing dealers. Qoros may have difficulty in expanding its dealer network if existing dealers are not performing well in terms of sales, and if Qoros is not successful in expanding its dealer network, this could make it difficult for Qoros to significantly increase sales levels, which could have a significant impact on Qoros' liquidity and future success, as well as on the value of Kenon's investment in Qoros, which may result in Kenon's recognition of an impairment charge in respect of Qoros and could result in Kenon being required to make payments under its guarantees of Qoros' debt if Qoros is unable to meet its debt obligations.

If Qoros does not achieve some, or all, of its development or commercial milestones in a timely manner, Qoros may be unable to establish itself as a brand or a viable business and Qoros may be unable to obtain additional financing.

Qoros is significantly leveraged.

As of December 31, 2015, Qoros had RMB6.0 billion of outstanding indebtedness consisting of current and non-current loans and borrowings of RMB1.3 billion and RMB4.7 billion, respectively, excluding shareholder loans. Qoros intends to finance its continued development with additional financing.

Highly leveraged businesses are inherently more sensitive to declines in revenues, increases in expenses and interest rates, and adverse market conditions. This is especially true for Qoros, as Qoros commenced commercial sales at the end of 2013 and has yet to generate positive cash flows from its operations. Qoros uses a portion of its cash flows from operations to make debt service payments (as Qoros has begun to, and will need to semi-annually, make principal repayments on its RMB3 billion facility, thereby reducing its ability to use its cash flows to fund its operations, capital expenditures, or future business opportunities. In addition, Qoros' RMB3 billion syndicated credit facility, RMB1.2 billion syndicated credit facility, and RMB700 million syndicated credit facility contain financial, affirmative and negative covenants. Those facilities, as well as its other short-term credit facilities, also contain events of default and mandatory prepayments for breaches, including certain changes of control, and for material mergers and divestments, among other provisions. A significant percentage of Qoros' assets secures its RMB3 billion syndicated credit facility and, as a result, the amount of collateral that Qoros has available for future secured debt or credit support and its flexibility in dealing with its secured assets is therefore relatively limited, which could have a material adverse effect on Qoros' business, financial condition, results of operations or liquidity.

Currently, Qoros' debt-to-asset ratio is higher, and its current ratio is lower, than the allowable ratios set forth in the terms of Qoros' RMB3 billion syndicated credit facility. In 2014, the syndicated consortium of Qoros' syndicated credit facility waived Qoros' compliance with the financial covenants under this facility through the first half of the 2017 fiscal year. As a result, Qoros will not be required to comply with these financial covenants until July 2017 (or later, if additional waivers are granted). The waivers also provide that, after Qoros enters into a continuous and sustained operating period, a request for adjustment of the financial covenants, as necessary, can be submitted to the syndicated loan group or the lender under the working capital facility, as applicable, for consideration. Should Qoros' debt-to-asset ratio continue to exceed, or its current ratio continue to be less than, the permitted ratios in any period after June 30, 2017, and Qoros' syndicated lenders do not waive such non-compliance or revise such covenants so as to ensure Qoros' compliance, Qoros' lenders could accelerate the repayment of borrowings due under Qoros' RMB3 billion syndicated credit facility.

If Qoros is unable meet its debt service obligations or otherwise comply with other covenants in its credit facilities, this would lead to an event of default. Each of Qoros' significant debt facilities above contains a "cross-default" provision which provides for an event of default if any other debt of Qoros in excess of RMB50 million becomes payable prior to maturity, so a default under other debt facilities would result in a default under the facilities referenced above and a default that leads to acceleration under either facility above will result in an event of default under the other facility.

In the event that any of Qoros' lenders accelerate the payment of Qoros' borrowings, Qoros would not have sufficient liquidity to repay its debt under the syndicated credit facility, as well as maintain payments on its remaining credit facilities. Additionally, as Qoros is significantly leveraged and a significant portion of its assets, including its manufacturing facility, secures its syndicated credit facility, if Qoros were unable to comply with the terms of its debt agreements, this could result in the foreclosure upon and loss of certain of Qoros' assets, which could have a material adverse effect on Qoros' business, financial condition, results of operations or liquidity.

Kenon has provided "back-to-back" guarantees to Chery in respect of guarantees that Chery has given in respect of a significant amount of Qoros' bank debt and has pledged a portion of its interests in Qoros to secure Qoros' bank debt. Accordingly, if Qoros' debt facilities become payable due to a default under these facilities or otherwise, Kenon may be required to make payments under its guarantees and could lose the shares in Qoros it has pledged. See "*—Kenon has significant "back-to-back" guarantee obligations to Chery in respect of guarantees that Chery has given for Qoros' bank debt and has pledged a portion of its interests in Qoros to secure Qoros' bank debt.*"

Kenon has significant "back-to-back" guarantee obligations to Chery in respect of guarantees that Chery has given for Qoros' bank debt and has pledged a portion of its interests in Qoros to secure Qoros' bank debt.

Kenon has provided back-to-back guarantees to Chery of RMB1,100 million principal amount of Qoros' indebtedness, plus certain interest and fees. These back-to-back guarantees consist of (i) a back-to-back guarantee of one-half of the principal amount of Chery's guarantee of RMB1.5 billion with respect to Qoros' RMB3 billion facility; Kenon's obligation is limited to RMB750 million, but in the event that Chery's obligations under its guarantee exceed RMB1.5 billion (e.g., as a result of interest and fees), Kenon has agreed to negotiate with Chery in good faith to find a solution so that Kenon's and Chery's liabilities in respect of the RMB3 billion credit facility are equal in proportion; and (ii) a back-to-back guarantee of one-half of the principal amount of Chery's guarantee of Qoros' RMB700 million facility. Kenon's guarantee is for RMB350 million principal amount, but it also extends to interest and fees of up to RMB60 million. In the event that Chery's obligations under its guarantee exceed those of Kenon's under the back-to-back guarantee, Kenon has agreed to discuss the matter amicably with Chery to find a solution acceptable for both parties, but without any obligation on Kenon to be liable for more than the amount set forth in its back-to-back guarantee to Chery.

If Qoros is unable meet its debt service obligations and comply with other covenants in these credit facilities, this would lead to an event of default. In addition, each of these facilities contains various events of default which may result in the event of non-payment of amounts due and payable, breach of obligations under the facilities and liquidation or bankruptcy events, or other similar legal proceedings. In addition, each of the facilities above contains a "cross-default" provision which provides for an event of default if any other debt of Qoros in excess of RMB50 million becomes payable prior to maturity, so a default under other debt facilities would result in a default under the facilities referenced above and a default that leads to acceleration under either facility above will result in an event of default under the other facility.

In the event of a default under one of these credit facilities which leads to acceleration of amounts due thereunder, Chery could be required to make payments under its guarantees and upon such payment by Chery, Kenon would be required to make payments under its back-to-back guarantees to Chery.

As of the date of this annual report, Kenon has cash of \$58 million and \$210 million outstanding under the IC Credit Facility (including interest and fees), and has back-to-back guarantee obligations of up to RMB1,100 million, plus certain interest and fees. For further information on, and an overview of, each of the guarantees provided by Kenon in respect of Qoros' debt, see "*Item 5.B Liquidity and Capital Resources—Kenon's Liquidity and Capital Resources—Kenon's Commitments and Obligations—Back-to-Back Guarantees Provided to Chery.*" In the event that Kenon is required to make such payments, it would need to obtain such funds from its businesses, which may include IC Power (via dividends, loans or advances, or the repayment of loans or advances to us, which may be funded by sales of assets or minority interests in our businesses), or obtain external financing, which may result in dilution of shareholders (in the event of equity financing) or additional debt obligations for the company (in the event of debt financing). In the event Kenon is required to make payments on its back-to-back guarantees and does not have sufficient liquidity to do so, there may be a cross-default under the IC Credit Facility, which would require Kenon to obtain additional financing or obtain such funds from its businesses to pay the outstanding amounts under such facility. In the event that funds from its businesses or external financing are not available to meet such obligations on reasonable terms or at all, Kenon may need to sell assets to meet such obligations, and its ability to sell assets may be limited in light of the various pledges over the shares and assets within its most valuable asset, IC Power Singapore. Any sales of assets may not be at attractive prices, particularly if such sales must be made quickly to meet Kenon's obligations.

Finally, Quantum, the wholly-owned subsidiary through which we own our 50% interest in Qoros has pledged 28.4% of its shares in Qoros to secure Qoros' RMB1.2 billion credit facility. This pledge could result in a loss of our equity interest in Qoros in the event of a default under that facility (or another facility which results in a cross default under the RMB1.2 billion

credit facility). For further information on the risks related to Kenon's obligations in respect of Qoros' debt, see "*Qoros depends on additional financing to further its development and, until it achieves significant sales levels, to meet its operating expenses, financing expenses, and capital expenditures.*"

Qoros is a joint venture in which our interest is only 50%.

We have a 50% stake in Qoros, with the remaining 50% interest owned by Wuhu Chery Automobile Investment Co., Ltd., or Wuhu Chery, a subsidiary of Chery, a state controlled holding enterprise and large Chinese automobile manufacturing company that has been producing automobiles since 1999.

Our joint venture partner, Chery, has established a joint venture, Chery Technical Center Shanghai with another automobile manufacturer in China, Jaguar/Land Rover, and Chery may enter into additional joint venture agreements, subject to the terms of our Joint Venture Agreement, in the future. Consequently, Wuhu Chery or Chery may have goals, strategies, priorities, or resources that conflict with our goals, strategies, priorities or resources, which may adversely impact our ability to jointly and effectively own Qoros, undermine Wuhu Chery or Chery's commitment to Qoros' long-term growth, or adversely impact Qoros' business.

Furthermore, Chinese regulations prevent us, as a non-Chinese entity, from holding a greater than 50% equity interest in Qoros. As a result, should we invest additional equity into Qoros, Kenon will not experience an increase in its equity ownership of Qoros. The Joint Venture Agreement provides that Wuhu Chery may purchase our interest in Qoros in the event of the termination of the Joint Venture Agreement, which is triggered upon the occurrence of certain events, including the nationalization or confiscation, in whole or in substantial part, of Qoros' assets, Qoros' bankruptcy, certain breaches of the Joint Venture Agreement, the occurrence of certain force majeure events, and a deadlock of the board of directors of Qoros as to matters where the lack of a decision could materially and adversely affect Qoros. In the event of the termination of the Joint Venture Agreement, Wuhu Chery may purchase our interest in Qoros at an agreed upon price or at the price determined by an independent appraiser selected or appointed, as applicable, pursuant to the valuation procedure set forth in the Joint Venture Agreement.

The Joint Venture Agreement also contains provisions relating to the transfer and pledge of Qoros' shares, the appointment of executive officers and directors, and the approval of "substantial matters," which may prevent us from causing Qoros to take actions that we deem desirable.

In addition, the loans that Ansonia has agreed to make to our subsidiary Quantum (which will be used by Quantum to make back-to-back loans to Qoros) will be convertible into equity of Quantum at a 10% discount to the implied value of Qoros based upon the receipt of third-party financing. Accordingly, upon such conversion, Kenon's indirect interest in Qoros will be diluted, which will result in economic dilution and Kenon having less control over the Qoros business. In connection with the loan agreement, Ansonia also has certain consent rights with respect to actions that we take in respect of our interest in Qoros. For further information on Ansonia's agreement to invest in Qoros, see "*Item 5. Operating and Financial Review and Prospects—Recent Developments—Qoros—Ansonia's Agreement to Invest in Qoros.*"

For further information on the terms of our Joint Venture Agreement with Chery, see "*Item 4.B Business Overview—Our Businesses—Qoros—Qoros' Joint Venture Agreement.*"

Qoros has entered into certain arrangements and agreements with Chery.

Although Qoros is under no obligation to do so, Qoros sources its engines and certain spare parts from Chery in the ordinary course of Qoros' business. Additionally, Qoros entered into a platform sharing agreement with Chery, pursuant to which Qoros provides Chery with the right to use Qoros' platform in exchange for a fee. Qoros may also enter into additional commercial arrangements and agreements with Chery, or parties related to it, in the future.

Pursuant to the Joint Venture Agreement, all of Qoros' transactions with related parties are subject to the approval of Qoros' board of directors, of which Kenon has the right to appoint three of the six directors. However, Qoros' related party transactions with Chery could create, or appear to create, potential conflicts of interest when Qoros' board of directors is faced with decisions that could have different implications for Qoros and Chery, which may have a material adverse effect on Qoros' operations and financial position.

Qoros actively manages its trade payables, accrued expenses and other operating expenses in connection with the management of its liquidity requirements and available resources, and Qoros has accounts payable to Chery. Should Qoros be unable to make payments to Chery for its supply of engines, spare parts and other supplies from Chery, this may have a material adverse effect on Qoros' relationship with Chery. For further information on Qoros' commercial arrangements with Chery, see Note 29 to Qoros' consolidated financial statements, included in this annual report.

Qoros commenced commercial sales at the end of 2013 and has a history of losses and expects to continue to incur losses, at least until it reaches higher sales volumes.

Qoros incurred losses of RMB2.5 billion for the year ended December 31, 2015 and has incurred losses since its inception. Qoros expects to incur substantial marketing costs and expenses in the future as it continues to promote its new vehicle models through the use of traditional media such as television, radio and print as well as non-traditional and online media. Qoros will also incur substantial costs, including financing costs, in connection with the continued development of its various vehicle models and the implementation of phase two of its manufacturing facilities if Qoros expands its manufacturing facility to increase its production capacity.

Qoros believes that it will continue to incur operating and net losses each quarter until it achieves significantly higher sales volumes and it may not achieve such higher volumes in the near-term or at all. Qoros sold approximately 14,250 vehicles and 7,000 vehicles in 2015 and 2014, respectively. Qoros may have difficulty in expanding its dealer network if existing dealers are not performing well in terms of sales, and if Qoros is unsuccessful in expanding its dealer network, this could make it difficult for Qoros to significantly increase sales levels. As Qoros' operating and development costs and debt service requirements significantly exceed its revenues, Qoros may continue to incur losses for a significant period of time and may not become profitable.

Qoros' vehicle models and brand are still evolving and may not be accepted by Qoros' targeted consumer group, at Qoros' targeted prices.

Qoros' brand and business are relatively new, and Qoros' targeted consumers may not accept Qoros' models, style or brand at the anticipated or desired velocity, or the anticipated or desired price, if at all. Specifically, Qoros seeks to manufacture and sell to Chinese consumers Chinese vehicles which comply with recognized international standards, with respect to their design and operations, and are comparable in quality and price to internationally manufactured vehicles. Qoros' future business and profitability outlook depends, in large part, upon Qoros' ability to sell vehicle models that will be accepted by young, modern, urban consumers, in its targeted price range. The sector of the Chinese automobile market that Qoros targets is currently dominated by foreign brands, and Chinese car buyers may be slower than expected in accepting a Chinese brand, may have a preference for other Chinese brands, or may not ultimately view Qoros' vehicle models as an attractive alternative to foreign brands at the price point targeted by Qoros, if at all.

Chinese consumers have historically indicated a strong preference for products that are internationally-branded. Such a preference for foreign-branded products could impact the buying patterns of Qoros' targeted consumers, which could affect the demand for Qoros' vehicles and, as a result, also adversely impact Qoros' margins (e.g., as a result of Qoros increasing the content provided in each vehicle without concurrently increasing its price), and its sales volumes.

Qoros depends upon a network of independent dealers to sell its automobiles.

As is customary in China, Qoros distributes and services its cars through a network of independent automobile dealers that are engaged on a non-exclusive basis. Dealers maintain the primary sales and service interface with the ultimate consumer of Qoros' products and, as a result, the quality of Qoros' dealerships and its relationship with its distributors are critical to Qoros' success. Qoros also expects its dealers to generate the vast majority of the revenues that Qoros expects to receive from the sale of spare parts and aftersales products. Consequently, Qoros' success is dependent, in large part, upon a network of dealers, whose salespersons Qoros does not directly employ and therefore cannot control. As a result, Qoros' dealer network may not achieve the required standards of quality of service producers within Qoros' expected timeframe, if at all.

Qoros is still in the process of developing and establishing its dealer network, which will require Qoros' dealers to construct their dealerships using their own capital resources, with partial reimbursements from Qoros. As part of its strategy to increase its sales, Qoros intends to increase the size of its dealer network by creating incentives for its high-performing dealers to open additional points of sales. Qoros' development of its dealer network will likely be affected by conditions in the Chinese passenger vehicle market and the Chinese economy, the financial resources available to existing and potential dealers, the decisions dealers make as a result of the current and future sales prospects of Qoros' vehicle models, and the availability and cost of the capital necessary to acquire and hold inventories of Qoros' vehicles for resale. Qoros' ability to secure new dealers depends, in part, upon the sales performance of Qoros' existing dealers. Therefore, Qoros may have difficulty in expanding its dealer network if existing dealers are not performing well in terms of sales, and if Qoros is unable to expand its dealer network, this could make it difficult for Qoros to significantly increase sales levels. Continued delays in, or other negative developments with respect to, the expansion of Qoros' dealer network could have a material adverse effect on Qoros' business, financial condition, results of operations or liquidity.

Qoros is undertaking additional cost-cutting measures to optimize its cost structure and align its operations with its business plan and the current financial market and economic conditions in China, and such measures may make it difficult for Qoros to increase sales.

In 2015, Qoros took steps to reduce its costs and address its low sales and its liquidity situation, including workplace optimization and reduced promotional spending. Qoros will continue to undertake cost-cutting measures to optimize its cost structure, which may impact Qoros' ability to successfully conduct its operations. For instance, Qoros may be required to continue reducing spending on promotions and other advertising, which could make it difficult for Qoros to significantly increase sales, as brand awareness is critical to increasing sales in the highly competitive Chinese car industry. Furthermore, Qoros has and may continue to reduce spending on design and research and development costs for new models, which may result in Qoros introducing fewer models than it might have otherwise introduced without such-cutting measures. A slower pace in introducing new models may make it difficult for Qoros to attract and retain customers, which is crucial at Qoros' current stage of development.

Qoros' business is subject to intense competition.

China has been one of the world's fastest growing economies in terms of GDP in recent years, and has been the fastest growing among major passenger vehicle markets in the world. The passenger vehicle market in China is highly competitive. Many of the largest global manufacturers, through joint venture relationships with Chinese manufacturers, and numerous established domestic manufacturers compete within this market. Accordingly, Qoros competes with the established automobile manufacturers, particularly with the European, U.S., Korean and Japanese automakers. Most of Qoros' current and potential competitors have longer operating histories, broader customer relationships, greater name recognition, established customer bases, and greater financial, technical, manufacturing, marketing and other resources. As a result, many of these competitors may be able to devote greater resources to the design, development, manufacturing, distribution, promotion, pricing sale and support of their products, which could impair Qoros' ability to operate within this market or adversely impact Qoros' sales volumes or margins.

As the size of the Chinese passenger vehicle market continues to increase, Qoros anticipates that additional competitors, both international and domestic, will seek to enter the Chinese market and that existing market participants will try to maintain or increase their market share. The decline in growth rate that occurred in 2015 in connection with volatility in the Chinese financial markets and a slowdown in the Chinese economy resulted in increased competition in China's automotive market through price reductions, which has resulted in reduced margins. In response to market conditions, in February 2016, Qoros announced suggested retail price reductions of approximately 10% on its existing models. In addition to reducing margins, increased competition may make it difficult for Qoros to increase sales. If Qoros is unable to increase its sales, or sell its vehicles with its expected margins, in light of increased competition in the passenger vehicle market, or if vehicle sales in China decrease or do not continue to increase as expected, this could have a material adverse effect on Qoros' business, financial condition, results of operations or liquidity.

Qoros also faces intense competition in the C-segment SUV market, which it entered in March 2016 with its launch of the Qoros 5 SUV. Although the Chinese C-segment SUV model grew by 38% in 2015 and is one of the fastest growing segments in the Chinese car market, many of Qoros' competitors in this market will continue to upgrade their vehicles and introduce new models in 2016. For instance, a number of domestic and international SUV models have been or will be revamped, or will be replaced by a new generation, in 2016. Several new car manufacturers are also expected to join this market segment, which may make it difficult for Qoros to gain market share in the C-segment SUV market.

Qoros' success depends, in part, upon its ability to protect, and maintain ownership of, its intellectual property.

Qoros has independently developed and patented, and owns numerous motor vehicle technologies, including technologies related to human machine interface, or HMI, motor vehicles, and motor vehicle platforms, parts, components and accessories for motor vehicles. Qoros believes that such technologies provide it with a competitive advantage and the platform with which to produce international-standard vehicles for its targeted Chinese consumers. Additionally, Qoros owns the brands, trade names, trademarks, or emblems developed in connection with, or with respect to, any of its vehicles. If Qoros fails to protect its intellectual property rights adequately, Qoros' competitors might gain access to its technology, and its brand or business may be adversely affected. Qoros relies on copyright, trade secret and patent laws, confidentiality procedures and contractual provisions to protect its proprietary methods and technologies and trademark laws to protect the brands, trade names, trademarks, or emblems developed in connection with, or with respect to, any of Qoros' vehicles. Qoros currently holds patents in China, the European Union and the U.S., and has pending patent applications in various countries. Further, Qoros

has trademark registrations and applications in various markets in Asia, the Middle East, Europe, North America, South America, Africa, Australia, and New Zealand. Patents may not be granted for Qoros' pending patent applications, and the claims allowed on any issued patents may not be sufficiently broad to protect Qoros' technologies. Any patents or trademarks currently held by Qoros, or that may be issued to Qoros in the future, may be challenged, invalidated or circumvented, and any rights granted under these patents or trademarks may not actually provide Qoros with adequate defensive protection or competitive advantages. Additionally, the process of applying for patent and trademark protection is expensive and time-consuming, and Qoros may not be able to complete all necessary or desirable patent and trademark applications at a reasonable cost or in a timely manner.

Furthermore, policing the unauthorized use of Qoros' technology, or trademarks, may prove difficult as the laws of some foreign countries may not be as protective of intellectual property rights as those of the United States, and mechanisms for enforcement of Qoros' proprietary rights in such countries may be inadequate. From time to time, Qoros may need to initiate legal action to enforce its intellectual property rights, to protect its trade secrets, to determine the validity and scope of the proprietary rights of others, or to defend itself against claims of infringement. Qoros has previously been a defendant in suits with respect to Qoros' alleged infringement of the intellectual property of other vehicle manufacturers, including with respect to Audi, a claim which was settled in August 2014. Any such litigation could result in substantial costs and the diversion of limited resources and could negatively affect Qoros' business, reputation or brand. If Qoros is unable to protect its proprietary rights (including aspects of its technology platform), Qoros may lose its expected competitive advantage which could have a material adverse effect on Qoros' business, financial condition, results of operations or liquidity.

Finally, Qoros has pledged, and, in the future, may further pledge, certain of its intellectual property as collateral as a condition for its receipt of financing. A default on Qoros' obligations secured by intellectual property under the terms of such facility could provide the secured parties with the right to foreclose on, and subsequently sell and/or license, all or a portion of Qoros' pledged patent rights, which could materially impair Qoros' ability to conduct its business.

The economic, political and social conditions in China could have a material adverse effect on Qoros.

Substantially all of Qoros' assets are located in China and Qoros expects that substantially all of its revenue will continue to be derived from its operations in China in the short-term and that at least a substantial proportion of its revenues will be derived from its operations in China in the long-term. Accordingly, Qoros' results of operations and prospects are subject, to a significant extent, to the economic, political and legal developments in China. China's economy differs from the economies of most developed countries in many respects, including government involvement, level of development, growth rate, control of foreign currency exchange and allocation of resources. The Chinese economy has been transitioning from a planned economy to a more market-oriented economy. Although the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the Chinese government. Additionally, the Chinese government continues to play a significant role in regulating industry by imposing industrial policies and continues to exercise significant control over China's economic growth through allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

China's economy has experienced rapid growth, much of it due to the issuance of debt over the last few years. This debt-fueled economic growth has led to an increase in the money supply and rising inflation. The Chinese government has implemented various measures from time to time to control China's rate of economic growth, control inflation and otherwise regulate economic expansion. These measures include imposing controls on bank credit, limiting loans and enacting other restrictions on economic activities, such as measures to curb property, stock market speculation, and increasing inflation. These policies and procedures may, from time to time, be modified or reversed, which could lead to a tightening of credit, which measures, if taken, could further reduce the economic activity in China, reducing Qoros' ability to obtain additional financing. Additionally, any economic, political or social crisis within China may also lead to a drastic decline in economic activity which could lead to a decline in the demand for Qoros' vehicles or the availability of funding. For example, in 2015, China's GDP grew by 6.9%, representing its lowest GDP growth rate since 1990, according to the National Bureau of Statistics of China, or NBSC. Furthermore, the Shanghai Composite Index declined by more than 30% percent from mid-June 2015 to the end of the year, and experienced high volatility in January 2016. The slowdown in China's economic growth, as well as the decline and volatility in China's stock market, negatively impacted consumption rates and the purchase of costly items, such as vehicles, throughout China.

Furthermore, China's central government faces a number of issues arising from increased oil dependency. Among these issues are greenhouse gas emissions, heavy haze and urban gridlock due to fast-growing downtown vehicle fleets. As such, the Chinese government has implemented, and may continue to implement, policies to reduce, or slow down, the growth of the vehicle fleet, or promote green cars. Some local governments are being required to launch local promotion policies to

speed up new energy vehicle development, which are expected to ease state energy security and local air pollution and traffic congestion problems. These policies may be costly or alter the demand for Qoros' vehicles, or Qoros may be unable to adjust to changing regulations, which may have an adverse effect on Qoros' business, results of operations and financial condition.

Qoros is subject to Chinese regulation and its business or profitability may be affected by changes in China's regulatory environment.

Local and national Chinese authorities have exercised and will continue to exercise substantial control over the Chinese economy through regulation and state ownership, including rules and regulations that regulate or affect the Chinese automobile manufacturing process and concern vehicle safety and environmental matters such as emission levels, fuel economy, noise and pollution. Additionally, China has recently permitted provincial and local economic autonomy and private economic activities, and, as a result, Qoros is dependent upon its relationship with the local governments in the Jiangsu and Shanghai provinces. As a result, certain of Qoros' ongoing corporate activities are subject to the approval and regulation of the relevant authorities in China including, among other things, capital increases and investments in Qoros, changes in the structure of Qoros' ownership, increases in the production capacity, construction of Qoros' production facilities, ownership of trademarks, relocation of Qoros' head office, the formation of subsidiaries, and the inclusion of Qoros' products in the national catalogue for purposes of selling them throughout China. Qoros' operations are also sensitive to changes in the Chinese government's policies relating to all aspects of the automobile industry. In addition, Qoros' production facility and products are required to comply with Chinese environmental regulations.

Qoros has incurred, and expects to incur in the future, significant costs in complying with these, and other applicable, regulations and believes that its operations in China are in material compliance with all applicable legal and regulatory requirements. For example, in order to comply with the Beijing VI emissions standards, which are expected to be implemented in December 2017, Qoros will need to upgrade the engines in its new vehicles and expects to incur significant costs in doing so. The central or local Chinese governments may continue to impose new, conflicting or stricter regulations or interpretations of existing regulations that would require additional expenditures and efforts by Qoros to ensure its compliance with such regulations or interpretations or maintain its competitiveness and margins. Qoros' ability to operate profitably in China may be harmed by any such changes in China, Jiangsu, or Shanghai's laws and regulations, including those relating to taxation, environmental regulations, land use rights, property, or the aforementioned corporate matters. Qoros' failure to comply with such laws and regulations may also result in fines, penalties or lawsuits, which could have a material adverse effect on Qoros' business, financial condition, results of operations or liquidity.

In January 2016, Qoros created an NEV business division, which will focus on the development of efficient, cost-effective electric cars. Should Qoros proceed with developing and selling electric vehicles, Qoros will be subject to a new regulatory regime, which is still evolving in China.

The Chinese passenger vehicle market may not continue to grow as it has in the past.

Qoros has strategically located its operations, and designed its vehicle models for consumers, within China so as to directly access the largest and the fastest growing automobile markets in the world. However, the demand for vehicles in the Chinese automobile industry was highly volatile in 2015, due largely to weakness in the Chinese economy, and it is uncertain how the Chinese car industry will be affected going forward. Following the economic slowdown and volatility in the Chinese stock market in the second and third quarters of 2015, sales volumes in 2015 were flat year-on-year. In response, China's central government enacted a tax policy to incentivize the sale of domestic vehicle sales by lowering taxes on certain vehicles, including Qoros' vehicles. However, the success of this policy is uncertain, and if the Chinese passenger vehicle market does not continue to grow, or grows at a slower pace than it has grown in recent years, this could materially affect demand for Qoros' vehicles.

In addition, from time to time, Chinese cities have implemented, and may continue to implement, license plate quota policies, and such quotas may reduce vehicle sales. Although no large- or mid-sized cities launched new car license plate quota policies in 2015, cities may implement such policies in 2016 in light of increased concerns about haze and air pollution, oil dependency, urban gridlock and noise pollution. If cities implement license plate quota policies, the prices for provincial license plates may continue to increase, particularly in Shanghai, where Qoros' selling efforts are focused, or if Chinese policies to incentivize domestic vehicle sales prove unsuccessful, demand for passenger vehicles in China may decrease, which may have a material adverse effect on Qoros' business, financial conditions, results of operations or liquidity.

Qoros requires qualified personnel to manage its operations.

Qoros' senior executives and personnel are important to Qoros' success, the establishment of Qoros' strategic direction, and the design and implementation of Qoros' business plan. Qoros also requires qualified and competent employees

to independently direct its day-to-day business operations, execute its business plans, and service Qoros' customers, dealers, suppliers and other stakeholders. Qoros' products and services are highly technical in nature. Therefore, Qoros must be able to attract, recruit, hire and train skilled employees, including employees with the capacity to operate Qoros' production line as well as employees possessing core competencies in vehicle design and engineering. This includes developing talent and leadership capabilities in China, where the amount of skilled employees may be limited. The unavailability of qualified personnel in these competitive specialties, or the loss of key Qoros executives, could negatively impact Qoros' ability to meet its growing operational and servicing demands. In addition, unpredictable increases in the demand for Qoros' vehicle models may also exacerbate the risk of not having a sufficient number of trained personnel. If Qoros fails to train and retain qualified personnel, or if it experiences excessive turnover, Qoros may experience production/manufacturing delays or other inefficiencies, increased recruiting, training or relocation costs, or other difficulties, any of which could have a material adverse effect on Qoros' business, financial condition, results of operations or liquidity.

Qoros is dependent upon its suppliers.

Qoros sources the component parts necessary for its vehicle models from over 100 suppliers. A number of Qoros' component parts are currently obtained from a single source. Qoros utilizes such single-source suppliers to manage its expenses and maintain consistency in its component parts. Many of Qoros' suppliers are European-based with manufacturing facilities in China. Additionally, although Qoros is under no obligation to do so, Qoros sources its engines and certain spare parts from Chery.

Qoros maintains minimal inventories of the materials, systems, components and parts needed to conduct its manufacturing operations. Therefore, Qoros is dependent upon the continued ability of its suppliers to deliver such materials, systems, components and parts in sufficient quantities and at such times that will allow Qoros to meet its production schedules. As Qoros, consistent with industry practice, outsources a significant portion of its components and parts from suppliers, it may be affected by any fluctuations in the expertise and manufacturing capabilities of its suppliers. Additionally, as Qoros' suppliers may also supply a significant portion of the components and parts of Qoros' competitors, such concentration may expose Qoros and its competitors to increased pricing pressure. Qoros may also be unable to procure the component parts necessary for its vehicle models if the established manufacturers with which it competes have the capacity to influence Qoros' suppliers. Although Qoros believes it may be able to establish alternate supply relationships and obtain or engineer replacement components in the event a supplier, including Chery or a single-source supplier, is unable to supply Qoros with a necessary component part at a favorable cost, Qoros may be unable to do so in the short-term, or at all, at prices or costs that it deems favorable. In addition, although Qoros believes that its component parts are available from many suppliers, qualifying alternate suppliers or developing replacements for certain highly customized components of its vehicles may be time consuming and costly or may force Qoros to make additional and unexpected modifications to its vehicle models' designs or schedules. An unexpected shortage of materials, systems, components or parts, if even for a relatively short period of time, could prevent Qoros from manufacturing its vehicles, cause Qoros to alter its production designs, or prevent Qoros from timely supplying its dealers with the aftersales parts necessary for the servicing of Qoros' vehicles. Such occurrences could adversely impact Qoros' relationships with its dealers or customers and thereby affect Qoros' business, financial condition, results of operations or liquidity.

Increases in the prices of raw materials that are included within the component parts Qoros purchases from its suppliers, may increase Qoros' costs and could reduce Qoros' profitability if Qoros cannot recoup the increased costs through increased vehicle prices. Qoros may not be able to maintain favorable arrangements and relationships with its suppliers and, in particular, may not be able to secure or maintain, as applicable, contractual conditions comparable with those of Qoros' main competitors.

Although Qoros does not believe that it is dependent upon any of its suppliers, Magna Steyr Fahrzeugtechnik AG & Co., KG, or Magna Steyr, a company engaged in automobile design and engineering, has been engaged to develop Qoros' platform and is an important provider of engineering services for Qoros' various C-segment models. In the event that Magna Steyr is unable to supply Qoros with its engineering services and support, Qoros will need to establish alternative arrangements and may be unable to do so in the short-term, or at all, or on terms that are favorable to it.

Qoros actively manages its trade payables, accrued expenses and other operating expenses in connection with the management of its liquidity requirements and available resources. As of December 31, 2015, Qoros had trade and other payables of RMB2.6 billion. If Qoros is unable to pay its suppliers on a timely basis, it may be unable to procure the parts, components and services it requires to continue operating and Qoros has been, and may continue to be, subject to suits or other claims in respect of outstanding payables. For further information on Qoros' liquidity and capital resources, see "*Item 5.B Liquidity and Capital Resources—Qoros' Liquidity and Capital Resources.*" For further information on claims brought by certain of Qoros' suppliers, see "*Item 4.B Business Overview—Qoros—Qoros' Legal Proceedings—Claims by Suppliers.*"

Qoros' manufacturing operations will need to increase production to the extent that sales levels increase.

To the extent that its sales increase, Qoros will need to ramp up its production, and there is a risk that Qoros will not be able to meet planned production volumes as required to successfully satisfy the market demand for the C-segment models it has launched and plans to launch. Qoros may face delays and cost overruns which may occur as a result of factors beyond its control, such as disputes with suppliers or vendors. Any such delays in Qoros' production could result in additional operating costs, adverse publicity, or diminished relationships with Qoros' customers or dealers which could have a material adverse effect on Qoros' business, financial condition, results of operations or liquidity.

Qoros may experience delays and/or cost overruns with respect to the design, manufacture, launch and financing of new or enhanced models.

Historically, automobile customers have come to expect new or enhanced vehicle models to be introduced frequently, and Qoros' business plan contemplates the introduction of new vehicle models, as well as enhanced versions of existing vehicle models, over the short- and long-term. Additionally, as technologies continue to evolve, Qoros will be expected to continually upgrade and adapt its vehicle models so that new vehicle models introduced into the market will continually provide consumers with the latest automobile technology. Qoros' introduction of both new and enhanced vehicle models will require significant investments. Further, there can be no assurance that Qoros will be able to secure the necessary financing to fund the continued introduction of new and enhanced vehicle models, design future vehicle models that will maintain the high quality standards required for Qoros' branding image, meet the expectations of its customers, and become commercially viable, in light of its current liquidity situation. Automobile manufacturers often experience delays and cost overruns in the design, manufacture and commercial release of new and enhanced vehicle models and any delay in the financing, design, manufacture or launch of Qoros' new or enhanced models could materially damage Qoros' brand, the development of its business and its financial position.

The economic and reputational costs associated with vehicle recalls could have a material adverse effect on Qoros.

From time to time, Qoros may recall certain of its vehicle models to address material performance, compliance or safety-related issues. For example, in July 2015, Qoros voluntarily recalled 6,736 vehicles in connection with information discovered during testing done on frontal impact crashes of new Qoros models under development. As of December 31, 2015, Qoros has completed the repairs of 81% of the outstanding recalls. Qoros' completion schedule is in line with regulatory guidelines, which require Qoros to complete 90% of the outstanding recalls within a twelve-month period. As of the date of this annual report, Qoros has not received any field incidences or customer complaints related to this defect across any of its vehicles in the market.

The direct economic costs Qoros may incur in connection with any recalls may include the costs associated with the particular part's development and replacement and the labor costs associated with the removal and replacement of the defective part. Vehicle recalls, notwithstanding the size, scope, or whether or not the recall is voluntary, can harm Qoros' reputation and can cause Qoros to lose customers and experience a decline in its sales. This is particularly true as Qoros is continuing to develop its brand, as any such recalls may cause consumers to question the safety or reliability of Qoros' vehicle models. Any direct economic costs incurred or lost sales caused by future vehicle recalls, a failure by Qoros to issue a vehicle recall when appropriate, or Qoros' failure to issue a vehicle recall on a timely basis, could have a material adverse effect on Qoros' reputation, business, financial condition, results of operations or liquidity.

Our independent registered public accounting firm currently relies on an independent registered public accounting firm located in the People's Republic of China, who are not inspected by the PCAOB, for assistance in completing their audit work associated with our investment in Qoros, and as such, you are deprived of the benefits of such inspection.

Our independent registered public accounting firm currently relies on an independent registered public accounting firm located in the People's Republic of China for assistance in completing the audit work associated with our investment in Qoros. Auditors of companies that are publicly traded in the United States and firms registered with the PCAOB are required to undergo regular Public Company Accounting Oversight Board, or PCAOB, inspections. However, because Qoros has substantial operations within China, a jurisdiction in which the PCAOB is currently unable to conduct inspections without the approval of the Chinese government authorities, the audit work conducted in China with respect to Qoros has not been inspected by the PCAOB.

Inspections of other auditors conducted by the PCAOB outside of China have, at times, identified deficiencies in those auditors' audit procedures and quality control procedures, which may be addressed as part of the PCAOB's inspection process to improve future audit quality. The lack of PCAOB inspections of audit work undertaken in China prevents the PCAOB from regularly evaluating audits and quality control procedures conducted in China. As a result, our shareholders may be deprived of the benefits of PCAOB inspections, and may lose confidence in Kenon's or Qoros' financial statements and the procedures and the quality underlying such financial statements.

If the China-based affiliates of the “Big Four” accounting firms, including the auditor of Qoros, were to violate the terms of a settlement agreement with the SEC arising out of proceedings instituted by the SEC against them in late 2012, such violation could result in the Chinese member firms of the “Big Four” accounting firms being suspended from practicing before the SEC which could, in turn, delay the timely filing of our, or Qoros’, financial statements with the SEC.

In late 2012, the SEC commenced administrative proceedings under Rule 102(e) of its Rules of Practice and also under the Sarbanes-Oxley Act of 2002 against the mainland Chinese affiliates of the “Big Four” accounting firms, including the auditor of Qoros. The Rule 102(e) proceedings initiated by the SEC related to the failure of these firms to produce documents, including audit work papers, in response to the request of the SEC pursuant to Section 106 of the Sarbanes-Oxley Act of 2002.

On January 22, 2014, an SEC administrative law judge, issued an initial decision suspending the Chinese member firms of the “Big Four” accounting firms, including the auditor of Qoros, from, among other things, practicing before the SEC for six months. In February 2014, the initial decision was appealed. While under appeal and in February 2015, the Chinese member firms of “Big Four” accounting firms reached a settlement with the SEC. As part of the settlement, each of the Chinese member firms of “Big Four” accounting firms agreed to settlement terms that include a censure; undertakings to make a payment to the SEC; procedures and undertakings as to future requests for documents by the SEC; and possible additional proceedings and remedies should those undertakings not be adhered to.

Pursuant to Rule 3-09 of Regulation S-X, Kenon is required to attach Qoros’ separate audited financial statements to this annual report on Form 20-F, and may be required to attach Qoros’ separate audited financial statements to its future annual reports on Form 20-F. Additionally, our independent registered public accounting firm currently relies on a Chinese member firm of the “Big Four” network for assistance in completing the audit work associated with our investment in Qoros. If the settlement terms are not adhered to, the Chinese member firms of “Big Four” accounting firms may be suspended from practicing before the SEC which could in turn delay the timely filing of our, or Qoros’, financial statements with the SEC. In addition, it could be difficult for Qoros to timely identify and engage another qualified independent auditor.

Any such occurrences may ultimately affect the continued listing of our ordinary shares on the New York Stock Exchange, or the NYSE, or our registration with the SEC, or both. Moreover, any further negative news about the proceedings, any violations of the settlement agreement relating to the proceedings or any future proceedings against these audit firms may adversely affect investor confidence in companies with substantial mainland China based operations listed in, or affiliated with listings in, the U.S., such as Qoros, which could have a material adverse effect on the price of our ordinary shares and substantially reduce or effectively terminate the trading of our ordinary shares in the United States.

Risks Related to Our Other Businesses

Risks Related to Our Interest in ZIM

The container shipping industry is dynamic and volatile.

The container shipping industry is dynamic and volatile and has been marked in recent years by instability as a result of the recent global economic crisis and the many conditions and factors that affect supply and demand in the shipping industry, which include:

- global and regional economic and geopolitical trends, including armed conflicts, terrorist activities, embargoes and strikes;
- the supply of and demand for commodities and industrial products globally and in certain key markets, such as China;
- developments in international trade;
- currency exchange rates;
- prices of energy resources;
- environmental and other regulatory developments;

- changes in seaborne and other transportation patterns;
- changes in the infrastructure and capabilities of ports and terminals; and
- weather conditions.

These factors also significantly affect ZIM's freight rates. For example, according to the Shanghai (Export) Containerized Freight Index, the high and low spot market index rates were approximately 1200 points and approximately 480 points, respectively, between January 2014 and December 2015, as compared to an average spot market index rate of 567 points for December 2015. Furthermore, rates within the charter market, through which ZIM sources a substantial portion of its capacity, may also fluctuate significantly based upon changes in demand for shipping services. As global trends continue to change, it remains difficult to predict their impact on the container shipping industry and on ZIM's business. If ZIM is unable to adequately respond to market changes, they could have a material adverse effect on its business, financial condition, results of operations and liquidity.

Excess supply of global container ship capacity may limit ZIM's ability to operate vessels profitably, and lead to overload and/or overcapacity and congestion in certain ports.

Global container ship capacity has increased over the years and continues to exceed demand. As of January 1, 2016, global container ship capacity was approximately 19.9 million 20-foot equivalent units, or TEUs, spread across approximately 5,150 vessels. According to Alphaliner, excess capacity is projected to further increase, outpacing any expected increase in worldwide demand, as a result of large global orders for newbuildings. Many of these orders are for vessels with carrying capacities of 10,000 TEUs and above, which may increase capacity for each shipping voyage. Additionally, responses to changes in market conditions may be slower as a result of the time required to build new vessels and adapt to market needs. As shipping companies purchase vessels years in advance to address expected demand, vessels may be delivered during times of decreased demand or unavailable during times of increased demand, leading to a supply/demand mismatch. The container shipping industry may continue to face oversupply in the coming years and numerous other factors beyond ZIM's control may also contribute to an increase in capacity, including deliveries of refurbished or converted vessels, port and canal congestion, decreased scrapping of older vessels, any decline in the practice of slow steaming, a reduction in the number of void voyages and a decrease in the number of vessels that are out of service (e.g., vessels that are laid-up, drydocked, awaiting repairs or are otherwise not available for hire). Excess capacity depresses freight rates and can lead to lower utilization rates, which may adversely affect ZIM's revenues, profitability and asset values. Until such capacity is fully absorbed by the container shipping market and, in particular, the shipping lines on which ZIM's operations are focused, the industry will continue to experience downward pressure on freight rates and such prolonged pressure could have a material adverse effect on ZIM's financial condition, results of operations and liquidity.

Furthermore, in recent years, container ship capacities have increased globally at a faster rate than the rate at which some container ports have increased their capacities, leading to considerable delays in processing container shipments in affected ports. As a result of longer load and unload times, increases in container ship capacities could increase port congestion, which could have a material adverse effect on affected shipping lines. In addition, as industry capacity continues to grow, ZIM may have difficulty securing sufficient terminal slots to expand its operations in accordance with its growth strategy due to the limited availability of port facilities.

The expansion of the Panama Canal may have an adverse effect on ZIM's results of operations.

The Panama Canal plays a key role in the delivery of cargo to the United States via the U.S. east coast and the Gulf of Mexico. The Panama Canal expansion project is currently under way and is expected to be completed in 2016. Currently, the Panama Canal can accommodate container vessels with capacities of up to 5,000 TEUs. Upon completion, the Panama Canal is expected to accommodate container vessels with capacities of 13,000-14,000 TEUs, which can then access via the Panama Canal the Pacific trade zone, which is one of ZIM's strategic trade zones. The introduction of such vessels within this trade zone may require shipping liners seeking to remain competitive, including ZIM, to alter their fleet composition and incorporate larger vessels into their Panama Canal operations. ZIM currently does not have any agreements in place to procure or charter-in large container vessels. If ZIM's competitors successfully deploy large vessels into this trade, a significant portion of its vessels will become increasingly less efficient to operate upon completion of the Panama Canal expansion project and, if ZIM is unable to incorporate larger vessels into its fleet, this could adversely affect the business within this key trade zone. This risk is further exacerbated by ZIM's inability to participate in certain alliances and thereby access larger vessels for deployment. ZIM may need to reroute some of ZIM's shipping lines to remain competitive and cannot predict the effects of any such changes in the shipping lines.

Even if ZIM is able to procure or charter-in larger vessels for transport through the Panama Canal, there is a risk that the U.S. east coast shipping infrastructure will not be able to accommodate the influx of such vessels. Currently, few U.S. east coast ports can accommodate these large vessels. Any failure of the U.S. east coast ports to complete planned upgrades and modifications related to the Panama Canal expansion on time, or at all, could lead to overload and/or overcapacity and congestion in certain ports in this trade zone. If ZIM is unable to adequately respond to these changes related to the Panama Canal expansion project, it could have a material adverse effect on its business, financial condition, results of operations and liquidity.

ZIM does not benefit from the efficiencies of participating in strategic alliances and the ability to enter into such alliances and the participation in operational partnerships in the shipping industry may be limited, which may adversely affect ZIM's business.

The container shipping industry has seen a trend towards strategic alliances and partnerships among container carriers, which can result in more efficient and better coverage for shipping companies participating in such arrangements. For example, A.P. Moller-Maersk Group and Mediterranean Shipping Company, the world's two largest container liner companies, are party to a ten-year vessel sharing agreement operating in the east-west trades, while CMA CGM S.A., United Arab Shipping Company (S.A.G.) and China Shipping Container Lines Co., Ltd. are party to the Ocean Three alliance.

ZIM is not a member of any alliances. As a result, ZIM does not benefit from the economies of scale that many of its competitors are able to achieve through participation in such arrangements. However, ZIM is party to operational partnerships with other carriers in most of the trade zones in which ZIM operates, and may seek to enter into additional operational partnerships or similar arrangements with other shipping companies or local operators, partners or agents. If ZIM is not successful in expanding operational partnerships, this could adversely affect its business. In addition, ZIM's status as an Israeli company has limited, and may continue to limit, its ability to call on certain ports and has therefore limited, and may continue to limit, ZIM's ability to enter into alliances or operational partnerships with certain shipping companies. For further information on the risks related to ZIM's status as an Israeli company, see "*Risks Related to the Industries in Which Our Businesses Operate—The activities of certain of our businesses may be impacted by the geopolitical, economic and security conditions in Israel and the Middle East.*"

Declines in freight rates, or other market conditions, could negatively affect ZIM's business, financial condition, or results of operations and could thereby result in ZIM's incurrence of impairment charges.

At each of its reporting periods, ZIM examines whether there have been any events or changes in circumstances, such as a decline in freight rates or other market conditions, which would indicate an impairment. Additionally, when there are indications of an impairment, an examination is made as to whether the carrying amount of the operating assets or cash generating units, or CGUs, exceeds the recoverable amount and, if necessary, an impairment loss is recognized in its financial statements. The projection of future cash flows related to ZIM's CGU, which is one CGU, is complex and requires ZIM to make various estimates including future freight or charter rates, bunker prices, earnings from the vessels and discount rates, all of which have been volatile historically. For each of the years ended December 31, 2013, 2014 and 2015, ZIM concluded that the recoverable amount of its CGU was higher than the carrying amount of its CGU and, as a result, did not recognize an impairment loss in its financial statements. ZIM cannot assure that it will not impair its CGU in future years and such impairment charges, if any, could negatively affect ZIM's and/or Kenon's results of operations.

An increase in bunker prices may have an adverse effect on ZIM's results of operations.

Bunker expenses represent a significant portion of ZIM's operating expenses, accounting for 20.3% and 13.8% of the income from voyages and related services for the years ended December 31, 2014 and 2015, respectively. Bunker prices move in close interdependence with crude oil prices, which have historically exhibited significant volatility. Crude oil prices are influenced by a host of economic and geopolitical factors that are beyond ZIM's control, particularly economic developments in emerging markets such as China and India, global terrorism, political instability and tensions in North Africa and the Middle East, uncertainty regarding the nuclear agreement between the United States and Iran, insurrections in the Niger Delta, and the long-term increase in global demand for oil. A rise in bunker prices could have a material adverse effect on ZIM's business, financial condition, results of operations and liquidity. Historically, and in line with industry practice, ZIM has imposed from time to time surcharges over the base freight rate ZIM charges to its customers in part to minimize its exposure to certain market-related risks, including bunker price adjustments. However, there can be no assurance that ZIM will be successful in passing on future price increases to customers in a timely manner, either for the full amount or at all.

ZIM's bunker consumption is affected by various factors, including the number of vessels being deployed, vessel capacity, propeller speed, vessel efficiency, the weight of the cargo being transported, port efficiency and sea conditions. ZIM have implemented various optimization strategies designed to reduce bunker consumption, including operating vessels in

“super slow steaming” mode, trim optimization, hull and propeller polishing and sailing rout optimization. Additionally, ZIM manages part of its exposure to bunker price fluctuations by entering into hedging arrangements with highly reputable counterparties. ZIM’s optimization strategies and hedging program may not be successful in mitigating higher bunker costs, and any price protection provided by hedging may be limited due to market conditions, such as choice of hedging instruments, and the fact that only a portion of ZIM’s exposure is hedged. There can be no assurance that ZIM’s hedging arrangements will be cost-effective, will provide sufficient protection, if any, against rises in bunker prices or that the counterparties will be able to perform under ZIM’s hedging arrangements.

ZIM is highly leveraged and may be unable to comply with its financial covenants or meet its debt service or other obligations. ZIM’s failure to comply with these covenants or meet such obligations, including as a result of events beyond its control, could adversely affect its business, financial condition, results of operations and liquidity.

As of December 31, 2015, ZIM had approximately \$1.5 billion of outstanding loans and liabilities to be repaid between 2015 through 2027, of which \$114 million constituted short-term debt. Many of the financing agreements relating to ZIM’s debt facilities contain covenants and limitations, including:

- Minimum liquidity, fixed charge coverage ratio and total leverage covenants;
- A covenant to retain a receivables-backed credit facility at least until July 2016; and
- Other non-financial covenants and limitations such as restrictions on dividend distribution and incurrence of debt and various reporting obligations.

If ZIM is unable to meet its obligations or refinance its indebtedness as it becomes due, or if ZIM is unable to comply with its covenants, ZIM may have to take disadvantageous actions, such as (i) reducing financing in the future for investments, acquisitions or general corporate purposes or (ii) dedicating a high level of ZIM’s cash flow from operations to the payment of principal and interest on indebtedness. As a result, the ability of ZIM’s business to withstand competitive pressures and to react to changes in the container shipping industry could be impaired. If ZIM chooses not to pursue any of these alternatives and is unable to obtain waivers from the relevant creditors, a breach of any of its debt instruments and/or covenants could result in a default under the relevant debt instruments. Upon the occurrence of such an event of default, the lenders could elect to declare all amounts outstanding thereunder to be immediately due and payable and, in the case of credit facility lenders, terminate all commitments to extend further credit. If the lenders accelerate the repayment of the relevant borrowings, ZIM may not have sufficient assets to repay any outstanding indebtedness. Furthermore, the acceleration of any obligation under a particular debt instrument may cause a default under other material debt or permit the holders of such debt to accelerate repayment of their obligations pursuant to “cross default” or “cross acceleration” provisions, which could have a material adverse effect on ZIM’s business, financial condition and liquidity. For additional information, see “*Item 5.B Liquidity and Capital Resources—ZIM’s Liquidity and Capital Resources.*”

Furthermore, ZIM may be unable generate sufficient cash flows to satisfy its debt service and other obligations. ZIM’s ability to generate cash flow from operations to make interest and principal payments on ZIM’s debt obligations will depend on its future performance, which will be affected by a range of economic, competitive and business factors. ZIM cannot control many of these factors, including general economic conditions and the health of the shipping industry. If ZIM’s operations do not generate sufficient cash flow from operations to satisfy its debt service and other obligations, ZIM may need to borrow additional funds or undertake alternative financing plans, such as refinancing or restructuring its debt, or reducing or delaying capital investments and other expenses. It may be difficult for ZIM to incur additional debt on commercially reasonable terms, even if ZIM is permitted to do so under its debt agreements, due to, among other things, its financial condition and results of operations and market conditions. ZIM’s inability to generate sufficient cash flows from operations or obtain additional funds or alternative financing on acceptable terms could have a material adverse effect on its business.

A decrease in the level of China’s import or export of goods could have a material adverse effect on ZIM’s business.

A significant portion of ZIM’s business originates from China, and ZIM therefore depends on the level of imports and exports to and from China. As China exports considerably more goods than it imports, any reduction in or hindrance to China-based exports, whether due to decreased demand from the rest of the world, an economic slowdown in China, increased tariffs or other factors, could have a material adverse effect on ZIM’s business. For instance, the Chinese government has recently implemented economic policies aimed at increasing domestic consumption of Chinese-made goods. This may have the effect of reducing the supply of goods available for export and may, in turn, result in decreased demand for cargo shipping. In recent years, China has experienced an increasing level of economic autonomy and a gradual shift toward a “market economy” and enterprise reform. However, many of the reforms implemented, particularly some limited price reforms, are unprecedented or experimental and may be subject to revision, change or abolition. The level of imports to and exports from China could be

adversely affected by changes to these economic reforms by the Chinese government, as well as by changes in political, economic and social conditions or other relevant policies of the Chinese government. For example, in 2015, China experienced its slowest GDP growth rate since 1990, which affected levels of imports to and exports from China. In response to the recent slowdown in China's economic growth, China may implement additional trade barriers to protect their domestic industries against foreign imports, which may depress the global demand for shipping services. Changes in laws and regulations, including with regard to tax matters, and their implementation by local authorities could also affect ZIM's vessels calling on Chinese ports and could have a material adverse effect on its business, financial condition and results of operations.

Israel holds a Special State Share in ZIM, which imposes certain restrictions on ZIM's operations and our equity interest in ZIM.

The State of Israel holds a special share in ZIM, or Special State Share, which imposes certain limitations on the activities of ZIM that may negatively affect ZIM's business and results of its operations. The Special State Share, and the permit which accompanies it, also imposes transferability restrictions on our equity interest in ZIM. Furthermore, although there are no contractual restrictions on any sales of our shares by our controlling shareholders, if Idan Ofer's ownership interest in Kenon is less than 36%, or Idan Ofer ceases to be the controlling shareholder, or sole controlling shareholder of Kenon, then Kenon's rights with respect to its shares in ZIM (e.g., Kenon's right to vote and receive dividends in respect of its ZIM shares) will be limited to the rights applicable to an ownership of 24% of ZIM, until or unless the State of Israel provides its consent, or does not object to, this decrease in Idan Ofer's ownership or "control" (as defined in the State of Israel consent received by IC in connection with the spin-off). The State of Israel may also revoke Kenon's permit if there is a material change in the facts upon which the State of Israel's consent was based, upon a breach of the provisions of the Special State Share by Kenon, Mr. Ofer, or ZIM, or if the cancellation of the provisions of the Special State Share with respect to a person holding shares in ZIM contrary to the Special State Share's provisions apply (without limitation). For further information on the Special State Share, see "Item 4.B Business Overview—Our Businesses—ZIM—ZIM's Special State Share."

ZIM faces risks as a result of its status as an Israeli corporation.

ZIM is incorporated and its headquarters is located in Israel, and the majority of its key employees, officers and directors are residents of Israel. Accordingly, political, economic and military conditions in Israel may directly affect ZIM's business and existing relationships with certain foreign corporations, as well as affect the willingness of potential partners to enter into business arrangements with ZIM. Numerous countries, corporations and organizations limit their business activities in Israel and their business ties with Israeli-based companies. ZIM's status as an Israeli company has limited, and may continue to limit, its ability to call on certain ports and therefore has limited, and may continue to limit, its ability to enter into alliances or operational partnerships with certain shipping companies, which has historically adversely affected its operations and its ability to compete effectively within certain trades. In addition, ZIM's status as an Israeli company has limited, and may continue to limit, its ability to enter into alliances that include certain carriers who are not willing to cooperate with Israeli companies.

Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its neighboring countries. In recent years, these have included hostilities between Israel and Hezbollah in Lebanon and Hamas in the Gaza Strip, both of which resulted in rockets being fired into Israel, causing casualties and disrupting economic activities. Recent political uprisings, social unrest and violence in the Middle East and North Africa, including Israel's neighbors Egypt and Syria, are affecting the political stability of those countries. This instability has raised concerns regarding security in the region and the potential for armed conflict. Armed conflicts or hostilities in Israel or neighboring countries could cause disruptions in ZIM's operations, including significant employee absences, failure of its information technology systems and cyber-attacks, which may lead to the shutdown of its headquarters in Israel. ZIM's commercial insurance does not cover losses that may occur as a result of an event associated with the security situation in the Middle East. Although the Israeli government is currently committed to covering the reinstatement value of direct damages caused by terrorist attacks or acts of war, ZIM cannot assure you that this government coverage will be maintained, or if maintained, will be sufficient to fully compensate us for damages incurred. Any losses or damages incurred by us could have a material adverse effect on its business. Any armed conflict involving Israel could adversely affect ZIM's business and results and operations.

During the 2006 Lebanon War, a military conflict took place in Lebanon. As a result of rocket fire in the city of Haifa, ZIM closed its headquarters for several days. Although ZIM maintains an emergency plan, such events can have a material adverse effect on its operational activities. Any future deterioration in the security or geopolitical conditions in Israel or the Middle East could adversely impact ZIM's business relationships and thereby have a material adverse effect on its business, financial condition, results of operations or liquidity. As an Israeli company, ZIM has relatively high exposure, compared to many of its competitors, to acts of terror, hostile activities including cyber-attacks, security limitations imposed upon Israeli organizations overseas, possible isolation by various organizations and institutions for political reasons and other limitations (such as restrictions against entering certain ports). If ZIM's facilities, including its headquarters, become temporarily or

permanently disabled by an act of terrorism or war, it may be necessary for us to develop alternative infrastructure and ZIM may not be able to avoid service interruptions. Additionally, ZIM's owned and chartered vessels, including those vessels that do not sail under the Israeli flag, may be subject to control by the authorities of the State of Israel in order to protect the security of, or bring essential supplies and services to, the State of Israel. Israeli legislation also allows the State of Israel to use ZIM's vessels in times of emergency. Any of the aforementioned factors may negatively affect ZIM and its results of operations. For further information on the risks related to ZIM's operations in Israel, see *"—Risks Related to the Industries in Which Our Businesses Operate—The activities of certain of our businesses may be impacted by the geopolitical, economic and security conditions in Israel and the Middle East."* For further information on the risks related to entry into operational partnerships within the shipping industry, see *"—ZIM does not benefit from the efficiencies of participating in strategic alliances and the ability to enter into such alliances and the participation in operational partnerships in the shipping industry may be limited, which may adversely affect ZIM's business."*

ZIM charts a substantial portion of its fleet and the cost associated with chartering such vessels is unpredictable.

ZIM charts a substantial portion of its fleet. As of December 31, 2015, of the 85 vessels through which ZIM provides transport services globally, 72 are chartered under "Time Charter" operational leases, which represents a percentage of chartered vessels that is higher than the industry average. A rise in charter hire rates may adversely affect ZIM's results of operations. ZIM is party to a number of long-term charter agreements. As of December 31, 2015, approximately 39% of ZIM's "Time Charter" operationally chartered vessels are chartered under operational leases for terms exceeding one year. As a result, ZIM may be unable to take full advantage of short-term reductions in charter hire rates. In addition, some of ZIM's long-term charter agreements contain rate adjustment mechanisms pursuant to which charter hire rates will increase if the market rate increases, so ZIM may not benefit from such long-term charter agreements in the event of an increase in market charter hire rates. Furthermore, if ZIM is unable in the future to charter vessels of the type and size needed to serve its customers efficiently on terms that are favorable to ZIM, if at all, this may have a material adverse effect of on its business, financial condition, results of operations and liquidity.

ZIM currently does not own or charter enough large vessels to support its growth strategy, and ZIM may face difficulties acquiring or chartering larger vessels for its fleet.

Container shipping companies have been incorporating, and are expected to continue to incorporate, larger, more economical vessels into their operating fleets. The cost per TEU transported on large vessels is less than the cost per TEU for smaller vessels (assuming the vessels are operating at full capacity), as, among other reasons, larger vessels provide increased capacity and fuel efficiency. As a result, cargo shippers are encouraged to deploy large vessels, particularly within the more competitive trades. According to Alphaliner, vessels in excess of 10,000 TEUs represented approximately 24% of the current global order book based on TEU capacity as of December 2015. Furthermore, a significant introduction of large vessels, including very large vessels in excess of 18,000 TEUs, into any trade zone will enable the transfer of existing, large vessels to other shipping lines on which smaller vessels typically operate. Such transfers, which are referred to as "fleet cascading," may in turn generate similar effects in the other, smaller trade zones in which ZIM operates. ZIM does not currently have agreements in place to procure or charter large container vessels, and the continued deployment of larger vessels by ZIM's competitors will adversely impact ZIM's competitiveness if ZIM is not able to acquire, charter or obtain financing for such vessels on attractive terms or at all. This risk is further exacerbated due to ZIM's inability to participate in certain alliances and thereby access larger vessels for deployment. Even if ZIM is able to acquire or charter larger vessels, ZIM may be unable to achieve utilization rates necessary to operate such vessels profitably.

ZIM is subject to environmental regulation and failure to comply with such regulation could have a material adverse effect on ZIM's business.

ZIM is subject to many legal provisions relating to the protection of the environment, including the emissions of hazardous substances, sulfur oxides, or SOx, and nitrogen oxides, or NOx, and the use of low-sulfur fuel or shore power voltage, all of which may be subject to ongoing developments and amendments. For example, ZIM is subject to the International Convention for the Prevention of Pollution from Ships (including designation of Emission Control Areas thereunder), the International Convention for the Control and Management of Ships Ballast Water & Sediments, the International Convention on Liability and Compensation for Damage in Connection with the Carriage of Hazardous and Noxious Substances by Sea of 1996, the Oil Pollution Act of 1990, the Comprehensive Environmental Response, Compensation and Liability Act, the Clean Water Act, and National Invasive Species Act, among others. Compliance with such laws, regulations and standards, where applicable, may require the installation of costly equipment or operational changes. ZIM may also incur additional compliance costs, and any such costs could have a material adverse effect on its business. If ZIM fails to comply with any of the environmental regulations applicable, ZIM could be exposed to significant environmental liability damages, criminal charges, and substantial harm to its operations and reputation. Additionally, environmental laws often impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject ZIM to liability without regard to whether ZIM is negligent or at fault.

Environmental requirements may also require a reduction in cargo capacity, ship modifications or operational changes or restrictions, lead to decreased availability of or more costly insurance coverage for safety and environmental matters or result in ZIM's denial of access to certain jurisdictional waters or ports, or its detention in certain ports. Under local, national and foreign laws, as well as international treaties and conventions, ZIM could incur material liabilities, including cleanup obligations, natural resource damages, personal injury and property damage claims in the event there is a release of petroleum or other hazardous materials from its vessels, or otherwise, in connection with its operations. Violations of, or liabilities under, safety and environmental requirements can result in substantial penalties, fines and other sanctions, including in certain instances, seizure or detention of its vessels and events of this nature could have a material adverse effect on ZIM's business, reputation, financial condition and results of operations.

The shipping industry is subject to extensive government regulation and standards, international treaties and trade prohibitions and sanctions.

The shipping industry is subject to extensive regulation that changes from time to time and that applies in the jurisdictions in which shipping companies are incorporated, the jurisdictions in which vessels are registered (flag states), the jurisdictions governing the ports at which vessels call, as well as regulations by virtue of international treaties and membership in international associations. As a global container shipping company, ZIM is subject to a wide variety of international, national and local laws, regulations and agreements. As a result, ZIM is subject to extensive government regulation and standards, customs inspections and security checks, international treaties and trade prohibitions and sanctions, including laws and regulations in each of the jurisdictions in which we operate, including those of the State of Israel, the U.S. Federal Maritime Commission, the International Safety Management Code, or the ISM Code, and the European Union. Any violation of such laws, regulations, treaties and/or prohibitions could have a material adverse effect on ZIM's business, financial condition, results of operations and liquidity and may also result in the revocation or non-renewal of its "time-limited" licenses. Furthermore, the U.S. Department of the Treasury's Office of Foreign Assets Control administers certain laws and regulations that impose restrictions upon U.S. companies and persons and, in some contexts, foreign entities and persons, with respect to activities or transactions with certain countries, governments, entities and individuals that are the subject of such sanctions laws and regulations. Similar sanctions are imposed by the European Union and the United Nations. ZIM are acting in accordance with the applicable sanction laws. Under economic and trading sanction laws, governments may seek to impose modifications to business practices, and modifications to compliance programs, which may increase compliance costs, and may subject us to fines, penalties and other sanctions.

Additionally, ZIM is subject to competition and antitrust regulations in each of the countries where ZIM operates. In most of the jurisdictions in which ZIM operates, operational partnerships among shipping companies are generally exempt from the application of antitrust laws, subject to the fulfillment of certain exemption requirements. Recently, however, there has been a trend within the international community to limit such exemptions and it is difficult to predict whether existing exemptions or their renewal will be affected in the future. ZIM is party to numerous operational partnerships and view these agreements as competitive advantages in response to the market concentration in the industry as a result of mergers and global alliances, as well as the global economic crisis. An amendment to or a revocation of any of the exemptions for operational partnerships that ZIM rely on could negatively affect ZIM's business and results of operations. See "Item 4.B Business Overview—Legal proceedings."

There are numerous risks related to the operation of any sailing vessel and ZIM's inability to successfully respond to such risks could have a material adverse effect on ZIM.

There are numerous risks related to the operation of sailing vessels, including dangers associated with potential port closures, marine disasters, mechanical failures, collisions, lost or damaged cargo, contraband smugglers, poor weather conditions, the content of the load, exceptional load, meeting deadlines, risks of documentation, maintenance and the quality of fuels, piracy, shortages of qualified sea and shoreside personnel and maritime arrests arising from unsatisfied debts, claims or damages. The occurrence of any of the aforementioned risks could have a material adverse effect on ZIM's business, financial condition, results of operations or liquidity and ZIM may not be adequately insured against any of these risks.

In the event ZIM lists its shares on a stock exchange for trading, changes in the market price of ZIM's stock could have a material adverse effect on the value of our investment in ZIM.

ZIM may seek a public listing of its shares. Upon such listing, our ability to liquidate our 32% equity interest in ZIM, without adversely affecting the value of these shares, may be limited. If we were to sell, or indicate an intention to sell, substantial amounts of our equity interest in ZIM in the public market, the trading price of ZIM's shares could decline.

Additionally, the perception in the market that these sales may occur could also cause the trading price of ZIM's shares to decline. Furthermore, the value of our interest in ZIM may be affected by economic and market conditions that are beyond our control. Globally traded securities have been highly volatile and continued volatility, which may result in significant changes in ZIM's market price, in particular, could also have a material adverse effect on our business, financial condition, results of operations or liquidity. If ZIM does not complete a listing of its shares, this would affect our ability to sell our equity interest in ZIM, if we decide to do so.

We may be required to record a significant charge to our earnings if we are required to impair our investment in ZIM.

As of December 31, 2015, the balance of our investment in ZIM was \$201 million. We performed an impairment test of our investment in ZIM as of December 31, 2015 and concluded that the recoverable amount of our investment in ZIM was higher than the carrying amount. If ZIM is not commercially successful or, if due to economic or other conditions, our assumptions regarding the performance of ZIM are not achieved or are revised downward, we would likely be required to record impairment charges. Given ZIM's recent restructuring, the current economic and competitive environment, and the uncertainties regarding the impact on such restructuring and environment on ZIM, we cannot assure you that the estimates and assumptions made for purposes of our impairment testing will prove to be accurate predictions for the future. Additionally, any public listing of ZIM's shares may also affect the value of our interest in ZIM and may therefore result in our recognition of an impairment charge in respect of our investment in ZIM. Any impairment charges in respect of our investment in ZIM could have a material adverse effect on our financial condition or results of operations.

Risks Related to our Other Businesses

Primus relies on Kenon to finance its operations.

The implementation of Primus' business plan requires additional capital to enable Primus to continue to develop its commercial operations. Primus expects such funding to be provided by additional shareholder funding (either through capital contributions or shareholder loans) provided by us or by new investors in Primus. For example, in October 2014, we, through our wholly-owned subsidiary IC Green, entered into an investment agreement with Primus pursuant to which we may lend Primus, at our discretion, up to \$25 million via a series of convertible notes through December 31, 2015. As of December 31, 2015, through this investment agreement, we have invested in Primus an aggregate of \$16.5 million through convertible notes issued to Kenon.

Primus is currently seeking to raise capital from new investors. However, there is no certainty that additional financing will be provided to Primus, either by us or new investors in Primus. In addition, in the event of new investments in Primus, such investments may serve to dilute our equity interest in Primus. Any lack of, or delay in securing, such financing may delay, or prevent completely, Primus' ability to continue to research and develop its commercial operations, which may result in Primus' ultimate liquidation or dissolution.

Primus' STG+ process may not become commercially viable.

Demand for and industry acceptance of Primus' technologies is subject to a high level of uncertainty. If potential customers fail to accept Primus' technologies, if acceptance develops slower than anticipated by Primus, or if Primus' technologies prove uneconomical or unattractive, this could have a material adverse effect on Primus' business, financial condition, results of operations or liquidity.

Primus is an early stage company with a limited operating history.

Primus is an early stage company. The risks and uncertainties associated with the operation of an early stage company include a potential inability to:

- commence significant operations on the current, or any revised, schedule in compliance with the current, or any revised, budget;
- secure necessary capital;
- successfully negotiate with government agencies, vendors, customers, feedstock suppliers or other third parties;
- effectively manage rapid growth in personnel or operations;
- successfully manage its existing, or enter into new, strategic relationships and partnerships;

- recruit and retain key personnel;
- maintain optimal cost structure as, and when, the business expands;
- adequately protect its intellectual property; and
- develop technology, products or processes that complement existing business strategies or address changing market conditions.

If Primus is unable to adequately address any of these risks, this could have a material adverse effect on Primus' business, financial condition, results of operations or liquidity.

Primus' STG+ process may not generate gasoline or methanol that satisfies required specifications.

The commercialization of Primus' technology contemplates the production of gasoline that satisfies certain specifications. If any of the fuels produced by Primus' STG+ process, in particular its high-octane gasoline, are unable to satisfy required specifications, Primus may be unable to market and commercialize its proprietary liquid fuels technology, the STG+ process. Any change in such specifications, could increase Primus' expenses or delay the commercialization or viability of Primus' gas monetization technology, which could have a material adverse effect on Primus' business, financial condition, results of operations or liquidity.

Primus' operations are highly dependent upon commodity prices, particularly natural gas, methanol and gasoline.

Primus' operations depend substantially on the prices of various commodities, including natural gas, gasoline, crude oil, methanol and others. The prices of certain of these commodities are volatile, and this volatility may affect Primus' ability to market its technology and processes.

The liquid fuels that Primus produces using its STG+ process (gasoline and methanol) will compete in markets with refined petroleum products and, because natural gas, or syngas derived from natural gas, will be primarily used as the feedstock in Primus' STG+ process, an increase in natural gas prices relative to prices for refined petroleum products, or a decrease in prices for refined petroleum products, could adversely affect demand for Primus' technology. The price and availability of natural gas and refined products may be affected by numerous factors, including the level of consumer product demand, weather conditions, the availability of water for fracking, domestic and foreign government regulation (including regulation of fracking), the actions of the Organization of Petroleum Exporting Countries, political conditions in oil and natural gas producing countries, the supply of domestic and foreign crude oil and natural gas, the location of any plants developed by Primus vis-à-vis natural gas reserves and pipelines, the capacities of such pipelines, fluctuations in seasonal demand, governmental regulations, the price and availability of alternative fuels and overall economic conditions. For example, recent trends in crude oil prices have led to significant declines in gasoline prices which affects the economic feasibility of new projects using the STG+ technology. Primus cannot predict future demand and prices for natural gas or refined products, and a relative increase in the price of natural gas could have a material adverse effect on its business, financial condition, results of operations or liquidity.

Primus' success depends, in part, upon its ability to protect its intellectual property.

Primus has independently developed, patented and owns numerous processes related to liquid fuels synthesis, gasoline composition, and incremental improvements and customizations. If Primus fails to protect its intellectual property rights adequately, its competitors might gain access to its technology, and its competitive advantage, brand or business may be adversely affected.

Primus relies on trade secret and patent laws, confidentiality procedures and contractual provisions to protect its proprietary methods and processes. Primus currently holds several patents and has pending patent applications in the U.S. Valid patents may not be issued from Primus' pending applications, and the claims allowed on any issued patents may not be sufficiently broad to protect Primus' STG+ process. Any patents currently held by Primus or that may be issued to Primus in the future may be challenged, invalidated or circumvented, and any rights granted under these patents may not actually provide Primus with adequate defensive protection or competitive advantages. Additionally, the process of applying for patent protection is expensive and time-consuming, and Primus may not be able to complete all necessary or desirable patent applications at a reasonable cost or in a timely manner.

Policing unauthorized use of technology may prove difficult for Primus as the laws of some foreign countries may not be as protective of intellectual property rights as those of the United States, and mechanisms for the enforcement of Primus'

proprietary rights in such countries may be inadequate. From time to time, Primus may need to initiate legal action to enforce its intellectual property rights, to protect its trade secrets, to determine the validity and scope of the proprietary rights of others, or to defend itself against claims of infringement. Such litigation could result in substantial costs and the diversion of limited resources and could negatively affect Primus' business, reputation or brand. If Primus is unable to protect its proprietary rights, it may lose its expected competitive advantage which could have a material adverse effect on its business, financial condition, results of operations or liquidity.

The decrease in the cost of fuel or electricity generated by traditional sources may cause the demand for the services provided by Primus to decline.

Decreases in the costs associated with traditional sources of fuel or electricity, such as prices for commodities like crude oil, coal, fuel oil and natural gas, have reduced, and could further reduce the demand for the solutions provided by Primus. Crude oil prices, for example, fell considerably during 2014 and 2015, and prices have continued to decline in 2016. The cost of fuel may be further reduced by changing global supply-demand dynamics, the discovery of large new deposits of traditional fuels and technological progress, among other causes. These fuel price reductions have, and future reductions could further, reduce the demand for the solutions offered by Primus.

Risks Related to Our Spin-Off

The potential indemnification of liabilities to IC pursuant to the Separation and Distribution Agreement may require us to divert cash to IC to satisfy our indemnification obligations.

We entered into a Sales, Separation and Distribution Agreement with IC, or the Separation and Distribution Agreement, which provides for, among other things, indemnification obligations designed to make us financially responsible for liabilities incurred in connection with our businesses, and as otherwise allocated to us in the Separation and Distribution Agreement. If we are required to indemnify IC under the circumstances set forth in the Separation and Distribution Agreement, we may be subject to substantial liabilities, which could have a material adverse effect on our business, financial condition, results of operations or liquidity.

There can be no assurance that IC's indemnification of certain of our liabilities will be sufficient to insure us against the full amount of those liabilities, or that IC's ability to satisfy its indemnification obligation will not be impaired in the future.

Pursuant to the Separation and Distribution Agreement, IC has agreed to indemnify us for certain liabilities retained by it (which includes certain specified pending legal matters). However, third parties could seek to hold us responsible for any of the liabilities that IC has agreed to retain, and there can be no assurance that the indemnity from IC will be sufficient to protect us against the full amount, or any, of such liabilities, or that IC will be able to satisfy its indemnification obligations. Moreover, even if we ultimately succeed in recovering from IC any amounts for which we are held liable, we may be temporarily required to bear these losses ourselves. Additionally, IC's insurers may deny coverage to us for liabilities associated with occurrences prior to the spin-off. Even if we ultimately succeed in recovering from such insurance providers, we may be required to temporarily bear such loss of coverage. If IC is unable to satisfy its indemnification obligations or if insurers deny coverage, the underlying liabilities could have a material adverse effect on our business, financial condition, results of operations or liquidity.

If we are unable to upgrade our financial and management controls, reporting systems, information technology systems and procedures in a timely and effective fashion, our ability to comply with our financial reporting requirements and other rules that apply to reporting companies under the Exchange Act could be impaired, we may suffer adverse regulatory consequences, including violations of the NYSE's or the TASE's listing rules. As a result, any failure to achieve and maintain effective internal controls could have a material adverse effect on our business, financial condition, results of operations or liquidity.

Risks Related to Our Ordinary Shares

Our ordinary shares are traded on more than one stock exchange and this may result in price variations between the markets.

Our ordinary shares are listed on each of the NYSE and the TASE. Trading in our ordinary shares therefore takes place in different currencies (U.S. Dollars on the NYSE and New Israeli Shekels on the TASE), and at different times (resulting from different time zones, different trading days and different public holidays in the United States and Israel). The trading prices of our ordinary shares on these two markets may differ as a result of these, or other, factors. Any decrease in the price of our ordinary shares on either of these markets could cause a decrease in the trading prices of our ordinary shares on the other market.

If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, our share price and trading volume could decline.

There is no analyst coverage of Kenon outside of Israel. The trading market for our ordinary shares depends, in part, upon the research and reports that securities or industry analysts publish about us or our businesses. If securities or industry analysts do not cover us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

A significant portion of our outstanding ordinary shares may be sold into the public market, which could cause the market price of our ordinary shares to drop significantly, even if our business is doing well.

A significant portion of our shares are held by two shareholders. Ansonia held approximately 46.3% of our shares as of January 11, 2016 and Bank Leumi Le-Israel B.M., or Bank Leumi, held approximately 14.0% of our shares as of February 8, 2016. If any of our principal shareholders sell, or indicate an intention to sell, substantial amounts of our ordinary shares in the public market, the trading price of our ordinary shares could decline. The perception that any such sales may occur, including the entry of any of our principal shareholders into programmed selling plans, could have a material adverse effect on the trading price of our ordinary shares and/or could impair the ability of any of our businesses to raise capital.

Control by principal shareholders could adversely affect our other shareholders.

Ansonia beneficially owned approximately 46.3% of our outstanding ordinary shares and voting power as of January 11, 2016. Ansonia therefore has a continuing ability to control, or exert a significant influence over, our board of directors, and will continue to have significant influence over our affairs for the foreseeable future, including with respect to the election of directors, the consummation of significant corporate transactions, such as an amendment of our constitution, a merger or other sale of our company or our assets, and all matters requiring shareholder approval. In certain circumstances, Ansonia's interests as a principal shareholder may conflict with the interests of our other shareholders and Ansonia's ability to exercise control, or exert significant influence, over us may have the effect of causing, delaying, or preventing changes or transactions that our other shareholders may or may not deem to be in their best interests.

In addition, the loans that Ansonia has agreed to make to our subsidiary Quantum (which will be used by Quantum to make back-to-back loans to Qoros) will be convertible into equity of Quantum at a 10% discount to the implied value of Qoros based upon the receipt of third-party financing. Accordingly, upon such conversion, Kenon's indirect interest in Qoros will be diluted, which will result in economic dilution and Kenon having less control over the Qoros business. In connection with the loan agreement, Ansonia also has certain consent rights with respect to actions that we take in respect of our interest in Qoros. For further information on Ansonia's agreement to invest in Qoros, see "Item 5. Operating and Financial Review and Prospects—Recent Developments—Qoros—Ansonia's Agreement to Invest in Qoros."

We do not have sufficient distributable profits to pay dividends.

Under Singapore law and our constitution, dividends, whether in cash or in specie, must be paid out of our profits available for distribution. We have no current plans to pay cash dividends for the foreseeable future and we currently do not have distributable profits from which dividends may be declared. The availability of distributable profits is assessed on the

basis of Kenon's standalone unconsolidated accounts (which are based upon the Singapore Financial Reporting Standards, or the SFRS). There is no assurance that, on such basis, we will not incur losses, that we will become profitable, or that we will have sufficient distributable income that might be distributed to our shareholders as a dividend or other distribution in the foreseeable future. Therefore, we will be unable to pay dividends to our shareholders unless and until we have generated sufficient distributable reserves. Accordingly, it may not be legally permissible for us to pay dividends to our shareholders. As a result, and until such time, if ever, that we declare dividends with respect to our ordinary shares, a holder of our ordinary shares will only realize income from an investment in our ordinary shares if there is an increase in the market price of our ordinary shares. Such potential increase is uncertain and unpredictable.

Under Singapore law, it is possible to effect either a court-free or court-approved capital reduction exercise to return cash and/or assets to our shareholders. For example, we effected a court-approved capital reduction exercise in 2015 to enable our pro rata distribution of substantially all of our interest in Tower to our shareholders. IC, as our sole shareholder prior to the consummation of the spin-off, has confirmed, including in its capacity as a creditor under our credit facility with it, that it will not object to our performance of a capital reduction, if the terms and conditions relating to distributions set forth in our credit facility with IC have been complied with. IC's agreement is subject to the provisions of the laws of Singapore, and, notwithstanding this agreement, the completion of a court-approved capital reduction exercise will require the approval of the High Court of Singapore, which we may not be successful in obtaining. Further, the completion of a court-free capital reduction exercise will depend on whether our directors are comfortable executing a solvency statement attesting to our solvency, as well as whether there are any other creditor objections raised (in the event that we have creditors other than IC).

Any dividend payments on our ordinary shares would be declared in U.S. Dollars, and any shareholder whose principal currency is not the U.S. Dollar would be subject to exchange rate fluctuations.

The ordinary shares are, and any cash dividends or other distributions to be declared in respect of them, if any, will be denominated in U.S. Dollars. Shareholders whose principal currency is not the U.S. Dollar will be exposed to foreign currency exchange rate risk. Any depreciation of the U.S. Dollar in relation to such foreign currency will reduce the value of such shareholders' ordinary shares and any appreciation of the U.S. Dollar will increase the value in foreign currency terms. In addition, we will not offer our shareholders the option to elect to receive dividends, if any, in any other currency. Consequently, our shareholders may be required to arrange their own foreign currency exchange, either through a brokerage house or otherwise, which could incur additional commissions or expenses.

We are a "foreign private issuer" under U.S. securities laws and, as a result, are subject to disclosure obligations that are different from those applicable to U.S. domestic registrants listed on the NYSE.

We are incorporated under the laws of Singapore and, as such, will be considered a "foreign private issuer" under U.S. securities laws. Although we will be subject to the reporting requirements of the Exchange Act, the periodic disclosure required of foreign private issuers under the Exchange Act is different from the periodic disclosure required of U.S. domestic registrants. Therefore, there may be less publicly available information about us than is regularly published by or about other public companies in the United States. We are also exempt from certain other sections of the Exchange Act that U.S. domestic registrants are otherwise subject to, including the requirement to provide our shareholders with information statements or proxy statements that comply with the Exchange Act. In addition, insiders and large shareholders of ours will be exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act and will not be obligated to file the reports required by Section 16 of the Exchange Act.

As a foreign private issuer, we may, in the future, follow certain home country corporate governance practices instead of otherwise applicable SEC and NYSE corporate governance requirements, and this may result in less investor protection than that accorded to investors under rules applicable to domestic U.S. issuers.

As a foreign private issuer, we are permitted to follow certain home country corporate governance practices instead of those otherwise required under the NYSE's rules for domestic U.S. issuers, provided that we disclose which requirements we are not following and describe the equivalent home country requirement. For example, foreign private issuers are permitted to follow home country practice with regard to director nomination procedures and the approval of compensation of officers. Additionally, we are not required to maintain a board comprised of a majority of independent directors. However, notwithstanding our ability to follow the corporate governance practices of our home country Singapore, we have elected to apply the corporate governance rules of the NYSE that are applicable to U.S. domestic registrants that are not "controlled" companies. Nevertheless, we may, in the future, decide to rely on the foreign private issuer exemptions provided by the NYSE and follow home country corporate governance practices in lieu of complying with some or all of the NYSE's requirements.

Following our home country governance practices, as opposed to complying with the requirements that are applicable to a U.S. domestic registrant, may provide less protection to you than is accorded to investors under the NYSE's corporate governance rules. Therefore, any foreign private exemptions we avail ourselves of in the future may reduce the scope of information and protection to which you are otherwise entitled as an investor.

It may be difficult to enforce a judgment of U.S. courts for civil liabilities under U.S. federal securities laws against us, our directors or officers in Singapore.

We are incorporated under the laws of Singapore and certain of our officers and directors are or will be residents outside of the United States. Moreover, most of our assets are located outside of the United States. Although we are incorporated outside of the U.S., we have agreed to accept service of process in the United States through our agent designated for that specific purpose. Additionally, for so long as we are listed in the U.S. or in Israel, we have undertaken not to claim that we are not subject to any derivative/class action that may be filed against us in the U.S. or Israel, as applicable, solely on the basis that we are a Singapore company. However, since most of the assets owned by us are located outside of the United States, any judgment obtained in the United States against us may not be collectible within the United States.

Furthermore, there is no treaty between the United States and Singapore providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters, such that a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon the federal securities laws, would, therefore, not be automatically enforceable in Singapore. Additionally, there is doubt whether a Singapore court may impose civil liability on us or our directors and officers who reside in Singapore in a suit brought in the Singapore courts against us or such persons with respect to a violation solely of the federal securities laws of the United States, unless the facts surrounding such a violation would constitute or give rise to a cause of action under Singapore law. We have undertaken not to oppose the enforcement in Singapore of judgments or decisions rendered in Israel or in the United States in a class action or derivative action to which Kenon is a party. Notwithstanding such undertakings, it may be difficult for investors to enforce against us, our directors or our officers in Singapore, judgments obtained in the United States which are predicated upon the civil liability provisions of the federal securities laws of the United States.

We are incorporated in Singapore and our shareholders may have greater difficulty in protecting their interests than they would as shareholders of a corporation incorporated in the United States.

Our corporate affairs are governed by our constitution and by the laws governing corporations incorporated in Singapore. The rights of our shareholders and the responsibilities of the members of our board of directors under Singapore law are different from those applicable to a corporation incorporated in the United States. Therefore, our public shareholders may have more difficulty in protecting their interest in connection with actions taken by our management or members of our board of directors than they would as shareholders of a corporation incorporated in the United States. For information on the differences between Singapore and Delaware corporation law, see “Item 10.B Constitution.”

Singapore corporate law may impede a takeover of our company by a third-party, which could adversely affect the value of our ordinary shares.

The Singapore Code on Take-overs and Mergers and Sections 138, 139 and 140 of the Securities and Futures Act, Chapter 289 of Singapore contain certain provisions that may delay, deter or prevent a future takeover or change in control of our company for so long as we remain a public company with more than 50 shareholders and net tangible assets of S\$5 million or more. Any person acquiring an interest, whether by a series of transactions over a period of time or not, either on his own or together with parties acting in concert with such person, in 30% or more of our voting shares, or, if such person holds, either on his own or together with parties acting in concert with such person, between 30% and 50% (both inclusive) of our voting shares, and such person (or parties acting in concert with such person) acquires additional voting shares representing more than 1% of our voting shares in any six-month period, must, except with the consent of the Securities Industry Council of Singapore, extend a mandatory takeover offer for the remaining voting shares in accordance with the provisions of the Singapore Code on Take-overs and Mergers.

In October 2014, the Securities Industry Council of Singapore waived the application of the Singapore Code on Take-overs and Mergers to the Company, subject to certain conditions. Pursuant to the waiver, for as long as Kenon is not listed on a securities exchange in Singapore, and except in the case of a tender offer (within the meaning of U.S. securities laws) where the offeror relies on a Tier 1 exemption to avoid full compliance with U.S. tender offer regulations, the Singapore Code on Take-overs and Mergers shall not apply to Kenon.

Accordingly, Kenon’s shareholders will not have the protection or otherwise benefit from the provisions of the Singapore Code on Take-overs and Mergers and the Securities and Futures Act.

Our directors have general authority to allot and issue new shares on terms and conditions and with any preferences, rights or restrictions as may be determined by our board of directors in its sole discretion, which may dilute our existing shareholders. We may also issue securities that have rights and privileges that are more favorable than the rights and privileges accorded to our existing shareholders.

Under Singapore law, we may only allot and issue new shares with the prior approval of our shareholders in a general meeting. Other than with respect to the issuance of shares pursuant to awards made under our Share Incentive Plan 2014 or Share Option Plan 2014, and subject to the general authority to allot and issue new shares provided by our shareholders annually, the provisions of the Singapore Companies Act and our constitution, our board of directors may allot and issue new shares on terms and conditions and with the rights (including preferential voting rights) and restrictions as they may think fit to impose. Any such offering may be on a pre-emptive or non-pre-emptive basis. Subject to the prior approval of our shareholders for (i) the creation of new classes of shares and the (ii) granting to our directors of the authority to issue new shares with different or similar rights, additional shares may be issued carrying such preferred rights to share in our profits, losses and dividends or other distributions, any rights to receive assets upon our dissolution or liquidation and any redemption, conversion and exchange rights. At the annual general meeting of shareholders held in 2015, or the 2015 AGM, our shareholders granted the board of directors authority (effective until the conclusion of the annual general meeting of shareholders to be held in 2016, or the 2016 AGM, or the expiration of the period by which the 2016 AGM is required to be held) to allot and issue ordinary shares and/or instruments that might or could require ordinary shares to be allotted and issued as authorized by our shareholders at the 2015 AGM and shareholders will be asked to renew this authority at the 2016 AGM. Ansonia, our significant shareholder, may use its ability to control to approve a grant of such authority to our board of directors, or exert influence over, our board of directors to cause us to issue additional ordinary shares, which would dilute existing holders of our ordinary shares, or to issue securities with rights and privileges that are more favorable than those of our ordinary shareholders. There are no statutory pre-emptive rights for new share issuances conferred upon our shareholders under the Companies Act, Chapter 50 of Singapore, or the Singapore Companies Act. Furthermore, any additional issuances of new shares by our directors could adversely impact the market price of our ordinary shares.

Risks Related to Taxation

We may be classified as a passive foreign investment company, which could result in adverse U.S. federal income tax consequences to U.S. holders of our ordinary shares.

Based upon, among other things, the valuation of our assets and the composition of our income and assets, we do not believe we were a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for our previous taxable year ended December 31, 2015. However, the application of the PFIC rules is subject to uncertainty in several respects. In addition, a separate determination must be made after the close of each taxable year as to whether we were a PFIC for that year. Accordingly, we cannot assure you that we will not be a PFIC for our current, or any future, taxable year. A non-U.S. corporation will be a PFIC for any taxable year if either (i) at least 75.0% of its gross income for such year is passive income or (ii) at least 50.0% of the value of its assets (based on an average of the quarterly values of the assets) during such year is attributable to assets that produce passive income or are held for the production of passive income. For this purpose, we will be treated as owning our proportionate share of the businesses and earning our proportionate share of the income of any other business in which we own, directly or indirectly, at least 25.0% (by value) of the stock. Because the value of our assets for purposes of the PFIC test will generally be determined in part by reference to the market price of our ordinary shares, fluctuations in the market price of the ordinary shares may cause us to become a PFIC. In addition, changes in the composition of our income or assets may cause us to become a PFIC. As a result, dispositions of operating companies could increase the risk that we become a PFIC. If we are a PFIC for any taxable year during which a U.S. Holder (as defined below) holds an ordinary share, certain adverse U.S. federal income tax consequences could apply to such U.S. Holder. For further information on such U.S. tax implications, see “Item 10.E Taxation—U.S. Federal Income Tax Considerations—Passive Foreign Investment Company.”

Tax regulations and examinations may have a material effect on us and we may be subject to challenges by tax authorities.

We operate in a number of countries and are therefore regularly examined by and remain subject to numerous tax regulations. Changes in our global mix of earnings could affect our effective tax rate. Furthermore, changes in tax laws could result in higher tax-related expenses and payments. Legislative changes in any of the countries in which our businesses operate could materially impact our tax receivables and liabilities as well as deferred tax assets and deferred tax liabilities. Additionally, the uncertain tax environment in some regions in which our businesses operate could limit our ability to enforce our rights. As a holding company with globally operating businesses, we have established businesses in countries subject to complex tax rules, which may be interpreted in a variety of ways and could affect our effective tax rate. Future interpretations or developments of tax regimes or a higher than anticipated effective tax rate could have a material adverse effect on our tax liability, return on investments and business operations.

In addition, we and our businesses operate in, are incorporated in and are tax residents of, various jurisdictions. The tax authorities in the various jurisdictions in which we and our businesses operate, or are incorporated, may disagree with and challenge our assessments of our transactions, tax position, deductions, exemptions, where we or our subsidiaries or businesses are tax resident, or other matters. If we, or our businesses, are unsuccessful in responding to any such challenge from a tax authority, we, or our

businesses, may be required to pay additional taxes, interest, fines or penalties, and we, or our businesses, may be subject to taxes for the same business in more than one jurisdiction or may also be subject to higher tax rates, withholding or other taxes. Even if we, or our businesses, are successful, responding to such challenges may be expensive, consume time and other resources, or divert management's time and focus from our operations or businesses or from the operations of our businesses. Therefore, a challenge as to our, or our businesses', tax position or status or transactions, even if unsuccessful, may have a material adverse effect on our business, financial condition, results of operations or liquidity or the business, financial condition, results of operations or liquidity of our businesses.

Our shareholders may be subject to non-U.S. taxes and return filing requirements as a result of owning our ordinary shares.

Based upon our expected method of operation and the ownership of our businesses following the spin-off, we do not expect any shareholder, solely as a result of owning our ordinary shares, to be subject to any additional taxes or additional tax return filing requirements in any jurisdiction in which we, or any of our businesses, conduct activities or own property. However, there can be no assurance that our shareholders, solely as a result of owning our ordinary shares, will not be subject to certain taxes, including non-U.S. taxes, imposed by the various jurisdictions in which we and our businesses do business or own property now or in the future, even if our shareholders do not reside in any of these jurisdictions. Consequently, our shareholders may also be required to file non-U.S. tax returns in some or all of these jurisdictions. Further, our shareholders may also be subject to penalties for failure to comply with these requirements. It is the responsibility of each shareholder to file each of the U.S. federal, state and local, as well as non-U.S. tax returns that may be required of such shareholder.

ITEM 4. Information on the Company

A. History and Development of the Company

Kenon Holdings Ltd. was formed in 2014 to be the holding company of certain companies that were currently owned (in whole, or in part) by IC in connection with our spin-off from IC in January 2015. We currently own the following subsidiaries and associated companies:

- a 100% interest in **IC Power**, a leading owner, developer and operator of power generation and distribution facilities located in key energy markets in Latin America, the Caribbean and Israel;
- a 50% interest in **Qoros**, a China-based automotive company in which we have a 50% equity interest;
- a 32% interest in **ZIM**, a large provider of global container shipping services; and
- a 91% interest in **Primus**, an innovative developer and owner of a proprietary natural gas-to-liquid technology process.

In connection with our spin-off from IC, we also held a 29% interest in **Tower**, a NASDAQ- and TASE- listed specialty foundry semiconductor manufacturer. In July 2015, we completed a pro-rata distribution in specie of substantially all of our interest in Tower and, as of the date of this annual report, we have approximately a 2% interest in Tower's outstanding share capital.

We also own a 70% interest in **HelioFocus**, a developer of dish technologies for solar thermal power fields; this company has ceased operations and is in the process of being wound down.

We were incorporated in March 2014 under the Singapore Companies Act. Our registered office and principal place of business is located at 1 Temasek Avenue #36-01, Millenia Tower, Singapore 039192. Our telephone number at our registered office and principal place of business is + 65 6351 1780. We have appointed Gornitzky & Co., Advocates and Notaries, as our agent for service of process in connection with certain claims which may be made in Israel.

Our ordinary shares are listed on each of the NYSE and the TASE under the symbol "KEN." We plan to examine the various considerations in respect of our dual listing and, in particular, the advisability of maintaining or terminating such dual listing. We may, as a result of such examination, delist our ordinary shares from trading on the TASE pursuant to the Securities Law of Israel, 5728—1968. In the event we do decide to delist our ordinary shares from trading on the TASE, we have undertaken to publish an Immediate Report with the TASE no less than 9 months prior to the delisting.

B. Business Overview

We are a holding company that operates dynamic, primarily growth-oriented, businesses. The companies we own, in whole or in part, are at various stages of development, ranging from established, cash generating businesses to early stage development companies.

We were established in connection with a spin-off of our businesses from IC to promote the growth and development of our primary businesses, and we are primarily engaged in the operation of the following businesses: (i) IC Power, a wholly-owned power generation and distribution company that has experienced profitable growth in its revenues and generation capacity since its inception in 2007, and (ii) Qoros, a China-based automotive company in which we have a 50% equity interest, that is seeking to deliver international standards of quality, safety, and innovative features to the large and fast-growing Chinese automotive market and commenced commercial sales at the end of 2013.

In the case of IC Power, we intend to continue to invest in projects that IC Power expects to generate attractive, risk-adjusted returns, using operating cash flows, project or other financing at the IC Power level, as well as proceeds resulting from IC Power's selective dispositions of assets. As part of our business development strategy, we will seek to provide investors with direct access to IC Power when we believe it is in the best interests of IC Power's development and our shareholders to do so. For example, IC Power Singapore, the entity through which Kenon holds its interests in IC Power, has filed a registration statement with the SEC in connection with its plan for an initial public offering of its equity. The completion of this IPO is subject to business and market conditions and other relevant factors.

In the case of Qoros, we have used a significant portion of our liquidity and capital resources that we received in connection with our spin-off from IC to support Qoros through shareholder loans and guarantees in respect of Qoros' debt, and we have no obligation to provide further funding to Qoros. In April 2016, Ansonia, which owns approximately 46% of the outstanding shares of Kenon, entered into an agreement to provide loans in an aggregate amount of up to \$50 million to Quantum to support Qoros' ordinary course working capital requirements, subject to Wuhu Chery's provision of loans to Qoros in the same amount and on similar conditions. In light of the investments made by Kenon in Qoros, including guarantees of Qoros' indebtedness, and Kenon's strategy to refrain from material "cross-allocation" (i.e., investing returns from one business into another), Kenon will not make any loans or other investments in Qoros as part of this transaction. Instead, and to support Qoros in light of Qoros' financing needs, Kenon has worked with its major shareholder, Ansonia, to facilitate Ansonia's provision of loans to Qoros.

Qoros will require additional financing, including the renewal or refinancing of its working capital facilities, to continue to operate and meet its operating expenses and debt service requirements. If Qoros is not able to raise additional financing as required, it may be unable to continue operations.

We also hold interests in:

- **ZIM**—A large provider of global container shipping services, which, as of December 31, 2015 operated 85 (owned and chartered) vessels with a total container capacity of 369,549 TEUs, and in which we have a 32% equity interest; and
- **Primus**, an innovative developer and owner of a proprietary natural gas-to-liquid technology process.

In furtherance of our strategy, we intend to support the development of our non-primary interests businesses, and to act to realize their value for our shareholders by distributing our interests in our non-primary businesses to our shareholders or selling our interests in our non-primary businesses, rationally and expeditiously, and either distributing the proceeds derived from such sales to our shareholders or using such proceeds in connection with our guarantees of Qoros' indebtedness or to repay amounts owing under the IC Credit Facility.

As we execute our strategy, we intend to operate under disciplined capital allocation principles designed to ensure the prudent use of our capital. We intend to refrain from acquiring interests in new companies outside our existing businesses. We do not intend to materially "cross-allocate" proceeds received in connection with distributions from / sales of our interests in any of our businesses, among our other businesses. Instead, we intend to distribute such proceeds to our shareholders or to use such proceeds in connection with our guarantees of Qoros' indebtedness or to repay amounts owing under the IC Credit Facility. In addition, we will not make further investments in ZIM.

Our strategy set forth above is designed to promote the growth and development of our primary businesses, maximize value for our shareholders and ensure the prudent use of our capital. However, we will be required to make determinations over time that will be based on the facts and circumstances prevailing at such time, as well as continually evolving market conditions and outlook, none of which are predictable at this time. As a result, we will be required to exercise significant judgment while seeking to adhere to these capital allocation principles in order to maximize value for our shareholders and further the development of our businesses.

Our Businesses

Set forth below is a description of our businesses.

References to IC Power's Adjusted EBITDA and net income set forth below in "*—IC Power*" are references to IC Power's Adjusted EBITDA and net income, as reported by IC Power. For a description of the differences between IC Power's Adjusted EBITDA and net income, as reported by Kenon and as reported by IC Power, during the years ended December 31, 2014 and 2015, see "*Item 5. Operating and Financial Review and Prospects—Material Factors Affecting Results of Operations—IC Power—Decisions by the EA Regarding System Management Charges.*"

IC Power

IC Power, which accounted for 100% of our revenues in the year ended December 31, 2015, and 91% of our assets as of December 31, 2015, is a leading owner, developer and operator of power generation facilities located in key energy markets in Latin America, the Caribbean and Israel, and has recently entered the power distribution business with the acquisition of two distribution businesses in Guatemala. The power generation companies within IC Power's portfolio utilize a range of fuels, including natural gas, hydroelectric, HFO, diesel and wind. Currently, IC Power's principal focus is on Latin American markets, which typically have higher rates of growth of GDP and lower overall and per capita energy consumption, as compared with more developed markets. IC Power believes that economic growth in Latin American markets will drive increases in overall and per capita energy consumption and therefore require significant additional investments in power generation assets in those markets.

As of December 31, 2015, IC Power's generation companies had an installed capacity and proportionate capacity of 2,665 MW and 2,170 MW, respectively. IC Power expects to increase its generation companies' installed capacity by 1,202 MW, or 45%, to 3,867 MW (3,095 MW on a proportionate basis) by the second half of 2016, upon the completion of certain assets in advanced stages of construction, including:

- CDA's 510 MW hydroelectric project located in Peru, which is expected to be completed in the second half of 2016;
- Samay I's 600 MW cold-reserve thermoelectric project located in Peru which is expected to be completed in the second quarter of 2016; and
- Kanan's 92 MW thermal generation project in Panama expected to be completed in the first half of 2016.

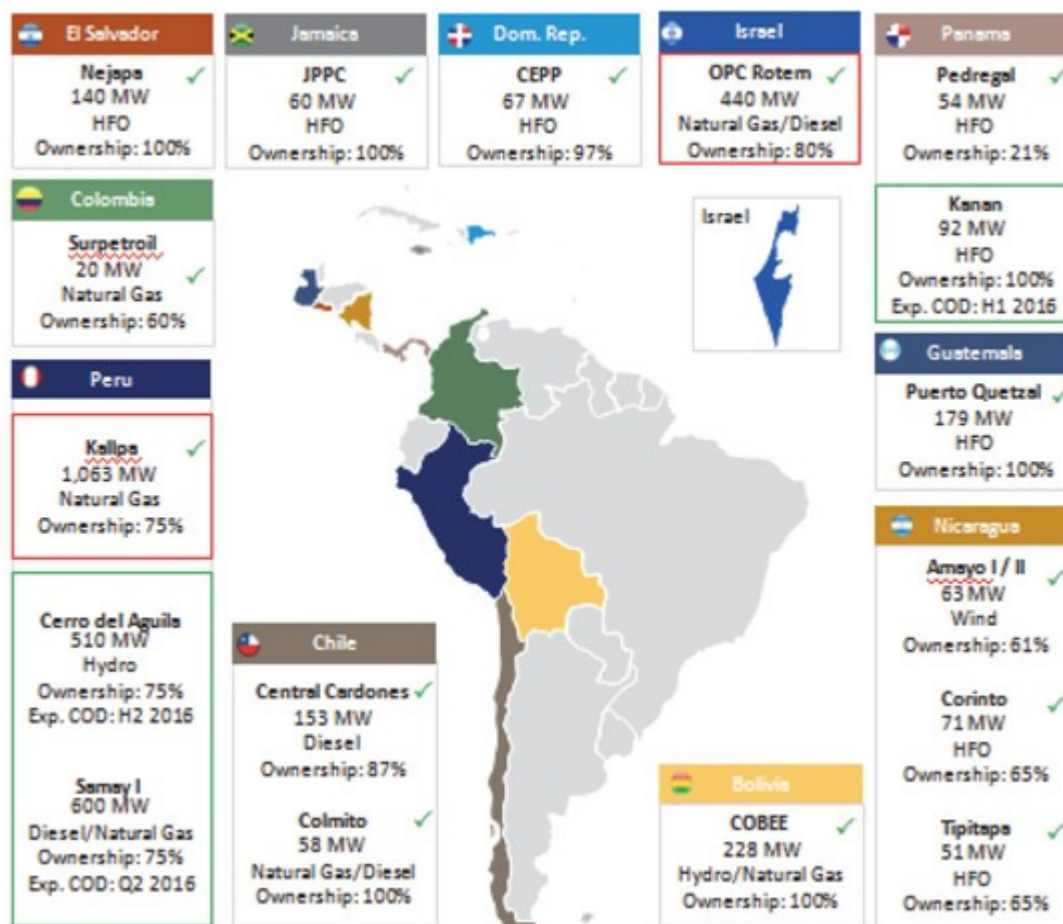
In addition, in August 2015, IC Power acquired AIE, which holds a conditional license for the construction of a cogeneration power station in Israel. The project is in the advanced development stage, construction is expected to commence in mid-2016, and the AIE plant, which is expected to have a capacity of 135 MW, is expected to reach its COD in the second half of 2018.

Between 2007 and December 31, 2015, IC Power invested approximately \$2.7 billion in the acquisition, development and expansion of its power generation assets. Of this amount, 87% represented investments in greenfield development (including investments made in those assets in advanced stages of construction) and 13% represented acquisitions. IC Power has financed its greenfield development using a combination of cash on hand, debt financing and investments by minority shareholders at the asset level, and have financed its acquisitions using cash on hand. Of the 2,116 MW that IC Power has added to its installed capacity since Inkia's formation, 62% derived from greenfield development projects, consisting of its construction of the Kallpa combined cycle plant, which comprises Peru's largest power generation facility, and the construction of OPC's plant, which became Israel's first IPP. In the same period, IC Power has acquired businesses with an aggregate installed capacity of 801 MW in six countries in Latin America, Israel and the Caribbean. By the second half of 2016, IC Power will have derived 76% of its installed capacity growth since 2007 from its greenfield development efforts (based upon IC Power's current portfolio and assuming the completion of its assets in advanced stages of construction).

By successfully pursuing growth opportunities, primarily through contracted greenfield development projects in existing markets and acquisitions of anchor investments in new markets, IC Power has expanded its regional presence, diversified through the addition of various facilities which use a range of fuels, and significantly increased its cash flows. In 2015, IC Power's Adjusted EBITDA, as reported by IC Power, was \$326 million, as compared to \$65 million in 2009, representing a CAGR of 31% during this period. Adjusted EBITDA is a non-IFRS measure. For a reconciliation of IC Power's net income, as reported by IC Power, to its Adjusted EBITDA, as reported by IC Power, see "*Item 3.A Selected Financial Data—Information on Business Segments—IC Power.*"

In January 2016, IC Power completed the acquisition of Energuate, the indirect owner of two distribution companies in Guatemala (DEORSA and DEOCSA, and two smaller, related companies (Guatemel and RECSA)). Energuate provides services for approximately 1.6 million regulated customers in Guatemala (representing approximately 55% of Guatemala's regulated distribution customers in 2014) and distributes energy approximately 100,000 km² in Guatemala, covering approximately 12 million inhabitants. Energuate operates approximately 34,000 km of distribution lines within Guatemala (representing approximately 70% Guatemala's distribution lines as of December 31, 2015), and holds the non-exclusive right to distribute electricity within its concession area until 2048. In the years ended December 31, 2015 and 2014, Energuate sold 2,304 GWh and 2,163 GWh of energy, respectively.

IC Power's generation activities are conducted through various operating companies in which, with the exception of Pedregal, IC Power holds controlling interests. The following graphic sets forth IC Power's generation companies (the percentage of holdings stated alongside each generation company are, in some cases, indirect holdings)^{1,2}:



Source: Company information:

- (1) Includes 193 MW additional capacity from Las Flores.
- (2) Excludes 18 MW currently under operation at AIE and a 135 MW cogeneration plant, for which construction is expected to commence in mid-2016 and COD is expected to be reached in the second half of 2018.

The following table sets forth summary operational information regarding each of IC Power's operating companies and associates in its power generation business (i.e., excluding the recently acquired Energuate distribution business) as of December 31, 2015¹:

Segment	Country	Entity	Ownership Percentage (Rounded)	Fuel	Installed Capacity (MW) ¹	Proportionate Capacity ²	Type of Asset	Weighted Average Remaining Life of PPAs Based on Firm Capacity (Years)	LTM Energy Sales Under PPAs (GWh) ³
Peru	Peru	Kallpa	75%	Natural Gas	1,063 ⁴	797	Greenfield ⁴	7	6,327
Israel	Israel	OPC	80%	Natural Gas and Diesel	440	352	Greenfield	7 ⁵	3,953
	Israel	AIE	100%	Steam ⁶	18	18	Acquired	17	23 ⁷
Central America	Nicaragua	Corinto	65%	HFO	71	46	Acquired	3	451
	Nicaragua	Tipitapa Power	65%	HFO	51	33	Acquired	3	341
	Nicaragua	Amayo I	61%	Wind	40	24	Acquired	8	183
	Nicaragua	Amayo II	61%	Wind	23	14	Acquired	9	87
	Guatemala	Puerto Quetzal	100%	HFO	179	179	Acquired	1	594
	El Salvador	Nejapa	100%	HFO	140	140	Original Inkia Asset	2	794
Other	Bolivia	COBEE	100%	Hydroelectric, Natural Gas	228	228	Original Inkia Asset	2	270
	Chile	Cardones	87%	Diesel	153	133	Acquired	—	—
	Chile	Colmito	100%	Natural Gas and Diesel	58	58	Acquired	2	255
	Dominican Republic	CEPP	97%	HFO	67	65	Original Inkia Asset	—	—
	Jamaica	JPPC	100%	HFO	60	60	Original Inkia Asset	2	427
	Colombia	Surpetroil	60%	Natural Gas	20	12	Acquired	1	43
	Panama	Pedregal6	21% ⁷	HFO	54	11	Original Inkia Asset	1	280
Total Operating Capacity					<u>2,665</u>	<u>2,170</u>			

1. Reflects 100% of the capacity of each of IC Power's assets, regardless of IC Power's ownership interest in the entity that owns each such asset.
2. Reflects the proportionate capacity of each of IC Power's assets, as determined by IC Power's ownership interest in the entity that owns each such asset.
3. Reflects energy sales under PPAs for the year ended December 31, 2015.
4. Kallpa's plants were developed as greenfield projects in four different stages between 2005 and 2012, resulting in 870 MW of installed capacity. In addition, Kallpa acquired Las Flores' power plant in 2014, adding 193 MW to Kallpa's capacity.
5. Reflects the weighted average remaining life of OPC's PPAs with end users based on OPC's firm capacity. The IEC PPA, which extends for an 18-year term and covers OPC's entire firm capacity, provides OPC with the option to allocate and sell the generated electricity of the power station directly to end users. OPC has exercised this option and sells all of its energy and capacity directly to 24 end users, as of December 31, 2015. For further information on the IEC PPA, see "*IC Power's Description of Operations—Regulatory, Environmental and Compliance Matters—Regulation of the Israeli Electricity Sector*" below.
6. AIE also holds a conditional license for the construction of a cogeneration power station in Israel. This station will be developed as a greenfield project (at an expected cost of \$250 million, including the acquisition price of AIE), based upon a plant with 135 MW of capacity. Construction is expected to commence in mid-2016 and COD is expected in the second half of 2018.
7. Reflects energy sales under PPAs since IC Power acquired AIE in August 2015.
8. Although Pedregal is located in Central America, it is a minority investment. Therefore, from an income statement perspective, it is not part of the Central America segment and Pedregal is only reflected in IC Power's share in income of associated companies.
9. Although we have a non-controlling interest in Pedregal, IC Power is party to a management services agreement, which designates us as the administrator responsible for the day-to-day management of Pedregal.

The following table sets forth summary operational information regarding each of IC Power's generation assets in advanced stages of construction as of December 31, 2015:

Country	Entity	Ownership Percentage (Rounded)	Fuel	Installed Capacity (MW) ¹	Proportionate Capacity ²	Expected COD	Percentage Developed	Expected cost	Amount Invested
Peru	CDA	75%	Hydroelectric	510	383	H2 of 2016	90%—Overall completion 98%—Dam construction 100%—Tunnel drilling	\$959 million	\$834 million
Peru	Samay I	75%	Diesel and Natural Gas	600 ³	450	Q2 of 2016	97%	\$380 million	\$340 million
Panama	Kanan	100%	HFO	92	92	H1 of 2016	98%	\$85 million ⁴	\$80 million ⁴
Total Capacity of Assets in Advanced Stages of Construction				1,202	925			\$1,424 million	\$1,254 million

1. Reflects 100% of the expected capacity of each asset, regardless of IC Power's ownership interest in the entity that owns the asset.
2. Reflects the proportionate capacity of each of IC Power's assets, as determined by IC Power's ownership interest in the entity that owns each such asset.
3. When fueled by natural gas, the Samay I plant will have an installed capacity of approximately 720 MW.
4. Includes \$40 million of intercompany expenses relating to Puerto Quetzal's and CEPP's sale of the barges to Kanan.

IC Power's Strengths

Strong track record in disciplined project development and obtaining financing—IC Power leverages its core competencies—project identification, evaluation, development, construction and operation—to develop power generation facilities using various technologies in attractive markets that typically have relatively high GDP growth rates and relatively low levels of per capita energy consumption. For example, in 2012, IC Power completed its third expansion of Kallpa's gas-powered plant, which is the largest power generation facility in Peru in terms of capacity, by converting it into a combined cycle facility and thereby adding 292 additional MW to the facility's capacity. This expansion was completed on time and below budget. Additionally, in 2013, OPC became the first IPP in Israel when IC Power completed the construction of its 440 MW combined cycle power plant.

IC Power's projects have been developed with a disciplined capital structure, which reflects its commitment to develop projects in accordance with three key fundamental principles. First, IC Power endeavors to construct projects by entering into turnkey EPC agreements that define the total project cost and transfer most of the risks of construction delays and cost overruns to IC Power's EPC contractors. IC Power currently has assets in advanced stages of construction with an expected aggregate installed capacity of 1,202 MW, 1,110 MW of which is being constructed pursuant to EPC contracts. Second, IC Power seeks to secure a revenue stream prior to the construction of its plants by sourcing and entering into long-term PPAs, which provide IC Power's development projects with verifiable projected margins and cash flows, before construction has commenced. Finally, IC Power leverages its EPC contracts and PPAs to secure long-term project financing agreements which are generally stand-alone, secured, project-specific, and with no or limited recourse. Over the course of its history, IC Power has secured different types of financings (*e.g.*, leases, local and international bonds, syndicated loans, etc.) during times of changing financial markets and in connection with its construction of various projects using a range of fuels.

Long-term PPAs and supply agreements that limit exposure to market fluctuations—IC Power's generation subsidiaries typically enter into long-term PPAs, which generally limits their exposure to fluctuations in energy spot market rates, generates stable and predictable margins, and helps to create stability and predictability in IC Power's cash flows. In the year ended December 31, 2015, IC Power's generation companies made 89% of its aggregate energy sales (in GWh) pursuant to long-term PPAs. As of December 31, 2015, the weighted average remaining life of IC Power's PPAs was 10 years (including the remaining life of the PPAs for its assets in advanced stages of construction) and it has historically sought, and will continue to seek, to renew its long-term PPAs as they expire.

As of December 31, 2015, the majority of IC Power's PPAs were indexed to the price of the corresponding power plant's operating fuel prices in U.S. Dollars. Additionally, as of December 31, 2015, many of IC Power's PPAs provided for payment in, or were linked to, the U.S. Dollar, thereby limiting IC Power's exposure to fuel price and exchange rate fluctuations. Additionally, the counterparties to IC Power's long-term PPAs are typically large local distribution companies or non-regulated customers, including subsidiaries of large multi-national corporations, which IC Power believes have strong credit profiles, mitigating the risk of customer default. Some of IC Power's major customers within Peru and Israel include Southern Peru Copper Corporation, Sociedad Minera Cerro Verde S.A.A., a subsidiary of Freeport-McMoRan, Compañía Minera Antapaccay S.A., a subsidiary of Glencore Xstrata, and Oil Refineries Limited, as well as governments and quasi-governmental entities.

As its power facilities utilize and are dependent upon natural gas, hydroelectric, HFO, diesel, wind, or a combination of these energy sources, IC Power seeks to enter into long-term supply and transportation agreements to acquire the necessary fuel for its facilities. For example, Kallpa and OPC, which own and operate IC Power's largest plants, are party to long-term supply agreements, including natural gas supply agreements and transportation services agreements, that are material to their operations.

Attractive footprint in high growth markets—Currently, IC Power’s principal focus is on Latin American markets, which typically have higher rates of growth of GDP and lower overall and per capita energy consumption, as compared with more developed markets. IC Power expects continued growth in these key markets, providing IC Power with the opportunity to generate attractive, risk-adjusted returns through additional investments in power generation assets in those countries.

IC Power is a leader in its largest market, Peru, one of the fastest growing economies in Latin America, with an average GDP growth of approximately 5.8% per year from 2010 through 2014, according to the International Monetary Fund, a mature regulatory framework, and a well-run power system. As of and for the year ended December 31, 2015, IC Power’s operating company in Peru had an installed capacity of 1,063 MW, representing 11% of Peru’s installed capacity, and generated 12% of the gross energy generated (in GWh) in Peru. IC Power’s operating company in Peru, Kallpa, represented 47% of IC Power’s Adjusted EBITDA, 81% of its net income, and 40% of its installed capacity as of and for the year ended December 31, 2015. Additionally, IC Power’s assets in advanced stages of construction in Peru are expected to provide an additional 1,110 MW in installed capacity to address the expected increase in Peruvian energy demand, which is expected to result, in part, from the substantial investments made in connection with Peru’s energy-intensive mining industry and expected growth in its manufacturing industry.

IC Power also operates OPC, the first IPP in Israel, which, following decades of state control, recently opened its electricity market to private power producers. As a result, the electricity market in Israel is still in the early stages of development. Furthermore, Israel’s energy consumption levels have increased in recent years and are expected to continue to increase in the near-term. As of and for the year ended December 31, 2015, OPC had an installed capacity of 440 MW, representing approximately 3% of Israel’s installed capacity and 19% of the installed capacity of IPPs, and generated 6% of the gross energy generated (in GWh) in Israel. As of and for the year ended December 31, 2015, OPC represented 24% of IC Power’s Adjusted EBITDA, 38% of its net income, and 17% of IC Power’s installed capacity. We believe that OPC’s plant provides IC Power with a strategic advantage as an early entrant in the Israeli electricity market. Additionally, given Israel’s growing economy and the advanced age of its existing state-owned power generation facilities, we believe OPC provides IC Power with the know-how, visibility of, and opportunity to participate in, additional power projects in Israel, which opportunities may become increasingly available to private sector participants such as IC Power.

In addition to its attractive position in Peru and Israel, IC Power has also developed an attractive footprint in several markets in Latin America, including Chile and Colombia. We believe that IC Power’s current platform, coupled with its agile and disciplined decision-making process, enables it to take advantage of opportunities as they arise.

Established and disciplined track record in acquiring generation assets—IC Power has acquired numerous generation assets since 2007, resulting in the expansion of its operations by 806 MW (707 MW on a proportionate basis) in six countries in Latin America, Israel and the Caribbean. We believe IC Power’s recognition as a regional generator and developer with a relatively strong balance sheet, and its ability to act quickly with respect to acquisitions, has complemented IC Power’s development capabilities by allowing it to strategically source and execute acquisitions. Furthermore, IC Power has the ability to manage projects that are too small for large companies, as well as projects that are too large for small companies. IC Power’s acquisition of Central Cardones in 2011, for example, provided it with an initial footprint in Chile, a dynamic and important power market, and facilitated IC Power’s acquisition of Colmito in October 2013. Similarly, IC Power’s acquisition of certain Nicaraguan assets in 2014, representing 185 MW of installed capacity (117 MW on a proportionate basis) provided it with an entry into the Nicaraguan market and diversified its portfolio with operational wind generation assets. Additionally, in August 2015, IC Power acquired 100% of the shares of AIE, which currently operates an 18 MW steam turbine. AIE also holds a conditional license for the construction of a cogeneration power station in Israel, a new and growing private electricity generation market.

Recently Acquired Distribution Company With Which to Leverage Future Expansion in the Electricity Distribution Industry—In January 2016, IC Power further expanded and diversified its portfolio by completing its acquisition of Energuate, which operates distribution companies in Guatemala, a country with a historically stable electricity sector framework. IC Power’s purchase of Energuate marks IC Power’s initial entry into electricity distribution and IC Power believes this purchase will provide it with a platform to further expand its distribution portfolio. Energuate provides services to approximately 1.6 million regulated customers in Guatemala (representing approximately 55% of Guatemala’s regulated distribution customers in 2014) and distributes energy to a service area of approximately 100,000 km² in Guatemala, covering primarily rural areas with a population of approximately 12 million inhabitants. Energuate, the largest distribution company in Central America (by the size of population served), operates approximately 34,000 km of distribution lines within Guatemala (representing approximately 70% Guatemala’s distribution lines as of December 31, 2015). IC Power expects that Energuate’s sizeable distribution base and limited exposure to fluctuations in the cost of electricity (both as a result of Energuate’s entry into PPAs

and a compensation framework anchored on predefined distribution tariffs) will provide Energuate with predictable cash flows from its operations, which IC Power believes will contribute significantly to its further expansion within the distribution industry.

Driving operational excellence through partnerships with leading OEMs and reliance on efficient technologies—IC Power seeks to optimize its power generation capacity by using leading technologies (e.g., turbines manufactured by Siemens, General Electric, Mitsubishi and Andritz) and entering into long-term service agreements with leading, multi-national original OEMs. IC Power's technologies and long-term partnerships enable its power generation assets to perform more efficiently and at relatively high levels of reliability. Additionally, its experienced staff is committed to increasing IC Power's operating performance and ensuring the disciplined maintenance of its power generation assets. IC Power believes that its generation plants' weighted average availability rate of 95% for the year ended December 31, 2015 was the result of its optimization efforts and commitment to improving its operating efficiency and performance.

Additionally, IC Power's acquisition or construction of power generation assets that use efficient technologies (e.g., the conversion of Kallpa's facility into a combined cycle operation in 2012) places its generation assets competitively in the dispatch merit order in certain of the countries in which IC Power operates. For example, Kallpa's facility, a base load plant and combined cycle gas turbine, is among the first power plants to be dispatched, due to its efficiency and competitiveness in the dispatch stack. Similarly, CDA's plant, as a hydroelectric power plant, will also be among the first power plants to be dispatched in Peru once it reaches its COD in the second half of 2016. Having a portfolio which includes efficient power plants with lower production costs allows IC Power to potentially earn higher margins than companies that utilize certain other competing technologies in their plants and are therefore less competitive in the dispatch merit order.

Experienced management team with strong local presence—IC Power's management team has extensive experience in the power generation business. Its executive officers have an average of approximately 20 years of experience in the power generation industry, and significant portions of IC Power core management team have been working together in international large power generation companies since 1996. We believe that this overall level of experience contributes to IC Power's ability to effectively manage its existing operating companies and to identify, evaluate and integrate high-quality growth opportunities within and outside Latin America. Furthermore, its hands-on management team utilizes a lean decision-making process, which allows IC Power to quickly take advantage of strategic acquisitions and potential developments and opportunities as they materialize. IC Power's managers are compensated, in part, on the basis of IC Power's financial performance, which incentivizes them to continue to improve the operating results. Additionally, IC Power's local management teams provide in-depth market knowledge and power industry experience. These teams consist primarily of local executives with significant experience in the local energy industry and with local government regulators. We believe that the market-specific experience of IC Power's local management provides IC Power with insight into the local regulatory, political and business environment in each of the countries in which it operates.

In addition, in connection with its acquisition of Energuate in January 2016, IC Power has successfully recruited a management team for its Energuate business. IC Power's Energuate management team will consist of officers who will work directly with IC Power's management team to oversee and integrate the Energuate business, as well as local executives who will manage the day-to-day operations of Energuate. IC Power's Energuate management team has extensive experience managing large distribution companies in various countries throughout Central and South America, including Guatemala.

IC Power's Strategies

Continue to successfully develop greenfield assets in attractive markets—One of IC Power's core competencies is identifying, evaluating, constructing, and operating greenfield development projects in its target markets. IC Power will continue to seek to develop power generation assets in countries with relatively stable, growing economies, low levels of per capita energy consumption or developing private energy generation markets. IC Power also seeks to develop assets that can be expanded through further investment, or as additional fuels become available, which provides it with the ability to further develop an asset and increase its installed capacity in connection with market trends, industry developments, or changing fuel availability.

IC Power places particular focus on its ability to complete the development of its greenfield projects on time and within budget and will continue to use extensive project planning and contracting mechanisms to minimize its development risk. For example, in connection with its development activities, IC Power typically enters into lump-sum, turnkey EPC contracts to minimize its construction risks and mitigate construction cost overruns, while also entering into long-term PPAs to generate stable and predictable margins and cash flows; we believe this combination facilitates IC Power's access to construction financing. Engaging in such practices has allowed IC Power to successfully complete several thermal generation projects, including the Kallpa facility, its largest development to date. Additionally, IC Power's first hydroelectric development, CDA's plant, is expected to be fully operational at a cost of \$1.9 million per MW, making CDA's plant among the most efficiently constructed hydroelectric facilities in Latin America in terms of cost per MW.

Continue to Optimize and Expand IC Power's Operations Within the Electricity Distribution Industry—IC Power's recent acquisition of Energuate represents IC Power's initial entry into the electricity distribution business. IC Power intends to further expand its portfolio and diversify its revenue streams by applying its disciplined acquisition principles as it seeks to purchase distribution assets in countries where IC Power believes it can significantly increase its cash flows, optimize its operations, and leverage the experience gained from its acquisition of Energuate. Additionally, IC Power will endeavor to optimize Energuate's existing distribution operations by targeting Energuate's electricity losses in the near- to medium-term. IC Power's management intends to reduce commercial losses through improving customer billing practices, increasing targeted inspections and meter replacements, implementing a communication program with local communities and modernizing Energuate's facilities to reduce tampering, especially in areas where electricity theft has been more prevalent, while reducing technical losses by investing in the modernization of Energuate's transmission grid and distribution system.

Optimize portfolio to maximize returns while minimizing risk—IC Power regularly assesses its portfolio of operating companies and employ disciplined portfolio management principles to optimize its operations in light of changing industry dynamics in a particular country or region, create financing flexibility and address specific risk management and exposure concerns. IC Power's strategy is to optimize the composition of its portfolio by focusing on profitable developments and acquisitions within key power generation markets typically in Latin America, the Caribbean and Israel.

For example, prior to IC Power's 2014 acquisition of the Las Flores facility, a 193 MW thermal power generation plant (representing 145 MW on a proportionate basis), Las Flores had operated intermittently due to the lack of a long-term regular supply of natural gas. The Kallpa facility, which is located near the Las Flores plant, had an excess supply of natural gas. IC Power identified these and other potential synergies and, since its acquisition of the Las Flores facility, has been able to significantly improve the operations and generation activities of Las Flores' plant, while also maximizing the use of the Kallpa facility's natural gas supply and transportation capabilities. IC Power's acquisition of Puerto Quetzal serves as another example of the portfolio optimization efforts. In addition to providing IC Power with an attractive entry point into the Guatemalan market, one of the barges it acquired from Puerto Quetzal was recently redeployed to Panama to allow Kanan to take advantage of a short-term supply shortfall in the Panamanian power market. Additionally, in 2014, IC Power divested its 21% indirect equity interest in Edegel, one of Peru's largest power generation companies. While the Edegel investment was a strong cash flow generator which helped to fund the initial stages of IC Power's growth, it opted to sell this investment in order to redeploy the proceeds from such sale into projects in which it has a majority control and which it believes will have a better risk and return profile for its shareholders over the long-term.

Complement IC Power's organic development with dynamic and disciplined acquisitions—IC Power seeks to invest in countries and/or assets where it can significantly increase its cash flows and optimize its operations. Therefore, in addition to greenfield developments, IC Power also seeks to enter into and/or expand its presence in attractive markets by acquiring controlling interests in operating assets to anchor IC Power's geographical expansion. For example, IC Power acquired power generation assets in Nicaragua, Guatemala and Colombia, which represents its initial entry into these markets, through the acquisitions of (1) ICPNH, which provided IC Power with controlling interests in two HFO and two wind energy Nicaraguan generation companies, (2) Puerto Quetzal, which provided IC Power with three power barges with HFO generators (one of which was recently transferred to IC Power's subsidiary Kanan to allow it to take advantage of supply shortfalls in the Panamanian power market), and (3) Surpetroil, a company that utilizes stranded natural gas reserves in its production of energy. Chile and Colombia represent important parts of IC Power's growth strategy. IC Power continues to seek expansion in Chile and Colombia, and we expect that IC Power's assets in these countries will provide it with the initial footprint from which to carry out IC Power's organic development strategy in these two markets. Additionally, consistent with its strategy of maintaining controlling interests in its power generation assets, in May 2014, IC Power increased its equity ownership in JPPC (which has an aggregate 60 MW of installed capacity in two HFO generation units in Jamaica) from 16% to 100%, and in January 2015, it increased IC Power's equity ownership in Nejapa (which has 140 MW of installed capacity at an HFO power generation facility in El Salvador) from 71% to 100%. IC Power will continue to seek to leverage its acquisitions of assets in new markets and/or of assets utilizing a broad range of technologies (which may include new fuels, such as solar power) to generate attractive risk-adjusted returns.

Continue to enter into long-term PPAs with credit-worthy counterparties—In the year ended December 31, 2015, IC Power's generation companies made 89% of its aggregate energy sales (in GWh) pursuant to PPAs, many of which are denominated in, or linked to, the U.S. Dollar. IC Power's strategy of generating strong and predictable cash flows from long-term PPAs has enabled it to successfully secure financing for its greenfield projects from a diverse international lender base to fund its development and construction projects. IC Power's generation companies seek to enter into long-term capacity PPAs prior to committing to a new project so as to accurately determine expected cash flows and margins of a particular asset, which facilitates its financing. For example, although the CDA plant is yet to reach its COD, CDA has sourced and entered into three

long-term PPAs beginning in 2016, 2018 and 2022 for a significant portion of its expected capacity, contracting most of the estimated firm energy it expects to generate between 2018 and 2027. The expected cash flows associated with such PPAs contributed to CDA's attractive credit profile, which supported the financing of CDA's plants development. Similarly, the Peruvian government has guaranteed capacity payments for 600 MW of the expected capacity of Samay I's plant for a 20-year period at rates above regulated capacity rates, which also provided support for the financing of the plant's development. IC Power continues to seek to enter into, or renew, its long-term PPAs. For example, in 2015, Kallpa entered into a 10-year PPA with Southern Peru Copper Corporation to provide 120 MW of capacity. In addition to significantly improving IC Power's access to financing with no or limited recourse, its strategy of contracting its assets' energy and capacity significantly reduces IC Power's exposure to changes in spot prices.

IC Power's Industry Overview

Overview of Electricity Generation Industry

IC Power's generation businesses operate in power utility markets in Latin America, Israel and the Caribbean, each of which are governed by different degrees of regulation and regulatory systems (as further explained below) and provide varying degrees of incentives for private investment. These markets are typically characterized by relatively high rates of growth of GDP and lower overall and per capita energy consumption, as compared with more developed markets.

In the Latin American and Caribbean markets that IC Power serves, the power utility market regulation generally allows for the sale and delivery of power from power generators (private or state-owned) to distribution companies (private or state-owned) and to non-regulated consumers. Israel, another market that IC Power serves, has recently undergone significant structural changes. Until July 2013, when OPC commenced commercial operations as the first IPP in Israel, the IEC, a state-owned entity, operated as the sole large-scale provider of electricity in the country. Since then, other IPPs have begun operating in Israel and several other IPPs are expected to enter this market.

In the countries in which IC Power's generation businesses operate, there is typically structural segregation between the companies involved in power generation and the companies involved in power transmission and distribution. In most of these countries, the government operates the power grid, and transmission services are provided on an open access basis (*i.e.* the transmission company must transmit power through the grid, and in exchange, the transmission company charges a transmission rate set by the supervisory authority or resulting from a competitive process). In the markets where private and state-owned entities compete in the power generation sector, transmission and distribution services are conducted subject to exclusive franchises, effectively regulating the transmission and distribution operations.

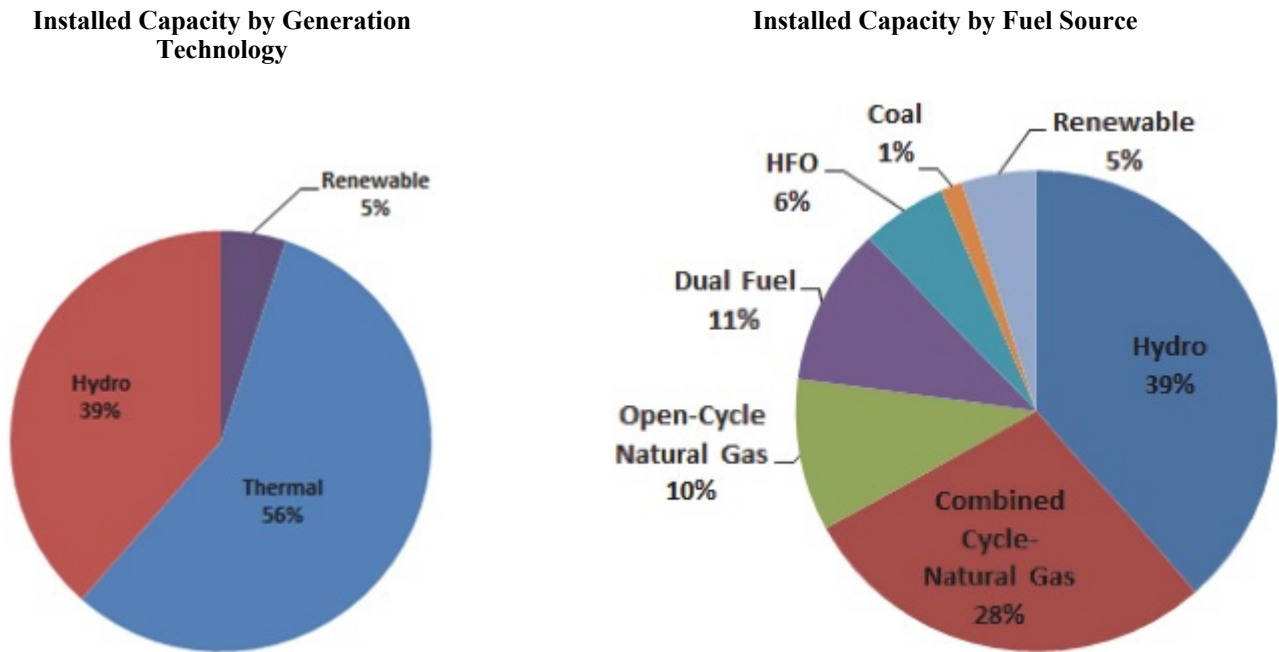
Although operating permits are required in each of the countries in which IC Power operates, the markets in these countries generally have no material regulatory barriers to entry. The financial resources required to enter these markets and the significant costs associated with the construction of power facilities, however, pose barriers to entry.

The following discussion sets forth a brief description of the key electricity generation markets in which IC Power's generation companies operate.

Peru

The power utility market in Peru is currently IC Power's primary market of operation and, driven by the growth in GDP and the expansion of energy coverage, Peruvian energy consumption has grown in recent years. According to the Peruvian National Institute of Statistics and Informatics (*Instituto Nacional de Estadística e Informática—INEI*), Peru had a population of approximately 31 million as of December 31, 2014. According to the World Bank, Peruvian GDP grew by 2.4% and 5.8% in 2014 and 2013, respectively. An increase in domestic demand, resulting from growth in the overall economic activity of Peru, an increase in the population's income and consumption and an increase in investment in infrastructure, has also led to an increase in investments in value-added manufacturing processes to create products to serve the domestic market and for export. In addition, the availability and extraction of natural resources, in particular metals, has led to increased energy-intensive mining activity, which, according to MINEM, has supported the increase in Peru's energy consumption from 29,492 GWh in 2010 to 39,509 GWh in 2015, representing a compound average growth rate of 6%. Nonetheless, the generation capacity in Peru is expected to increase at a faster rate than the demand for such electricity, resulting in an oversupply of capacity in the Peruvian market, which may result in downward pressure on negotiated and spot energy and capacity prices in Peru in the short- to medium-term.

The following chart presents a breakdown of installed capacity in Peru based on generation technology and fuel source, as of December 31, 2015:



The power utility market in Peru has experienced significant changes in the past 20 years, as a result of privatizations following structural reforms initiated in 1992. In that context, the Peruvian power industry underwent a structural reform characterized by: (1) the enactment of a new regulatory model under the Electricity Concessions' Law (*Ley de Concesiones Eléctricas*), or Law 25844; (2) the restructuring and reorganization of the vertically integrated state owned power utilities into non vertically integrated generation, transmission and distribution companies; (3) the privatization of most of the restructured state owned utilities; (4) the promotion of private investment; (4) the regulation of the remuneration model for distribution and transmission activities based on cost-efficient standards; (5) the creation of an "open access" principle for the use of transmission and distribution networks; (6) the creation of a compensation system between generators that operates independently from contractual arrangements; and (7) the segmentation of power consumers as "regulated" and "non-regulated," the latter being entitled to directly contract the supply of electricity from generators. From a regulatory perspective, the Peruvian system has split the regulatory roles among an independent regulator, OSINERGMIN, a policy body, the MINEM, and a market operator that is a private entity, COES. The structure and its separation have remained constant since the start of the reforms in 1992 and the economic model (i.e., marginal cost system) upon which the reform has been built is effectively embedded in the general electricity laws of Peru, providing long-term economic stability for investment.

The Law to Ensure Effective Development of Power Generation (*Ley para Asegurar el Desarrollo Eficiente de la Generación Eléctrica*), or Law 28832, and together with Law 25844, the General Electricity Laws of Peru, introduced further changes to the power utility market and strengthened the model, mainly aiming to: (1) maintain the economic principles used in Law 25844 and add new measures to facilitate competition in the wholesale market; (2) reduce government intervention in establishing power generation tariffs; (3) allow power generation tariffs for regulated power consumers to reflect a competitive market, facilitating the construction of new generation plants when required; and (4) ensure a sufficient supply of power by reducing the power system's exposure to the risks of high prices and rationing inherent to situations of undersupply of natural gas or transportation congestion. Law 28832 was approved as a consequence of a severe crisis in the Peruvian electricity market that resulted from, among other causes, OSINERGMIN defining the tariff at which distribution companies purchased electricity to supply to regulated customers at levels that did not reflect market conditions and were not attractive for generators to sell to distribution companies. The changes introduced by this law strengthened the model and incorporated mechanisms to effectively transfer risks from generators to end users that were not contemplated when the reforms were approved in 1992.

The reforms of 1992, together with the Peruvian Constitution of 1993, liberalized ownership across the Peruvian electricity sector and opened it to private investment, effectively eliminating any ownership restriction based upon nationality (except within 50 km of Peru's international land borders, where certain restrictions apply) or otherwise. The privatization and

concession award process was structured based upon the need to attract foreign investment and expertise that the country lacked. As a result of such ownership rules, the majority shareholders of almost all the private companies acting in the Peruvian electricity market are controlled by foreign investors. The second largest investors in the electricity sector are the Peruvian private pension funds administrated by the Private Pension Funds Administrators, or the AFPs.

Since 1992, the Peruvian market has been operating based upon a “marginal generation cost” system. Such system is embedded in the general electricity laws of Peru and is administrated by COES. In such capacity the COES has as its main mandate the satisfaction of all the demand for electricity at any given time (i.e., periods of 15 minutes each) with the most efficient generation assets available at such time, independently of contractual arrangements between generators and their clients. For this purpose, the COES determines which generation facilities will be in operation at any given time with an objective of minimizing the overall system energy cost. Energy units are dispatched (i.e., ordered by the COES to inject energy into the system) on a real-time basis; units with lower variable generation costs are dispatched first and then other less efficient generation units will be dispatched, until the electricity demand is satisfied.

The variable cost for the most expensive generation unit dispatched in each 15-minute time period determines the price of electricity in such time period for those generation companies that sell or buy power on the spot market price during such time period. The COES determines, for each such 15-minute period, the spot market at which such transactions among generators take place and acts as a clearinghouse of all such transactions.

Generation companies in the Peruvian electricity market sell their capacity and energy under PPAs or in the spot market. The principal consumers under PPAs are distribution companies and non-regulated consumers. Under regulations governing the Peruvian power sector, customers with a capacity demand above 2,500 kW participate in the unregulated power market and can enter into PPAs directly with generation companies at freely-negotiated prices. Customers with a capacity demand between 200 kW and 2,500 kW may choose to participate in the unregulated power market or contract as a regulated client with a distribution company. PPAs to sell capacity and energy to distribution companies for resale to regulated customers must be made at fixed prices based on public bids received by the distribution companies from generation companies or at the applicable bus bar tariff set by the OSINERGMIN. Generation companies are authorized to buy and sell capacity and energy in the spot market to cover their needs and their commitments under their PPAs. Customers that are entitled to participate in the unregulated power market must enter into PPAs with generation or distribution companies covering all their electricity demand as they are not allowed to purchase energy or capacity directly in the spot market.

For further information on Peru’s regulatory environment, see “—IC Power’s Description of Operations—Regulatory, Environmental and Compliance Matters—Regulation of the Peruvian Electricity Sector.”

The following table sets forth a summary of energy sales in the Peruvian market for the periods presented:

<u>Year Ended December 31,</u>	<u>Energy Sales</u>	
	<u>Under PPAs</u>	
	<u>Distribution</u>	<u>Unregulated</u>
	(GWh)	
2011	17,888	13,904
2012	18,961	14,661
2013	19,880	15,841
2014	20,663	16,465
2015	21,988	17,521

The demand for power and electricity in Peru is served by a variety of generation companies, including IC Power’s subsidiary Kallpa, Edegel, a subsidiary of Enel, ElectroPerú, a state-owned generation company whose primary generation facilities are hydroelectric plants, EnerSur S.A., a subsidiary of Engie S.A., and Duke Energy Egenor S. en C. por A., a subsidiary of Duke Energy Corp.

The following table sets forth a summary of the principal generation companies in Peru, indicating their capacity by type of generation, as of December 31, 2015:

	Capacity as of December 31, 2015								Percentage of Installed Capacity (%)
	Hydro	Combined Cycle-Natural Gas	Open-Cycle Natural Gas	Dual Fuel (MW)	HFO	Coal	Other	Total	
EnerSur	137	806	—	497	156	142	—	1,738	18
Edegel	783	484	313	106	—	—	—	1,686	18
Kallpa IC Power	—	870	193	—	—	—	—	1,063	11
ElectroPerú	898	—	—	—	13	—	—	911	9
Egenor	359	—	175	—	—	—	16	550	6
Other generation companies	1,526	570	306	416	387	—	464	3,669	38
Total	3,703	2,730	987	1,019	556	142	480	9,617	100

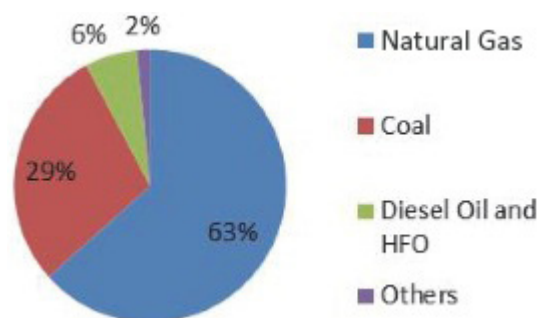
Israel

According to the Israel Central Bureau of Statistics, Israel had a population of approximately 8 million as of December 31, 2014. According to the Israel's Central Bureau of Statistics, Israeli GDP grew by 2.8% and 3.2% in 2014 and 2013, respectively. Demand for electric power has increased in Israel in recent years due to, among other reasons, population growth, higher living standards and climate change.

Israel's power generation units utilize fossil fuels almost exclusively. As of December 31, 2015, the installed capacity in Israel was approximately 16,789 MW, of which 10,645 MW is fueled by natural gas based upon information available from IEC's financial report for 2014 and the EA.

The following charts present a breakdown of installed capacity in Israel based on fuel source as of December 31, 2015:

Installed Capacity by Fuel Source



Until July 2013, the state-owned IEC operated as the sole large-scale provider of electricity in Israel. However, EA incentives have encouraged private investments in the Israeli power generation market and OPC and other IPPs now operate in the market with significant capacity. For example, in May 2014, Dorad Energy Ltd., or Dorad, became the second IPP to commence commercial operations in Israel, adding capacity of 860 MW to the Israeli power market. In July 2015, the first of two units of the power plant of Dalia Power Energies Ltd., or Dalia Power Energies, reached its COD. In September 2015, the second unit reached its COD, adding, together with the first unit, 910 MW to the Israeli power market. Several other IPPs are in the process of constructing power plants, and are expected to reach their COD in the coming years.

As of December 31, 2015, OPC had installed capacity of 440 MW, representing approximately 3% of Israel's installed capacity and 19% of the installed capacity of IPPs (excluding self-generators), which had an aggregate installed capacity of approximately 2,334 MW as of December 31, 2015, according to the EA.

Sales of IPPs are generally made on the basis of PPAs for the sale of energy to customers, with prices predominantly linked to the tariff issued by the EA and denominated in New Israeli Shekels. The EA operates a Time of Use tariff, which provides different energy rates for different seasons (e.g., summer and winter) and different periods of time during the day.

Within Israel, the price of energy varies by season and demand period, with tariffs varying based upon the season—summer (July, August), winter (January, February, December) and transition (March-June, September-November)—and demand (peak, shoulder and off-peak). Generally, the tariffs in the winter and summer seasons are higher than those in the transition season, making Israeli power generators, including OPC, more profitable, generally, in the winter and summer months, as compared to other months of the year.

The following tables set forth the tariffs and consumption blocks for each of the seasons set forth below, as of September 2015, which is the last month in which the EA has published final tariffs:

	Regulated “Generation Component” Tariff		
	Winter	Transition (NIS per MWh)	Summer
Peak	647	282	713
Shoulder	371	217	268
Off-Peak	195	166	165
Weighted tariff		265	

	Hours per Consumption Block ¹		
	Winter	Transition (Hours)	Summer
Peak	404	2,002	308
Shoulder	208	906	308
Off-Peak	1,548	2,204	872

1. The hours per consumption block may vary due to changes in the dates of weekdays, weekends and public holidays.

For information on the risks associated with the indexation of OPC’s revenues and cost of sales to the EA’s generation component tariff and its potential impact on OPC’s business, financial condition and results of operations, see “*Item 3.D Risk Factors—Risks Related to IC Power—The production and profitability of IPPs in Israel may be adversely affected by changes in Israel’s regulatory environment.*”

The following table sets forth a summary of energy sales in the Israeli market for the periods presented:

<u>Year Ended December 31,</u>	<u>Energy Sales</u>	<u>Distribution (GWh)</u>
2011		53,100
2012		57,900
2013		56,900
2014		58,296

IEC has been classified by the Electricity Sector Law as an “essential service provider” and, as such, is subject to basic obligations concerning the proper management of the Israeli power utility market. These obligations include the filing of development plans, management of Israel’s power system, management of Israel’s power transmission and distribution systems, provision of backup and infrastructure services to IPPs and consumers, and the purchase of power from IPPs. The IEC also transmits and distributes all of the electricity in Israel.

For further information on Israel’s regulatory environment, see “—*IC Power’s Description of Operations—Regulatory, Environmental and Compliance Matters—Regulation of the Israeli Electricity Sector.*” For information on the risks related to changes in Israel’s regulatory environment, see “*Item 3.D Risk Factors—Risks Related to IC Power—The production and profitability of IPPs in Israel may be adversely affected by changes in Israel’s regulatory environment.*”

Nicaragua

According to the World Bank, Nicaragua had a population of approximately 6 million as of December 31, 2014. According to the International Monetary Fund, Nicaraguan GDP grew by an estimated 4.0% and 4.6% in 2014 and 2013, respectively.

Nicaragua's interconnected power system has an installed capacity of approximately 1,058 MW, consisting of thermal, wind, hydroelectric, geothermal and biomass power stations using HFO or diesel, which accounted for 56%, 18%, 11%, 8% and 6%, respectively, of Nicaragua's capacity as of December 31, 2015 according to CNDC. Nicaragua is part of the SIEPAC, thereby permitting the creation of a Central American wholesale power generation market. For information on Nicaragua's regulatory environment, see "*IC Power's Description of Operations—Regulatory, Environmental and Compliance Matters—Regulation of the Nicaraguan Electricity Sector.*"

The following table sets forth a summary of capacity and energy sales in the Nicaraguan market for the periods presented:

<u>Year Ended December 31,</u>	<u>Capacity Sales</u>		<u>Energy Sales</u>	
	<u>Under PPAs</u>	<u>Spot Market</u>	<u>Under PPAs</u>	<u>Spot Market</u>
	(MW)		(GWh)	
2011	702	112	3,353	130
2012	728	72	3,536	91
2013	740	72	3,695	133
2014	749	72	3,933	140
2015	736	79	4,051	185

Guatemala

According to the World Bank, Guatemala had a population of approximately 16 million as of December 31, 2014. According to the International Monetary Fund, Guatemalan GDP grew by 4.0% and 3.7% in 2014 and 2013, respectively.

Guatemala's interconnected power system has an installed capacity of approximately 3,174 MW, consisting of hydro, thermal and other technologies, which accounted for 33%, 62%, and 5%, respectively, of Guatemala's capacity as of December 31, 2015 according to the Guatemalan electricity wholesale market administrator, or AMM (*Administrador del Mercado Mayorista*).

Guatemala, which is also a member of the SIEPAC, was a net exporter of energy in 2015.

All capacity sales in Guatemala are made pursuant to PPAs. The following table sets forth a summary of capacity and energy sales in the Guatemalan market for the periods presented:

<u>Year Ended December 31,</u>	<u>Capacity Sales</u>		<u>Energy Sales</u>	
	<u>Under PPAs</u>	<u>Spot Market</u>	<u>Under PPAs</u>	<u>Spot Market</u>
	(MW)		(GWh)	
2011	1,491		7,286	1,019
2012	1,533		7,500	1,056
2013	1,564		7,394	1,785
2014	1,635		8,223	1,899
2015	1,672		8,984	1,502

El Salvador

According to the World Bank, El Salvador had a population of approximately 6 million as of December 31, 2014. According to the Consultants for Corporate Development (*Consultores para el Desarrollo Empresarial*), Salvadorian GDP grew by 1.8% and 1.7% in 2014 and 2013, respectively.

Hydroelectric plants accounted for 31% of El Salvador's capacity as of December 31, 2015 and geothermal plants accounted for 13%, based upon information available from the SIGET. The remaining 56% of El Salvador's capacity is provided by thermal plants powered by HFO, diesel and bio-mass.

Prior to August 2011, a market for capacity sales did not exist and consumers of electricity, including non-regulated consumers, purchased only energy. However, as a result of regulatory changes, and similar to generation companies operating in the Peruvian market, Salvadorian generation companies sell capacity and energy under PPAs or in the spot market. For further information on these reforms and El Salvador's regulatory environment, see "*IC Power's Description of Operations—Regulatory, Environmental and Compliance Matters—Regulation of the Salvadorian Electricity Sector.*"

The following table sets forth a summary of capacity and energy sales in the Salvadorian market for the periods presented:

<u>Year Ended December 31,</u>	<u>Capacity Sales</u>		<u>Energy Sales</u>	
	<u>Under PPAs</u>	<u>Spot Market</u>	<u>Under PPAs</u>	<u>Spot Market</u>
	(MW)		(GWh)	
2011	555	404	2,745	3,011
2012	655	332	3,122	2,761
2013	715	285	3,823	2,177
2014	764	271	4,176	1,891
2015	515	581	3,828	2,482

Panama

According to the World Bank, Panama had a population of approximately 4 million as of December 31, 2014. According to the International Monetary Fund, Panamanian GDP grew by 6.2% and 8.4% in 2014 and 2013, respectively.

Panama's interconnected power system had an installed capacity of approximately 2,844 MW, mainly consisting of hydro, thermal, coal and other technologies, which accounted for 57%, 32%, 4% and 6%, respectively, of Panama's capacity as of December 31, 2015, according to CND.

The following table sets forth a summary of capacity and energy sales in the Panamanian market for the periods presented:

<u>Year Ended December 31,</u>	<u>Energy Sales</u>	
	<u>Under PPAs</u>	<u>Spot Market</u>
	(GWh)	
2011	6,696	2,053
2012	7,217	1,884
2013	7,359	2,615
2014	7,542	3,193
2015	8,858	2,656

An energy deficit has accumulated in Panama's generation market, and such deficit has recently increased as a result of an extended dry season, which led to increased electricity shortages. For example, in 2014, as an emergency measure, the Panamanian government called for an emergency bid to attempt to cover electricity shortfalls in the short-term. IC Power submitted a bid in response to this request and, in October 2014, Kanan was awarded a five-year contract to supply energy in Panama in connection with the Panamanian government's effort. As a result of Panama's energy deficit, the Panamanian government may solicit additional bids in the future and IC Power may submit a bid and further expand its operations in Panama in connection with such requests.

Bolivia

According to the World Bank, Bolivia had a population of approximately 11 million as of December 31, 2014. According to the International Monetary Fund, Bolivian GDP grew by 5.2% and 6.8% in 2014 and 2013, respectively.

Based upon information available from the CNDC, Bolivia's national dispatch committee, as of December 31, 2015, thermal plants fueled by natural gas accounted for 72% of Bolivian capacity and hydroelectric plants accounted for 25%. As of December 31, 2015, thermal plants in Bolivia had capacity of 1,446 MW and hydroelectric plants in Bolivia had a capacity of 483 MW, according to the CNDC.

Following the nationalization of Guaracachi, Valle Hermoso and Corani in May 2010 by the Bolivian government, all of the generation companies currently developing power projects in Bolivia are government-owned entities. It is unclear whether the Bolivian government will continue nationalizing entities involved in its power utility market and it is unclear whether such nationalization (if any) would be adequately compensated for by the Bolivian government. For further information on the Bolivian government's acts of nationalization, see *"Item 3.D Risk Factors—Risks Related to IC Power—The Bolivian government has nationalized energy industry assets, and IC Power's remaining operations in Bolivia may also be nationalized."*

In December 2011, the Bolivian government amended the applicable law to prohibit generation companies from entering into new PPAs. For further information on risks related to IC Power's inability to renew, enter into, or replace long-term PPAs, see *"Item 3.D Risk Factors—Risks Related to IC Power—IC Power's generation companies may not be able to enter into, or renew existing, long-term contracts for the sale of energy and capacity, contracts which reduce volatility in IC Power's results of operations."* For further information on Bolivia's regulatory environment, see *"—IC Power's Description of Operations—Regulatory, Environmental and Compliance Matters—Regulation of the Bolivian Electricity Sector."*

Bolivian generation companies sell capacity and energy under PPAs or in the spot market. The following table sets forth a summary of capacity and energy sales in the Bolivian market for the periods presented:

Year Ended December 31,	Capacity Sales		Energy Sales	
	Under PPAs	Spot Market	Under PPAs	Spot Market
	Unregulated	(MW)	Unregulated	(GWh)
2011	47	1,005	368	5,934
2012	43	1,060	369	6,236
2013	47	1,119	368	6,645
2014	44	1,254	357	7,121
2015	47	1,317	360	7,583

In Bolivia, wages are periodically increased by governmental decree and, as a result, labor costs, which already represent a significant portion of the operating expenses of Bolivian generation and distribution companies, are expected to continue to increase and represent a greater portion of generation expenses.

Chile

According to the World Bank, Chile had a population of approximately 18 million as of December 31, 2014. According to the Central Bank of Chile (*Banco Central de Chile*), Chilean GDP grew by 1.8% and 4.3% in 2014 and 2013, respectively.

Two of Chile's four power systems represent a significant portion of its 20,076 MW electricity market. The largest of such systems is the Central Interconnected System, or the SIC, which has a capacity of 15,411 MW, primarily consisting of coal-based power stations, hydroelectric stations, dual-fueled power stations using liquid natural gas or diesel and wind farms and solar power stations which accounted for 16%, 41%, 33% and 11%, respectively, of the SIC's capacity as of December 31, 2015. The SIC serves approximately 93% of the Chilean population. The other power system is the SING, which has a capacity of 4,165 MW and serves approximately 6% of the Chilean population.

In 1982, Chile became the first country in the region to adopt the marginal generation cost system. Chile still uses the marginal generation cost system to ensure demand for power is met at the minimum system cost. For further information on Chile's regulatory environment, see *"—IC Power's Description of Operations—Regulatory, Environmental and Compliance Matters—Regulation of the Chilean Electricity Sector."*

The following table sets forth a summary of capacity and energy sales in the SIC for the periods presented:

Year Ended December 31,	Capacity Sales		Energy Sales	
	Under PPAs	Spot Market	Under PPAs	Spot Market
	(MW)		(GWh)	
2011	4,663	1,205	38,364	5,440
2012	4,754	1,438	36,966	9,315
2013	5,351	1,334	41,147	6,630
2014	5,832	1,248	44,234	8,032
2015	5,853	1,253	44,772	8,130

Dominican Republic

According to the Dominican Republic's National Statistics Office (*Oficina Nacional de Estadística*), the Dominican Republic had a population of approximately 10 million as of December 31, 2014. According to the Dominican Central Bank (*Banco Central de la República Dominicana*), the Dominican Republic's GDP grew by 7.3% and 4.8% in 2014 and 2013, respectively; the significant growth in 2014 primarily resulted from the decline in international fuel prices.

Based upon information available from the Coordinating Body (*Organismo Coordinador*), or OC, as of December 31, 2015, HFO plants accounted for 48% of the Dominican capacity and hydroelectric plants accounted for 16%. The remainder of Dominican capacity is provided by open-cycle and combined-cycle plants fueled by natural gas, and thermal plants fueled by coal and natural gas. As of December 31, 2015, thermal plants in the Dominican Republic had a capacity of 3,732 MW, hydroelectric plants in the Dominican Republic had a capacity of 612 MW and wind plants had a capacity of 85 MW, according to the OC.

The large-scale theft of power from the grid is prevalent in the Dominican Republic. Since generation and distribution companies do not pass through the cost associated with such theft to consumers, the government must provide significant subsidies to these companies. For information on the Dominican Republic's regulatory environment, see “—IC Power's Description of Operations—Regulatory, Environmental and Compliance Matters—Regulation of the Dominican Republic Electricity Sector.”

Dominican generation companies sell capacity and energy under PPAs or in the spot market. The following table sets forth a summary of capacity and energy sales in the Dominican market for the periods presented:

Year Ended December 31,	Capacity Sales			Energy Sales		
	Under PPAs		Spot Market	Under PPAs		Spot Market
	Other			Other		
	Distribution	Unregulated (MW)		Distribution	Unregulated (GWh)	
2011	1,377	111	529	9,877	1,107	2,615
2012	1,429	238	634	11,084	1,792	2,657
2013	1,676	212	569	10,929	2,164	3,114
2014	1,453	163	822	10,045	1,389	4,109
2015	1,110	183	1,010	9,411	1,557	4,268

Jamaica

According to the World Bank, Jamaica had a population of approximately 3 million as of December 31, 2014. According to the Statistical Institute of Jamaica, Jamaican GDP decreased by 0.5% and grew by 0.2% in 2014 and 2013, respectively. Jamaica's interconnected power system has an installed capacity of approximately 935 MW, consisting of thermal and renewable technologies, which accounted for 94% and 6%, respectively, of Jamaica's capacity as of December 31, 2015, according to the Jamaica Public Service Company.

The following table sets forth a summary of capacity and energy sales in the Jamaican market for the periods presented:

<u>Year Ended December 31,</u>	<u>Capacity Sales</u>	<u>Energy Sales</u>
	<u>Under PPAs</u> (MW)	<u>Under PPAs</u> (GWh)
2011	789	4,137
2012	854	4,135
2013	854	4,142
2014	938	4,107
2015	935	4,209

Colombia

According to the World Bank, Colombia had a population of approximately 48 million as of December 31, 2014. According to the Colombian National Administrative Department of Statistics, Colombia's GDP grew by 4.6% and 4.9% in 2014 and 2013, respectively.

Colombia's interconnected power system has an installed capacity of approximately 16,342 MW, consisting of hydro, thermal plants, minor plants and cogenerators, which accounted for 66%, 29%, 4% and 1%, respectively, of Colombia's capacity as of December 31, 2015, according to UPME.

The following table sets forth a summary of energy sales and consumption in the Colombian market for the periods presented:

<u>Year Ended December 31,</u>	<u>Energy Sales</u>		<u>Energy Consumption</u>	
	<u>Under PPAs</u> (GWh)	<u>Spot Market</u> (GWh)	<u>Regulated</u> (GWh)	<u>Unregulated</u> (GWh)
2011	62,179	16,787	38,231	18,536
2012	67,183	17,016	39,175	19,800
2013	71,375	14,948	40,282	20,237
2014	69,846	15,544	42,323	20,867
2015	71,549	16,905	44,629	21,187

Overview of Electricity Distribution Market

Guatemala

Background

During the 1970s, the Guatemalan government was the only distributor of electricity in Guatemala through Instituto Nacional de Electrificación, or INDE, and Empresa Eléctrica de Guatemala, S.A., or EEGSA. In the next two decades, the Guatemalan electricity sector became increasingly privatized, and in 1994, the Guatemalan government adopted a new law to deregulate and privatize the Guatemalan electricity industry in order to encourage privately funded growth. In 1996, the Guatemalan government adopted the Ley General de Electricidad (*General Electricity Law*), which created a legal and regulatory framework designed to reduce government intervention and attract private investment into the sector.

Operations and regulations

Guatemalan distribution companies acquire electricity through PPAs from generation facilities and then deliver electricity through low-voltage and medium-voltage transmission lines to regulated customers and large users and perform a range of related services such as metering, billing and management. Distribution companies also collect tolls from large users for their use of the transmission grid.

The General Electricity Law provides that transmission companies and distribution companies must permit physical connections to the transmission and distribution systems for all customers. Large users are entitled to receive electricity from any source and transmission and distribution companies must allow such electricity to pass through their transmission and distribution lines. Distribution and transmission companies are entitled to collect distribution tariffs and transmission tolls for the use of their systems. Failure to provide such access by a transmission or distribution company may lead to fines and ultimately to the termination of such company's distribution authorization.

There are three large distribution companies authorized to distribute electricity in Guatemala: EEGSA, which serves Guatemala City, Sacatepéquez and Escuintla (urban areas), and DEORSA and DEOCSA (which operate under the brand name “Energuate”). Guatemala has an electricity distribution market model that supports free access to any person or legal entity that fulfils the requirements of the General Electricity Law. Authorizations for distribution services are granted on a non-exclusive basis for specific geographic areas and have terms of up to 50 years. Although authorizations to provide distribution services are non-exclusive, the investment required to establish a competing distribution system is a substantial barrier to entry. In addition to these large distribution companies, there are approximately 15 municipal distributors operating in the AMM.

Distribution companies are required to have PPAs in place with generation companies for the supply of sufficient electricity for the current year and the next year. Each year, the electricity regulator estimates the demand for each distribution company for the period from May 1 through April 30 of the following year. Each distribution company is then required to establish its own projection of demand for the following period from May 1 through April 30.

The industry is regulated by MEM, CNEE and AMM. The MEM is responsible for enforcing the General Electricity Law and the related regulations and for the coordination of policies between CNEE and the AMM. The CNEE acts as the technical arm of the MEM and determines the transmission and distribution tariffs while ensuring compliance with electricity laws. The AMM is a private entity that coordinates the operation of the generation facilities and international interconnections and transmission lines that form the National Electricity System. The AMM is responsible for the safety and operation of the National Electricity System, performing economically efficient dispatch, and managing electricity resources in a manner that seeks to minimize operating costs, including failure costs within restrictions imposed by the transmission system and service quality requirements.

For further information on distribution tariffs, see “*—Distribution Segment—Energuate—Regulation of Distribution Companies.*”

For further information on macroeconomic conditions in Guatemala, see “*—Overview of Electricity Generation Sector—Guatemala.*”

IC Power’s Description of Operations

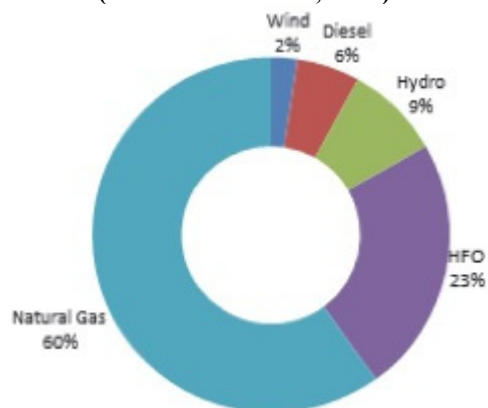
Generation Operations

IC Power’s generation operations are focused in Latin American and Caribbean markets—primarily Peru—that are characterized by relatively high rates of GDP growth and relatively low base levels of per capita energy consumption (in comparison to those of developed markets). In July 2013, IC Power commenced commercial operations in Israel, operating the first large-scale private power plant in the country. Collectively, IC Power’s operations had a capacity of 2,665 MW as of December 31, 2015, and a capacity of 3,867 MW, assuming the completion of IC Power’s construction projects, which includes its CDA and Samay I projects in Peru, and Kanan in Panama. IC Power’s portfolio includes power generation plants that operate on a range of fuel sources, including natural gas, hydroelectric, HFO, diesel, wind and solar.

IC Power owns, operates and develops power plants to generate and sell electricity to distribution companies and unregulated consumers under long-term PPAs and to the spot market. IC Power’s largest generation asset is its Kallpa facility, a combined-cycle plant in Peru that includes three gas-fired generation turbines and is the largest power plant in Peru, in terms of capacity. In 2015, 89% of IC Power’s generation businesses’ energy and capacity sales were pursuant to long-term PPAs, reducing IC Power’s exposure to fluctuating electricity and fuel prices. During the year ended December 31, 2015, IC Power’s generation businesses sold 6,366 GWh of electricity, representing 41% of volume sold, to distribution companies, 7,382 GWh of electricity, representing 48% of volume sold, to consumers in the unregulated markets and 1,645 GWh of electricity, representing 11% of volume sold, in the spot markets. IC Power’s generation businesses sold 15,393 GWh of electricity during the year ended December 31, 2015. During the year ended December 31, 2015, IC Power’s operations in Peru generated 35% of IC Power’s consolidated revenues and 47% of IC Power’s Adjusted EBITDA.

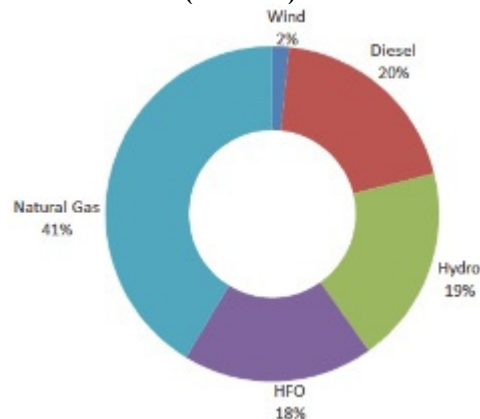
The following charts set forth the relative percentages of IC Power's generation companies installed capacity by energy source as of December 31, 2015, and its expected installed capacity by energy source, as adjusted to assume the completion of IC Power's assets in advanced stages of construction (the CDA, Samay I and Kanan assets), and excluding additional capacity which may become available through other acquisitions or projects that IC Power may complete in the second half of 2016 or other potential changes to its capacity:

**Actual Installed Capacity by Energy Source
(as of December 31, 2015)¹**



2,665 MW

**Expected Installed Capacity by Energy Source
(H2 2016)²**

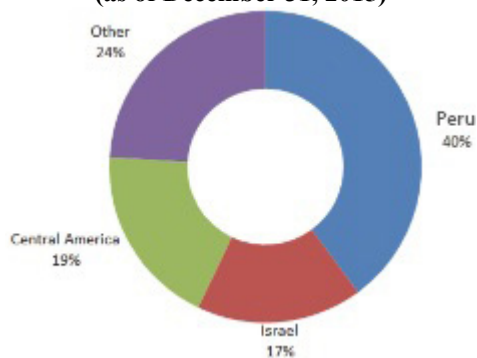


3,867 MW²

1. IC Power's dual-fueled assets, OPC, Samay I and Colmito, are categorized as natural gas, diesel and natural gas, respectively. AIE is categorized as natural gas.
2. Does not include the 135 MW cogeneration power station to be developed by AIE as a greenfield project. Construction of this plant is expected to commence in mid-2016 and COD is expected in the second half of 2018.

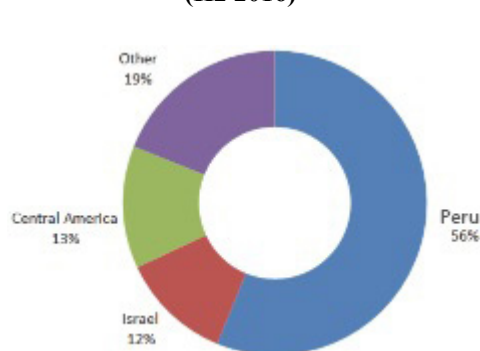
The following charts set forth the relative percentage of IC Power's installed capacity by segment as of December 31, 2015, and its expected installed capacity by segment, as adjusted to assume the completion of its assets in advanced stages of construction (the CDA, Samay I and Kanan assets), and excluding additional capacity which may become available through other acquisitions or projects that IC Power may complete in the second half of 2016 or other potential changes to its capacity:

**Actual Installed Capacity by Segment
(as of December 31, 2015)**



2,665 MW

**Expected Installed Capacity by Segment
(H2 2016)¹**



3,867 MW¹

1. Does not include the 135 MW cogeneration power station to be developed by AIE as a greenfield project. Construction of this plant is expected to commence in mid-2016 and COD is expected in the second half of 2018.

The following table sets forth summary financial information for IC Power's generation subsidiaries and associates for the year ended December 31, 2015:

Entity	Year Ended December 31, 2015					
	Ownership Interest (%)	Sales	Cost of Sales	Adjusted EBITDA ¹	Outstanding debt ²	Net debt ³
(\$ millions)						
Peru segment						
Kallpa	75	\$ 448	\$ 279	\$ 152	\$ 416	\$ 388
<i>Assets in advance stages of construction</i>						
CDA	75	—	—	—	536	519
Samay I	75	—	—	—	285	253
Israel segment						
OPC	80	318	235	79	383	255
AIE	100	8	7	—	—	—
Central America segment						
ICPNH ⁴	61-65	111	73	36	99	76
Puerto Quetzal ⁵	100	109	94	10	15	7
Nejapa ⁶	100	100	85	12	6	(3)
Cenergica	100	17	13	4	1	(1)
<i>Assets in advance stages of construction</i>						
Kanan	100	—	—	—	—	(3)
Other segment						
COBEE	100	43	18	21	69	50
Central Cardones	87	14	2	10	44	39
Colmito	100	28	25	3	16	15
CEPP	97	39	31	6	13	8
JPPC ⁷	100	45	41	2	5	1
Surpetroil ⁸	60	8	6	1	3	2
Inkia & Other ⁹	100	1	—	(4)	565	273
IC Power & Other ¹⁰	100	—	—	(6)	109	24
Total		\$1,289	\$ 909	\$ 326	\$ 2,565	\$1,903

1. "Adjusted EBITDA" for each entity for the period is defined as income (loss) before depreciation and amortization, finance expenses, net and income tax expense (benefit).

2. Includes short-term and long-term debt.

3. Net debt is defined as total debt attributable to each of IC Power's subsidiaries, minus the cash and short term deposits and restricted cash of such companies. Net debt is not a measure of liabilities in accordance with IFRS. The tables below set forth a reconciliation of net debt to total debt for IC Power's subsidiaries.

4. Through ICPNH, IC Power indirectly holds 65% interests in Corinto and Tipitapa Power and 61% interests in Amayo I and Amayo II.

5. Figures include Puerto Quetzal and Poliwatt Limited (one of IC Power's subsidiaries that performs administrative functions and maintains certain licenses on behalf of Puerto Quetzal).

6. Figures include amounts related to Nejapa's branch and main office.

7. Figures include JPPC and Private Power Operator Ltd. (an IC Power subsidiary that employs JPPC's employees and performs administrative-related functions).
8. Figures include Surpetroil and Surenergy S.A.S ESP (an IC Power subsidiary that performs administrative functions and maintains certain licenses on behalf of Surpetroil).
9. Outstanding debt includes Inkia for \$448 million and \$117 million for IC Power Distribution Holdings.
10. Includes \$12 million of outstanding IC Power debt and \$97 million of ICPI debt.

The following tables set forth a reconciliation of income (loss) to Adjusted EBITDA for IC Power's generation subsidiaries for the year ended December 31, 2015:

	<u>Kallpa</u>	<u>CDA</u>	<u>Samay I</u>	<u>OPC</u>	<u>AIE Hadera</u>	<u>ICPNH</u>	<u>Puerto Quetzal</u>
	(\$ millions)						
Income (loss)	\$ 43	\$ (8)	\$ (4)	\$ 20	\$ 2	\$ 17	\$ 2
Depreciation and amortization	50	—	—	26	—	10	3
Finance expenses, net	36	3	3	26	(3)	9	2
Income tax expense (benefit)	23	5	1	7	1	—	3
Adjusted EBITDA	\$ 152	\$ —	\$ —	\$ 79	\$ —	\$ 36	\$ 10

	<u>Nejapa</u>	<u>Cenérgica</u>	<u>Kanan</u>	<u>COBEE</u>	<u>Central Cardones</u>	<u>Colmito</u>
	(\$ millions)					
Income (loss)	\$ 4	\$ 2	\$ —	\$ 10	\$ 3	\$ 1
Depreciation and amortization	4	1	—	4	4	1
Finance expenses, net	—	—	—	5	2	1
Income tax expense (benefit)	4	1	—	2	1	—
Adjusted EBITDA	\$ 12	\$ 4	\$ —	\$ 21	\$ 10	\$ 3

	<u>CEPP</u>	<u>JPPC</u>	<u>Surpetroil</u>	<u>Inkia & Other</u>	<u>IC Power & Others</u>	<u>Total</u>
	(\$ millions)					
Income (loss)	\$ 3	\$ (2)	\$ (1)	\$ (32)	\$ (7)	\$ 53
Depreciation and amortization	3	4	3	6	—	119
Finance expenses, net	(1)	1	—	20	—	104
Income tax expense (benefit)	1	(1)	(1)	2	1	50
Adjusted EBITDA	\$ 6	\$ 2	\$ 1	\$ (4)	\$ (6)	\$ 326

The tables below set forth a reconciliation of net debt to total debt for IC Power's generation subsidiaries.

	<u>Kallpa</u>	<u>CDA</u>	<u>Samay I</u>	<u>OPC</u>	<u>AIE Hadera</u>	<u>ICPNH</u>	<u>Puerto Quetzal</u>	<u>Nejapa</u>	<u>Cenérgica</u>
	(\$ millions)								
Total debt	\$ 416	\$ 536	\$ 285	\$ 383	\$ —	\$ 99	\$ 15	\$ 6	\$ 1
Cash	28	17	32	128	—	23	8	9	2
Net Debt	\$ 388	\$ 519	\$ 253	\$ 255	\$ —	\$ 76	\$ 7	\$ (3)	\$ (1)

	<u>Kanan</u>	<u>COBEE</u>	<u>Central Cardones</u>	<u>Colmito</u>	<u>CEPP</u>	<u>JPPC</u>	<u>Surpetroil</u>	<u>Inkia & Other</u>	<u>ICP & Other</u>	<u>Total</u>
	(\$ millions)									
Total debt	—	\$ 69	\$ 44	\$ 16	\$ 13	\$ 5	\$ 3	\$ 565	\$ 109	\$ 2,565
Cash	3	19	5	1	5	4	1	292	85	662
Net Debt	\$ (3)	\$ 50	\$ 39	\$ 15	\$ 8	\$ 1	\$ 2	\$ 273	\$ 24	\$ 1,903

The following table sets forth summary financial information for IC Power's generation subsidiaries as of and for the year ended December 31, 2014:

Entity	Year Ended December 31, 2014					
	Ownership Interest (%)	Revenues	Cost of Sales	Adjusted EBITDA ¹	Outstanding debt ²	Net debt ³
(\$ millions)						
Peru segment						
Kallpa	75	\$ 437	\$ 270	\$ 154	\$ 453	\$ 428
<i>Assets in advanced stages of construction</i>						
CDA	75	—	—	—	444	338
Samay I	75	—	—	—	145	11
Israel segment						
OPC ⁴	80	413	252	153	419	231
Central America segment						
ICPNH ⁵	61-65	125	98	22	108	92
Puerto Quetzal ⁶	100	33	29	3	32	14
Nejapa ⁷	71	132	119	11	—	(23)
Cenérgica	100	18	14	4	—	(4)
<i>Assets in advanced stages of construction</i>						
Kanan	100	—	—	—	—	(4)
Other						
COBEE	100	41	18	19	85	43
Central Cardones	87	11	2	7	48	44
Colmito	100	38	36	2	20	19
CEPP	97	73	56	16	30	22
JPPC ⁸	100	41	39	1	8	4
Surpetroil ⁹	60	9	3	5	3	2
Inkia & Other ¹⁰	100	1	—	1	447	262
ICP & Other ¹¹	100	—	—	(3)	106	78
Total		\$ 1,372	\$ 936	\$ 395	\$ 2,348	\$ 1,557

1. "Adjusted EBITDA" for each entity for the period is defined as net income (loss) before depreciation and amortization, financing expenses, net, income tax expense (benefit) and asset write-off, excluding share in income (loss) from associates, gain on bargain purchase, measurement to fair value of pre-existing share and net income from discontinued operations, net of tax (excluding dividends received from discontinued operations).
2. Includes short-term and long-term debt.
3. Net debt is defined as total debt attributable to each of IC Power's subsidiaries, minus the cash and short term deposits and restricted cash of such companies. Net debt is not a measure of liabilities in accordance with IFRS. The tables below set forth a reconciliation of net debt to total debt for IC Power's subsidiaries.
4. Reflects tariffs in 2014, which were higher than the applicable tariffs in 2015.
5. Through ICPNH, IC Power indirectly holds 65% interests in Corinto and Tipitapa Power and 61% interests in Amayo I and Amayo II.
6. Reflects 100% of Puerto Quetzal's financial results from the date of consolidation (September 2014). Figures include Puerto Quetzal and Poli watt Limited (one of IC Power's subsidiaries that performs administrative functions and maintains certain licenses on behalf of Puerto Quetzal).
7. Figures include amounts related to Nejapa's branch and main office.
8. Figures include JPPC and Private Power Operator Ltd. (an IC Power subsidiary that employs JPPC's employees and performs administrative-related functions).
9. Figures include Surpetroil and Surenergy S.A.S ESP (an IC Power subsidiary that performs administrative functions and maintains certain licenses on behalf of Surpetroil).
10. Outstanding debt includes Inkia for \$447 million.
11. Includes \$12 million of outstanding IC Power debt and \$94 million of ICPI debt.

The following tables set forth a reconciliation of net income (loss) to Adjusted EBITDA for IC Power's generation subsidiaries for the year ended December 31, 2014:

	<u>Kallpa</u>	<u>CDA</u>	<u>Samay I</u> (\$ millions)	<u>OPC</u>	<u>ICPNH</u>	<u>Puerto Quetzal</u>
Income (loss) for the year	\$ 50	\$ (5)	—	\$ 71	\$ 6	\$ (1)
Depreciation and amortization	46	—	—	25	8	1
Financing expenses, net	35	—	—	31	7	1
Income tax expense (benefit)	23	(5)	—	26	1	2
Adjusted EBITDA	<u>\$ 154</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$153</u>	<u>\$ 22</u>	<u>\$ 3</u>

	<u>Nejapa</u>	<u>Cenérgica</u>	<u>COBEE</u> (\$ millions)	<u>Central Cardones</u>	<u>Colmito</u>
Income (loss) for the year	\$ 4	\$ 2	\$ 9	\$ (1)	\$ —
Depreciation and amortization	5	1	4	4	1
Financing expenses, net	—	—	4	2	1
Income tax expense	2	1	2	2	—
Adjusted EBITDA	<u>\$ 11</u>	<u>\$ 4</u>	<u>\$ 19</u>	<u>\$ 7</u>	<u>\$ 2</u>

	<u>CEPP</u>	<u>JPPC</u>	<u>Surpetroil</u>	<u>Inkia & Other</u> (\$ millions)	<u>ICP & Others</u>	<u>Total</u>
Income (loss) for the year	\$ 9	\$ (2)	\$ 2	\$ 131	\$ (19)	\$ 256
Depreciation and amortization	3	3	1	6	—	108
Financing expenses, net	1	1	1	23	12	119
Income tax expense (benefit)	3	(1)	1	(8)	4	63
Share in income (loss) from associates	—	—	—	(2)	—	(2)
Gain on bargain purchase	—	—	—	(68)	—	(68)
Asset write-off	—	—	—	35	—	35
Measurement to fair value of pre-existing share	—	—	—	(3)	—	(3)
Net income from discontinued operations, net of tax, excluding dividends received from discontinued operations	—	—	—	(113)	—	(113)
Adjusted EBITDA	<u>\$ 16</u>	<u>\$ 1</u>	<u>\$ 5</u>	<u>\$ 1</u>	<u>\$ (3)</u>	<u>\$ 395</u>

The tables below set forth a reconciliation of net debt to total debt for IC Power's generation subsidiaries.

	<u>Kallpa</u>	<u>CDA</u>	<u>Samay I</u>	<u>OPC</u>	<u>ICPNH</u>	<u>Puerto Quetzal</u> (\$ millions)	<u>Nejapa</u>	<u>Cenérgica</u>	<u>Kanan</u>	<u>COBEE</u>
Total debt	\$ 453	\$444	\$ 145	\$419	\$ 108	\$ 32	\$ —	\$ —	\$ —	\$ 85
Cash	25	106	134	188	16	18	23	4	4	42
Net debt	<u>\$ 428</u>	<u>\$338</u>	<u>\$ 11</u>	<u>\$231</u>	<u>\$ 92</u>	<u>\$ 14</u>	<u>\$ (23)</u>	<u>\$ (4)</u>	<u>\$ (4)</u>	<u>\$ 43</u>

	<u>Central Cardones</u>	<u>Colmito</u>	<u>CEPP</u>	<u>JPPC</u>	<u>Surpetroil</u> (\$ millions)	<u>Inkia & Other</u>	<u>ICP & Others</u>	<u>Total</u>
Total debt	\$ 48	\$ 20	\$ 30	\$ 8	\$ 3	\$ 447	\$ 106	\$2,348
Cash	4	1	8	4	1	185	28	791
Net debt	<u>\$ 44</u>	<u>\$ 19</u>	<u>\$ 22</u>	<u>\$ 4</u>	<u>\$ 2</u>	<u>\$ 262</u>	<u>\$ 78</u>	<u>\$1,557</u>

The following table sets forth summary financial information for IC Power's generation subsidiaries as of and for the year ended December 31, 2013:

Entity	Year Ended December 31, 2013					
	Ownership Interest (%)	Sales	Cost of Sales	Adjusted EBITDA ¹	Outstanding debt	Net debt ²
				(\$ millions)		
Peru segment						
Kallpa	75	\$394	\$ 239	\$ 141	\$ 365	\$ 351
<i>Assets in advanced stages of construction</i>						
CDA	100	—	—	—	109	52
Samay I	100	—	—	—	—	(28)
Israel segment						
OPC ³	80	187	139	43	487	424
Central America segment						
Nejapa ⁴	71	135	121	11	—	(17)
Cenérgica	100	12	6	6	—	(1)
Other						
COBEE	100	41	18	18	50	31
Central Cardones	87	11	2	7	51	48
Colmito ⁵	100	1	—	—	—	—
CEPP	97	92	69	21	38	28
Acter ⁶	100	—	—	—	122	—
Inkia & Other ⁷	100	—	—	—	447 ⁸	295
ICP & Other	100	—	—	—	—	(40)
Total		\$873	\$ 594	\$ 247	\$ 1,669	\$ 1,143

1. "Adjusted EBITDA" for each entity for the period is defined as net income before depreciation and amortization, financing expenses, net and income tax expense, excluding share in income from associates, gain on bargain purchase and net income from discontinued operations, net of tax, excluding dividends received from discontinued operations.

Adjusted EBITDA is not recognized under IFRS or any other generally accepted accounting principles as measures of financial performance and should not be considered as substitutes for net income or loss, cash flow from operations or other measures of operating performance or liquidity determined in accordance with IFRS. Adjusted EBITDA is not intended to represent funds available for dividends or other discretionary uses because those funds may be required for debt service, capital expenditures, working capital and other commitments and contingencies. Adjusted EBITDA presents limitations that impair its use as a measure of profitability since it does not take into consideration certain costs and expenses that result from each business that could have a significant effect on its net income, such as finance expenses, taxes, depreciation, capital expenses and other related charges.

The following tables set forth a reconciliation of net income from continuing operations to Adjusted EBITDA for IC Power's generation subsidiaries for the year ended December 31, 2013:

	Kallpa	CDA	Samay I	OPC	Nejapa	Cenérgica	COBEE
				(\$ millions)			
Net income (loss) ⁽ⁱ⁾	\$ 42	\$ (7)	\$ —	\$ 6	\$ 5	\$ 4	\$ 8
Depreciation and amortization	40	—	—	12	6	1	4
Financing expenses, net	33	1	—	22	—	—	3
Income tax expense	26	6	—	3	2	1	3
Adjusted EBITDA	\$ 141	\$ —	\$ —	\$ 43	\$ 11	\$ 6	\$ 18

- (i) Reflects net income after elimination and consolidation adjustments.

	<u>Central Cardones</u>	<u>Colmito</u>	<u>CEPP</u>	<u>Acter</u> (\$ millions)	<u>Inkia & Other</u>	<u>ICP & Others</u>	<u>Total</u>
Net income ⁽ⁱ⁾	\$ 2	\$ —	\$ 12	\$—	\$ 4	\$ —	\$ 74
Depreciation and amortization	4	—	3	—	6	—	76
Financing expenses, net	1	—	1	—	19	—	80
Income tax expense	—	—	5	—	2	—	48
Share in income (loss) from associates	—	—	—	—	(2)	—	(2)
Gain on bargain purchase	—	—	—	—	(1)	—	(1)
Net income from discontinued operations, net of tax, excluding dividends received from discontinued operations	—	—	—	—	(28)	—	(28)
Adjusted EBITDA	<u><u>\$ 7</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 21</u></u>	<u><u>\$—</u></u>	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>	<u><u>\$247</u></u>

- (i) Reflects net income after elimination and consolidation adjustments.
2. Net debt is defined as total debt attributable to the relevant subsidiary, minus the cash and short term deposits and restricted cash of such companies. Net debt is not a measure of liabilities in accordance with IFRS. The table below sets forth a reconciliation of net debt to total debt for IC Power's generation subsidiaries.

	<u>Kallpa</u>	<u>CDA</u>	<u>Samay I</u>	<u>OPC</u>	<u>Nejapa</u>	<u>Cenérgica</u>	<u>COBEE</u>	<u>Central Cardones</u>	<u>Colmito</u>	<u>CEPP</u>	<u>Acter</u>	<u>Inkia & Other</u>	<u>ICP & Others</u>	<u>Total</u>
	(\$ millions)													
Total debt	\$ 365	\$109	\$ —	\$487	\$ —	\$ —	\$ 50	\$ 51	\$ —	\$ 38	\$122	\$ 447	\$ —	\$1,669
Cash, short term deposits and restricted cash	14	57	28	63	17	1	19	3	—	10	122	152	40	526
Net debt	\$ 351	\$ 52	\$ (28)	\$424	\$ (17)	\$ (1)	\$ 31	\$ 48	\$ —	\$ 28	\$ —	\$ 295	\$ (40)	\$1,143

3. Reflects tariffs in 2013, which were higher than the applicable tariffs in 2015.
4. In January 2015, IC Power acquired Crystal Power's 29% stake in Nejapa in connection with the settlement of IC Power's shareholder dispute with Crystal Power. Figures include amounts related to Nejapa's branch and main office.
5. Reflects 100% of Colmito's financial results from the date of consolidation (October 2013).
6. Acter Holdings, the wholly-owned subsidiary that previously held IC Power's indirect interest in Edegel prior to September 2014.
7. Prior to the date of JPPC's consolidation (May 2014), JPPC was an investment carried at cost basis, and any dividends were paid to Inkia were reflected in Inkia & Other during the relevant periods.
8. Reflects Inkia's outstanding debt.

The following table sets forth summary operational information for IC Power's generation subsidiaries and its associated company for the year ended December 31, 2015:

Entity	Year Ended December 31, 2015						
	Installed Capacity (MW) ¹	Proportionate Capacity ²	Gross energy generated (GWh)	Availability factor (%) Operating Companies	Average heat rate ³	Average sales price (\$ per MWh)	Average fuel cost (\$ per MWh)
Peru segment							
Kallpa	1,063	797	5,166	97	7,868	57	28
Israel segment							
OPC	440	352	3,811	99	6,730	80	36
AIE ⁴	18	18	26 ⁵	58	4,630	53	40
Central America segment							
ICPNH	185	117	1,095	90	8,926	99	51
Puerto Quetzal	179	179	673	94	9,107	113	74
Nejapa	140	140	440	96	9,591	117	83
Other							
COBEE	228	228	1,081	89	13,594	39	16
Central Cardones	153	133	4	97	11,241	217	229
Colmito	58	58	27	99	9,221	95	114
CEPP	67	65	298	81	9,470	125	73
JPPC	60	60	445	86	7,989	101	69
Surpetroil	20	12	43	96	13,829	104	38
Pedregal	54	11	356	94	8,859	107	71
Total	2,665	2,170	13,465				

1. Reflects 100% of the capacity of each of IC Power's assets, regardless of the ownership interest in the entity that owns each such asset.
2. Reflects the proportionate capacity of each of IC Power's assets, as determined by the ownership interest in the entity that owns each such asset.
3. Heat rate is defined as the number of Btus of energy contained in the fuel required to produce a kilowatt-hour of energy (btu/kWh) for thermal plants.
4. AIE also holds a conditional license for the construction of a cogeneration power station in Israel. This station will be developed as a greenfield project (at an expected cost of \$250 million, including the acquisition price of AIE), based upon a plant with 135 MW of capacity. Construction is expected to commence in mid-2016 and COD is expected in the second half of 2018.
5. Reflects gross energy generated (GWh) since IC Power acquired AIE in August 2015.

The following table sets forth summary operational information for IC Power's generation subsidiaries and its associated company as of and for the year ended December 31, 2014:

Entity ¹	Year Ended December 31, 2014						
	<u>Installed capacity (MW)²</u>	<u>Proportionate Capacity³</u>	<u>Gross energy generated (GWh)</u>	<u>Availability factor (%)</u>	<u>Average heat rate⁴</u>	<u>Average sales price (\$ per MWh)</u>	<u>Average fuel cost (\$ per MWh)</u>
Operating Companies							
Peru segment							
Kallpa	1,063	797	5,920	97	7,105	55	24
Israel segment							
OPC	440	352	3,465	90	6,754	104	40
Central America segment							
ICPNH	185	117	1,099	95	9,011	143	96
Puerto Quetzal	179	179	490	97	9,182	126	137
Nejapa	140	99	376	97	9,597	178	158
Other							
COBEE	228	228	1,085	91	13,786	40	15
Central Cardones	153	133	—	97	12,238	—	—
Colmito	58	58	6	95	8,521	148	241
CEPP	67	65	242	89	9,539	227	146
JPPC	60	60	425	85	8,306	182	137
Surpetroil	15	9	48	84	14,900	140	21
Pedregal	54	11	405	93	8,800	196	129
Total	<u>2,642</u>	<u>2,108</u>	<u>13,561</u>				

1. Does not include Edegel, which IC Power sold in September 2014.
2. Reflects 100% of the capacity of each of IC Power's assets, regardless of IC Power's ownership interest in the entity that owns each such asset.
3. Reflects the proportionate capacity of each of IC Power's assets, as determined by the ownership interest in the entity that owns each such asset.
4. Heat rate is defined as the number of Btus of energy contained in the fuel required to produce a kilowatt-hour of energy (btu/kWh) for thermal plants.

The following table sets forth summary operational information for IC Power generation subsidiaries and its associated company for the year ended December 31, 2013:

Entity ¹	Year Ended December 31, 2013						
	Installed capacity (MW) ²	Proportionate Capacity ³	Gross energy generated (GWh)	Availability factor (%)	Average heat rate ⁴	Average sales price (\$ per MWh)	Average fuel cost (\$ per MWh)
Operating Companies							
Peru segment							
Kallpa	870	652	5,459	93	7,366	53	21
Israel segment							
OPC ⁵	440	352	1,357	96	6,746	103	38
Central America segment							
Nejapa	140	99	458	95	9,564	185	156
Other							
COBEE	228	228	1,161	96	13,942	37	16
Central Cardones	153	133	—	98	—	—	—
Colmito	58	58	46	91	—	11	—
CEPP	67	65	339	87	9,665	234	154
JPPC	60	10	447	88	8,159	191	143
Pedregal	54	11	420	93	8,800	201	137
Total	<u>2,070</u>	<u>1,608</u>	<u>9,687</u>				

1. Does not include Edegel, which IC Power sold in September 2014.
2. Reflects 100% of the capacity of each of IC Power's assets, regardless of the ownership interest in the entity that owns each such asset.
3. Reflects the proportionate capacity of each of IC Power's assets, as determined by IC Power's ownership interest in the entity that owns each such asset.
4. Heat rate is defined as the number of Btus of energy contained in the fuel required to produce a kilowatt-hour of energy (btu/kWh) for thermal plants.
5. Reached its COD in July 2013.

Peru Segment

The following summaries provide a description of the portfolio of generation assets in IC Power's Peru segment.

Kallpa

IC Power owns 75% of Kallpa; the remaining 25% is held by Energía del Pacífico S.A., or Energía del Pacífico. Energía del Pacífico is a member of the Quimpac S.A. group, a Peruvian chemical company. Energía del Pacífico also holds a 25% interest in both CDA and Samay I. Kallpa is IC Power's largest asset and owns and operates two power plants, including the largest power generation facility in terms of capacity in Peru, its largest market, which utilizes natural gas for its operations. The Kallpa facility's combined cycle plants have a capacity of 870 MW, representing approximately 9% of the total capacity in Peru, as of December 31, 2015, following the 2012 conversion of this facility's three natural gas-powered open-cycle generation turbines into combined cycle turbines with a 292 MW steam turbine. IC Power completed the conversion of the Kallpa facility in August 2012 at a cost of \$337 million.

The Kallpa facility's combined-cycle plants are among the most efficient plants in Peru (by cost of operations in U.S. Dollars per MW capacity). As a result of Kallpa's efficiency and the low cost at which it can operate, Kallpa has a competitive position in Peru's market.

Kallpa has a long-term contract for the supply of natural gas not exceeding 100% of its installed capacity. The price that Kallpa pays for its supply of natural gas is based on a base price in U.S. Dollars set on the date of the supply agreement, indexed each year based on two producer price indices, with discounts available based on the volume of natural gas consumed. Kallpa's PPAs are indexed to the underlying fuel cost under the related long-term supply agreements, which generally limits Kallpa's exposure to fuel price fluctuations, helping Kallpa to maintain its margins in the event of variations in fuel prices. In April 2014, Kallpa purchased the 193 MW single turbine natural gas-fired plant "Las Flores," which reached its COD in May 2010 and is located in Chilca, Peru, for \$114 million, increasing Kallpa's installed capacity from 870 MW to 1,063 MW, representing approximately 11% of the total installed capacity in Peru as of December 31, 2015. Prior to Kallpa's acquisition of Las Flores in 2014, the Las Flores plant had operated intermittently due to the lack of a long-term regular supply of natural gas and an associated natural gas transportation contract. The Kallpa facility, which is located near the Las Flores plant, had an excess of available gas supply, and was, therefore, in a position to significantly improve the Las Flores plant's operations and generation activities. Since Kallpa's acquisition of Las Flores, Las Flores has been able to utilize Kallpa's excess gas supply and enjoys several synergies in the use and transport of gas to its facility.

Additionally, Las Flores holds environmental permits for a future 190 MW gas-fired expansion and has sufficient space to locate such a facility, as well as a combined cycle expansion, on its existing premises. In July 2015, Kallpa received environmental approval to convert both its existing unit and the future gas turbine in Las Flores, if developed, into a combined-cycle plant. If completed, these expansion projects, which IC Power has not committed to initiate, would increase the capacity of Las Flores' plant by 400 MW from 193 MW to approximately 593 MW.

During the years ended December 31, 2015, 2014 and 2013, Kallpa generated revenues of \$448 million, \$437 million and \$394 million, respectively, representing 35%, 32% and 45% of IC Power's consolidated revenues, respectively. During the year ended December 31, 2015, Kallpa generated 5,166 GWh, representing 12% of the Peruvian interconnected system's energy production.

In the year ended December 31, 2015, approximately 98% of Kallpa's aggregate energy sales (in GWh) were made pursuant to PPAs, respectively. As of December 31, 2015, all of Kallpa's PPAs were indexed to the price of the corresponding power plant's operating fuel prices in U.S. Dollars and provided for payment in, or are linked to, the U.S. Dollar, thereby generally limiting Kallpa's exposure to fuel price and exchange rate fluctuations. As of December 31, 2015, the weighted average remaining life of Kallpa's PPAs based on firm capacity was 7 years. Kallpa has committed to sell more than 50% of its available energy (in MWh) in every year up to 2021.

The following table sets forth certain information regarding each of Kallpa's turbines for each of the periods presented:

Turbine	Year of Commission	As of	Years Ended December 31,					
		December 31,	2015		2014		2013	
		2015	Gross Energy Generated	Availability Factor	Gross Energy Generated	Availability Factor	Gross Energy Generated	Availability Factor
		(MW)	(GWh)	(%)	(GWh)	(%)	(GWh)	(%)
Kallpa I ¹	2007	186	954	91	1,243	96	1,251	96
Kallpa II ¹	2009	195	1,126	99	1,266	97	1,229	96
Kallpa III ¹	2010	197	1,218	99	1,262	96	1,212	94
Kallpa IV ²	2012	292	1,759	95	2,027	98	1,767	86
Las Flores	2014	193	109	100	122	96	—	—
Total		1,063	5,166		5,920		5,459	

1. Reflects the effective capacity of the turbine at its COD.
2. Reflects the installed capacity. Kallpa IV is the steam turbine built to convert the Kallpa plant to combined cycle, which reached its COD in August 2012.

Kallpa's turbines are maintained according to a predefined schedule based upon the running hours of each turbine and the manufacturer specifications particular to it. Kallpa anticipates the first maintenance of its Kallpa IV turbine to occur in 2017 or 2018. Kallpa's maintenance schedule is coordinated with, and approved by, the COES. Kallpa is a party to a services contract with Siemens Energy, Inc. and a supply and support contract with Siemens Power Generation, Inc., each of which provides for an 18-year term of service for each of the Kallpa I, II and III turbines, or the equivalent of 100,000 hours of operation, beginning in March 2006, in December 2007, and in July 2008, respectively. In addition, IC Power has relationships with the OEM and Sulzer, which each periodically perform onsite analyses and make annual recommendations regarding line maintenance. Spare parts for the Kallpa IV turbine are generally available and can be obtained from the OEM as well as from other suppliers. In addition, this agreement was amended to include Las Flores, thereby requiring the OEM to supply spare parts, hardware and maintenance services to Las Flores during the term of the agreement.

Through Inkia, IC Power has entered into a shareholders' agreement, which grants protective minority rights to Energía del Pacífico, a 25% partner in Kallpa. For example, IC Power and Energía del Pacífico have agreed that each will submit projects related to generation or transmission of energy in Peru to Kallpa and will not develop such projects other than through Kallpa, subject to limited exceptions. For further information on IC Power's shareholders' agreements, see "*Shareholders' Agreements*" and the risks related to IC Power's shareholders' agreements, see "*Item 3.D Risk Factors—Risks Related to IC Power—IC Power has granted rights to the minority shareholders of certain of its subsidiaries.*"

Cerro del Aguila (CDA)

IC Power owns 75% of CDA; the remaining 25% is held by Energía del Pacífico. In October 2010, Kallpa entered into—and in June 2011, Kallpa transferred to CDA—a concession agreement with the State of Peru that provides a concession, which grants Kallpa, for an unlimited term, the right to construct and operate a run-of-the-river hydroelectric project on the Mantaro River in central Peru. The CDA plant is located 16 kilometers down stream of Peru's largest hydroelectric complex, formed by the Mantaro hydroelectric plant and the Restitución hydroelectric plant, with capacity of 800 MW and 208 MW, respectively, and the Junin water reservoir. The Mantaro plants form the largest hydroelectric complex in Peru (in terms of capacity and generation) and run as a year round base load unit. The Junin water reservoir will provide a relatively constant water flow for the downstream power plants. IC Power holds water rights granted by the National Water Authority (*ANA—Autoridad Nacional del Agua*) in connection with the operation of the CDA plant. IC Power estimates that the CDA plant will have an average annual load factor of 70%, which is significantly above the average (60%) for similar projects in Latin America. The CDA plant will consist of a 6 kilometer headrace tunnel and a 17 kilometer transmission line. The CDA plant is expected to have an installed capacity of 510 MW, which would make it the largest privately-owned hydroelectric plant in Peru and among the largest in Latin America.

CDA has entered into three PPAs—a 15-year PPA with ElectroPerú covering 200 MW of capacity and the associated energy that commences in 2016, a 10-year PPA with Luz del Sur S.A.A., Edelnor and Edecañete, covering 202 MW of capacity and the associated energy that commences in January 2018 and a 10-year PPA with Edelnor and Luz de Sur, covering 81 MW that commences in January 2022—which will account for a significant portion of CDA's expected generation capacity. Assuming a consumption factor of approximately 0.70 and certain volumes of capacity, peak and off-peak sales occurring at each PPA's average price (from the beginning of the PPA until 2020), IC Power expects CDA's PPA with ElectroPerú to generate annual revenues in the range of \$85 to \$90 million per full year, CDA's PPA with Luz del Sur S.A.A., Edelnor S.A.A.

and Edecañete S.A. to generate annual revenues in the range of \$65 to \$70 million per full year and CDA's PPA with Edelnor and Luz del Sur S.A.A. to generate annual revenues of approximately in the range of \$20 to \$22 million per full year. Kallpa has provided bank guarantees of \$4 million and CDA has undertaken to provide bank guarantees of \$19 million to secure obligations under the PPAs. As of December 31, 2015, the weighted average remaining life of CDA's PPAs based on firm capacity was 14 years. The 200 MW PPA is denominated in U.S. Dollars and indexed to the U.S. producer price index. The 202 MW PPA is denominated in the Peruvian Sol, but is indexed to natural gas prices in Peru, which are denominated in U.S. Dollars, as well as to the U.S. producer price index, thereby providing CDA with hedges against natural gas prices and exchange rate fluctuations. The 81 MW PPA is denominated in Peruvian Sol.

IC Power expects that CDA will reach its COD in the second half of 2016. Construction of the hydroelectric plant is underway and, as of December 31, 2015, was approximately 90% completed, with 98% of the dam construction and 100% of the tunnel drilling completed. Each of the CDA plant's three turbines will have a separate COD, with the first COD expected to take place in the first half of 2016 and the last COD expected to take place in the second half of 2016. There is no certainty that the facility will be completed in accordance with current expectations. As CDA has not yet commenced commercial operations, it has not yet recognized any revenues or operating income from its operations.

Construction of the CDA plant is estimated to cost approximately \$959 million. The CDA plant is expected to be fully operational at a cost of \$1.9 million per MW, making the CDA plant among the most efficiently constructed hydroelectric facilities in Latin America industry in terms of cost per MW. Development of the CDA plant is being financed with a \$591 million syndicated credit facility, or the CDA Finance Facility, with export credit agencies, development banks and private banks, and collateralized by the assets of the project. The remaining portion of the cost of the CDA plant has been substantially financed with equity from each of Inkia and Energía del Pacífico. As of December 31, 2015, Inkia (through which IC Power holds interest in CDA) and Energía del Pacífico have invested \$246 million and \$82 million in CDA, respectively. In connection with the CDA Finance Facility, each of Inkia and Energía del Pacífico entered into an equity contribution and retention agreement with the administrative agent under the CDA Finance Facility and agreed, among other things, to provide contingent equity and credit support to cover cost overruns (this support obligation is limited, in Inkia's case, to \$44 million). As of December 31, 2015, CDA had invested \$835 million into its development and had drawn \$547 million under the CDA Finance Facility. For further information regarding the terms of the CDA Finance Facility, see *"Item 5.B Liquidity and Capital Resources—IC Power's Liquidity and Capital Resources—IC Power's Material Indebtedness—CDA Finance Facility."*

In November 2011, CDA and Astaldi S.p.A. and GyM S.A., as contractors operating under the consortium name of Consorcio Río Mantaro S.A., or Río Mantaro, individually entered into a turnkey engineering, procurement and construction contract for the construction of the CDA plant, or the CDA EPC, pursuant to which each of Astaldi S.p.A. and GyM S.A. committed, on a joint and several basis, to construct the CDA plant by February 2016 and provide all services necessary for the design, engineering, procurement, construction, testing and commissioning of the CDA plant for approximately \$700 million, payable on a monthly basis to Río Mantaro based upon construction completed in the previous calendar month. CDA's payments to Río Mantaro are subject to adjustments made in accordance with the CDA EPC.

In April 2014, Astaldi S.p.A. and GyM S.A., the contractors under the CDA EPC delivered a claim to CDA, demanding a six-month extension for the completion of the construction of the CDA plant (from early 2016 to the second half of 2016) and an approximately \$92 million increase in the total contract price of the CDA plant's development. In March 2015, IC Power, together with the CDA EPC contractors, amended the CDA EPC to address such claims. Pursuant to the amendment, IC Power has agreed to pay, subject to certain conditions, an additional \$40 million, subdivided into four payments over the course of the remaining construction period, and granted the extensions previously requested by the CDA EPC contractors, which range between four and six months in length, depending upon the applicable CDA unit.

Should CDA experience an additional delay in reaching its COD, CDA's 15-year PPA would require CDA to pay a penalty to ElectroPerú. Although the terms of the CDA EPC entitle CDA to demand the payment of liquidated damages from Río Mantaro due to delays in the commercial operation of CDA, there is no certainty that such payments, if received, would cover the entirety of the penalties imposed under the PPA. For further information on the risks related to CDA's ability to satisfy its obligations under its PPAs, see *"Item 3.D Risk Factors—Risks Related to IC Power—IC Power's assets in advanced stages of construction may not be completed or, if completed, may not be completed on time or perform as expected."*

Samay I

IC Power owns 75% of Samay I; the remaining 25% is held by Energía del Pacífico. In November 2013, Samay I won a public bid auction conducted by MINEM to build a cold-reserve open-cycle diesel and natural gas (dual-fired) thermoelectric plant in Mollendo, Arequipa in southern Peru, with an installed capacity of approximately 600 MW (when operated with diesel fuel) at an estimated cost of \$380 million. The two-bid auction, which was won by Samay I and a subsidiary of Suez Energy, is part of an effort by the Peruvian government to promote the construction of a power node in southern Peru, which will be fueled by natural gas once a natural gas pipeline (the Gasoducto Sur Peruano, currently under construction) delivers gas to the area. Approximately 82% of the

cost of the Samay I plant is expected to be financed with a \$311 million seven-year syndicated secured loan agreement with Bank of Tokyo-Mitsubishi, Sumitomo Mitsui Banking Corporation and HSBC. The remaining 18% has been financed with equity from each of Inkia and Energía del Pacífico. As of December 31, 2015, Samay I has invested \$340 million into the development of the facility and has drawn \$291 million under the Samay I Finance Facility (as defined below). For further information on the Samay I Finance Facility, see “*Item 5.B Liquidity and Capital Resources—IC Power’s Liquidity and Capital Resources—IC Power’s Material Indebtedness—Samay I Finance Facility.*”

The Samay I plant is expected to have three operational stages. First, it will operate as a cold reserve plant with diesel until natural gas becomes available in the area through a pipeline currently under construction. Although the pipeline developer is obligated to complete this construction by 2018, it is uncertain when the pipeline will be completed. Second, once natural gas becomes available to the facility through the new natural gas pipeline, the Samay I plant will have the obligation to operate as a natural gas-fired power plant and will be able to do so with minor investments by IC Power in Samay I's facilities. When fueled by natural gas, the Samay I plant will have an installed capacity of approximately 720 MW. Finally, following an additional investment in the conversion of the Samay I plant, which IC Power has not committed to make, the Samay I plant could operate as a combined cycle thermoelectric plant, which would increase Samay I's installed capacity to approximately 1,100 MW. Samay I has entered into an agreement with the State of Peru, with a term of 20 years, under which Samay I will receive fixed monthly capacity payments denominated in U.S. Dollars and IC Power will pass-through all of the variable costs during the cold reserve phase, representing an aggregate amount of approximately \$1 billion in revenues from the Samay I plant over the 20-year term of this agreement. The amount of monthly payments required to make up the total amount to which Samay I is entitled will be calculated by the COES, and will be paid by all generators that form part of the SEIN who, in their turn collect the corresponding fee from their customers through a surcharge in the transmission tariffs applicable to, and payable by, all end consumers. The surcharge does not involve the use of state funds or any appropriation process, being a mechanism that has been used for almost 20 years in Peru to cover the cost of various energy projects.

In the past, access to a supply of natural gas has been a primary factor that has limited the development of new power projects in Peru. For example, Las Flores plant operated intermittently for four years when it did not have access to a firm supply of natural gas to support its operations. In contrast, in addition to receiving a 20-year stream of capacity payments, Samay I has an advantage in being one of only two power generation companies that have defined rights to a natural gas supply and transportation capacity once the Gasoducto Sur Peruano is completed. The developer of such pipeline has a contractual obligation under its concession agreement with the State of Peru to build a branch of the pipeline to connect it with the Samay I plant. IC Power's strategic development of the Samay I plant will provide it with a significant advantageous position in the future southern Peru power node, which will develop once the Gasoducto Sur Peruano is completed. Pursuant to the terms of its tender, Samay I must receive gas and transportation services pursuant to terms which are similar to other power plants located in other parts of Peru and served by the existing Transportadora de Gas del Perú S.A., or TGP, pipe line, such as the Kallpa plant. According to Law 29970, natural gas transportation costs of the Samay I plant will be eventually subsidized by additional tariffs on the electricity transmission toll periodically determined by OSINERGMIN with the purpose of decentralizing the generation of electricity with natural gas, which is one of the main purposes of the State of Peru developing the southern Peru power node. ElectroPerú has commenced negotiations with suppliers and concessionaires for the supply and transport of natural gas to each of Samay I and the other plant with a defined right to the firm supply of natural gas. However, as ElectroPerú may not be successful in obtaining an agreement which conforms to the conditions as contemplated in the tender documents of the cold reserve bidding process, IC Power believes Samay I has the right to reject entering into any supply and transportation agreements which do not comply with the conditions set forth in its tender.

In connection with the construction of its facility, Samay I has entered into three EPC contracts with the following parties: (1) Posco Engineering & Construction Co., Ltd. and Santos CMI Inc. (USA), for the design, construction and installation of the power station; (2) Abengoa Perú S.A. for the construction of the transmission line; and (3) Siemens Energy, Inc., Siemens S.A.C. and Siemens Power Generation, Inc. for the construction of the substation. Construction of the Samay I plant is underway and as of December 31, 2015 was approximately 97% completed. IC Power expects that the Samay I plant will reach its COD in the second quarter of 2016, in accordance with the terms of its agreement with the Peruvian government; however, there is no certainty that the facility will be completed in accordance with current expectations. As Samay I has not yet commenced commercial operations, it and has not yet recognized any revenues or operating income from its operations.

Israel Segment

The following summaries provide a description of the portfolio of assets in IC Power's Israel segment.

OPC

IC Power's 80% stake in OPC is held indirectly through ICPI. The remaining 20% is held by Veolia, which, in 2015, was acquired by Oaktree Capital Management, an investment management firm. In July 2013, OPC became Israel's first IPP by commencing commercial operation of its power station, located in Mishor Rotem industrial zone in the south of Israel. The OPC plant was constructed for an aggregate cost of approximately \$508 million. OPC's combined cycle plant has a capacity of 440 MW, representing approximately 3% of the installed capacity and approximately 19% of the installed capacity provided by IPPs in Israel as of December 31, 2015. Given Israel's growing economy and the advanced age of the existing state-owned power generation facilities, we believe OPC provides IC Power with a strategic position in the Israeli electricity market and thereby provides it with an opportunity to participate in additional power projects in Israel, which IC Power believes may become available to private sector participants in connection with Israel's growing energy industry.

OPC purchases natural gas from the Tamar Group, pursuant to a natural gas supply agreement that expires upon the earlier of June 2029 or the date on which OPC consumes the entire contractual capacity. The EA's generation component tariff is the base for the natural gas price linkage formula in the agreement between OPC and the Tamar Group. For further information on OPC's gas supply agreement, see "*—IC Power's Raw Materials and Suppliers—Natural Gas Supply and Transportation Agreements.*"

During the year ended December 31, 2015, OPC generated revenues of \$318 million, representing 25% of IC Power's consolidated revenues. During the year ended December 31, 2015, OPC generated 3,811 GWh.

The following table sets forth certain information for OPC's plant for each of the periods presented:

Plant	As of Year Ended December 31,					
	December 31, 2015	2015		2014		2013
	Installed Capacity	Gross Energy Generated	Availability Factor	Gross Energy Generated	Availability Factor	Gross Energy Generated
	(MW)	(GWh)	(%)	(GWh)	(%)	(GWh)
OPC ¹	440	3,811	99%	3,465	90%	1,357
						96%

1. Commenced commercial operations in July 2013.

OPC has a PPA with IEC, the government-owned electricity generation, transmission and distribution company in Israel, or the IEC PPA. The term of the IEC PPA lasts until 20 years after the power station's COD (*i.e.* 20 years from July 2013). The IEC PPA is a "capacity and energy" agreement, committing OPC to provide the entire net available capacity of its power station to IEC and to generate power at such volumes and schedules as required by IEC. The terms of the IEC PPA allow OPC to carve out energy and capacity for direct sales to private consumers, and OPC has accordingly allocated the entire capacity of the plant to private consumers since COD. As a result, OPC supplies energy to approximately 24 end users according to long-term PPAs (generally for a minimum of 10 years). Under the IEC PPA, OPC can also elect to revert back to supplying to the IEC instead of to private customers. As of December 31, 2015, the weighted average remaining life of OPC's PPAs with end users based on firm capacity was seven years. In the year ended December 31, 2015, OPC's energy and capacity sales to end users represented 98% of OPC's total energy and capacity sales.

Mitsubishi Heavy Industries of Japan provides the long-term servicing of the power station, for a term of 100,000 hours of operation, or 12 years based upon the expected operations of the power station, which is consistent with IC Power's strategy of entering into long-term servicing agreements with OEMs to help ensure the efficiency and productivity of its generation plants.

In March 2014, one of IC Power's subsidiaries was awarded a tender published by the Israel Land Authority to lease a plot of land adjacent to the OPC site. The plot, which is large enough to house another combined cycle or similar generation facility, may be used to expand OPC's capacity in the long-term.

IC Power has entered, through its subsidiary ICPI, into a shareholders' agreement which grants minority rights to OPC's minority shareholder. For further information on IC Power's shareholders' agreements, see "*—Shareholders' Agreements*" and for further information on the risks related to IC Power's shareholders' agreements, see "*Item 3.D Risk Factors—Risks Related to IC Power—IC Power has granted rights to the minority shareholders of certain of its subsidiaries.*" For further information on the regulation of the Israeli electricity sector, see "*—Regulatory, Environmental and Compliance Matters—Regulation of the Israeli Electricity Sector.*"

AIE

In August 2015, IC Power acquired 100% of the shares of AIE from Hadera Paper, a large paper and paper product manufacturer in Israel. The consideration for the transaction was NIS 60 million (approximately \$16 million), of which approximately NIS 24 million (approximately \$6 million) was provided in the form of a loan to be converted into consideration (and considered a payment to Hadera Paper) upon the completion of Hadera Paper's sale of certain equipment to us, as discussed below. AIE, which currently operates an 18 MW steam turbine, holds a conditional license for the construction of a cogeneration power station in Israel. The project is in the advanced development stage and construction is expected to commence in mid-2016. Based upon IC Power's initial assessment, IC Power expects that the total cost of completing the AIE plant (including the consideration for the acquisition of AIE and the construction of the power station) will be approximately \$250 million, based upon a plant with 135 MW of capacity. In January 2016, AIE entered into an approximately \$150 million EPC contract in connection with the project, and the AIE plant is expected to reach its COD in the second half of 2018.

AIE's power plant is expected to supply the electricity and steam needs of Hadera Paper's facility as well as to provide electricity to end users in Israel. The power plant will operate using natural gas and diesel oil and is expected to have a relatively high level of energy utilization due to usage of the cogeneration technology, which supplies electricity and steam in a single production process.

In June 2015, AIE entered into an agreement with Hadera Paper for AIE's supply of electricity and steam from the AIE power plant to be constructed by IC Power to Hadera Paper's facility from closing and for a period of 18 years from the date the power plant reaches its COD. Pursuant to this agreement, Hadera Paper will acquire all of its electricity and steam needs from AIE. The agreement provides for minimum quantities of steam to be purchased by Hadera Paper, which will be subject to adjustment. Until AIE reaches its COD, AIE will supply steam and electricity to Hadera Paper using its old equipment purchased.

Additionally, Hadera Paper has a gas supply agreement with the Tamar Group and a related gas transport agreement with Israel Natural Gas Lines Ltd., both of which were assigned to AIE in connection with the acquisition.

In connection with the acquisition, Hadera Paper agreed to sell certain equipment that it uses to produce steam, and approximately 25 MW of additional capacity, within its manufacturing plant to AIE. AIE will also lease from Hadera Paper the land on which the power generation plant is located from the closing of the acquisition to up to 20 years from AIE's plant's COD.

Central America Segment

The following summaries provide a description of the portfolio of assets in IC Power's Central America segment.

Nicaragua

ICPNH

IC Power's operations in Nicaragua are carried out through ICPNH. IC Power owns 100% of ICPNH, which it acquired in March 2014 and which was formerly known as AEI Nicaragua. ICPNH owns and operates four power generation plants located throughout Nicaragua through its indirect (i) 65% equity interest in Corinto, (ii) 65% equity interest in Tipitapa Power, (iii) 61% equity interest in Amayo I, and (iv) 61% equity interest in Amayo II. Corinto and Tipitapa Power, which have a combined capacity of 122 MW, are powered by HFO. The Corinto and Tipitapa Power plants house fuel storage tanks on site with capacity of approximately 90 thousand barrels and 63 thousand barrels, respectively. Amayo I and Amayo II have a combined capacity of 63 MW of wind power energy. Collectively, these four entities represent a capacity of 185 MW, approximately 17% of the total capacity of the Nicaraguan interconnected system as of December 31, 2015.

During the year ended December 31, 2015, ICPNH generated revenues of \$111 million, representing 9% of IC Power's consolidated revenues. During the year ended December 31, 2015, ICPNH generated 1,095 GWh, representing 25% of the Nicaraguan interconnected system's energy requirements. ICPNH has committed to sell its available energy, as follows:

- Corinto has commitments for 70% of its available energy in every year up to December 2018;
- Tipitapa Power has commitments for 100% of its available energy in every year up to December 2018;

- Amayo I has commitments for 100% of its available energy in every year up to March 2024; and
- Amayo II has commitments for 100% of its available energy in every year up to March 2025.

The following table sets forth certain information for ICPNH's plants for each of the periods presented:

Plant	Year of Commission	As of December 31, 2015 Installed Capacity (MW)	Years Ended December 31,					
			2015		2014		2013	
			Gross Energy Generated (GWh)	Availability Factor (%)	Gross Energy Generated (GWh)	Availability Factor (%)	Gross Energy Generated (GWh)	Availability Factor (%)
Corinto	1999	71	476	93	494	93	515	92
Tipitapa Power	1999	51	345	92	327	98	326	97
Amayo I	2009	40	186	94	174	98	148	97
Amayo II	2010	23	88	70	104	96	96	97
Total		185	1,095		1,099		1,085	

In December 2014, ICPNH's wind farm complex in Nicaragua sustained damage in connection with a blackout in the Nicaragua's National Interconnection System, which left one wind turbine collapsed and another two wind turbines with severe damage. The three damaged turbines, which represent 10% of all of IC Power's installed capacity at its Amayo I and Amayo II plants, were replaced and were operational in early 2016. The contracted operator has the responsibility to replace the turbines. Between the contracted operator and insurance provider, IC Power expects that there will be sufficient funds to cover the replacement and business interruption costs resulting from the damaged turbines.

Guatemala

Puerto Quetzal

IC Power owns 100% of Puerto Quetzal, which represents its initial entry into the Guatemalan power generation market. Puerto Quetzal, which IC Power acquired in September 2014, utilized three floating power barges with HFO generators, representing 234 MW, at the time of its acquisition. In November 2014, Puerto Quetzal transferred one of its three power barges, which has a capacity of 55 MW, to IC Power's Panamanian subsidiary Kanan. As a result, Puerto Quetzal now operates two power barges with an aggregate capacity of 179 MW, representing approximately 5% of the total capacity in the Guatemala interconnected system as of December 31, 2015. The Puerto Quetzal plant houses fuel storage tanks on site with capacity of approximately 200 thousand barrels.

In the fourth quarter of 2015, Puerto Quetzal entered into two PPAs representing approximately 26 MW of capacity as of December 31, 2015.

During the year ended December 31, 2015, Puerto Quetzal generated revenues of \$109 million, representing 8% of IC Power's consolidated revenues. During the year ended December 31, 2015, Puerto Quetzal generated 673 GWh, representing 7% of the Guatemalan system's energy requirements.

The following table sets forth certain information for Puerto Quetzal's plant for each of the periods presented:

Plant	Year of Commission	As of December 31, 2015 Installed Capacity (MW)	Years Ended December 31,					
			2015		2014		2013	
			Gross Energy Generated (GWh)	Availability Factor (%)	Gross Energy Generated (GWh)	Availability Factor (%)	Gross Energy Generated (GWh)	Availability Factor (%)
Puerto Quetzal	1993	179	673	94	490	97	525	95

El Salvador

Nejapa

IC Power owns 100% of Nejapa in El Salvador as a result of its acquisition in January 2015 of Crystal Power's 29% stake in Nejapa for \$20 million in connection with the settlement of a shareholder dispute with Crystal Power. Prior to this settlement, IC Power owned 71% of Nejapa's outstanding equity.

Nejapa owns and operates 27 diesel generators (located in a single facility) powered by HFO. Nejapa has a capacity of 140 MW, representing 9% of the total capacity of El Salvador as of December 31, 2015. The Nejapa plant houses fuel storage tanks on site with capacity of approximately 47,000 barrels. In addition, Cenérgica, one of IC Power's wholly-owned subsidiaries, maintains a fuel depot and marine terminal and owns three fuel storage tanks with an aggregate capacity of 240,000 barrels in Acajutla, El Salvador.

During the years ended December 31, 2015, 2014 and 2013, Nejapa generated revenues of \$100 million, \$132 million and \$135 million, respectively, representing 8%, 10% and 15% of IC Power's consolidated revenues, respectively. During the year ended December 31, 2015, Nejapa generated 440 GWh, representing 8% of the national interconnected electrical system of El Salvador. Nejapa has committed to sell over 50% of its available energy (in MWh) in every year up to 2017.

The following table sets forth certain information for Nejapa's plant for each of the periods presented:

Plant	Year of Commission	As of	Years Ended December 31,					
		December 31,	2015		2014		2013	
		2015	Gross Energy Generated	Availability Factor	Gross Energy Generated	Availability Factor	Gross Energy Generated	Availability Factor
		Installed Capacity (MW)						
Nejapa	1995	140	440 (GWh)	96 (%)	376 (GWh)	97 (%)	458 (GWh)	95 (%)

Panama

Kanan

IC Power owns 100% of Kanan. In October 2014, Kanan was awarded a five-year contract in connection with the Panamanian government's call for emergency bids to attempt to cover electricity shortfalls in Panama in the short-term. Kanan's contract to supply energy in Panama, with a maximum contractual capacity of 86 MW, became effective in December 2015. To facilitate Kanan's supply of this energy, IC Power has transferred thermal generation units, in the form of barges, from its subsidiaries Puerto Quetzal and CEPP to Kanan with a total capacity of 92 MW, which, when installed, are expected to represent 3% of the total capacity of Panama as of December 31, 2015. As a result, Kanan's capacity of 92 MW will consist of (i) a 55 MW power barge transferred to Kanan by Puerto Quetzal in November 2014, and (ii) a 37 MW power barge transferred to Kanan by CEPP in November 2014. Both barges were successfully relocated to Panama and are in the process of installation and interconnection to the power system. IC Power expects Kanan to reach its COD in the first half of 2016.

Other Segment

The following summaries provide a description of the portfolio of assets in IC Power's Other segment.

Bolivia

COBEE

IC Power owns 100% of COBEE. COBEE is the third largest generator of electricity in Bolivia, generating power from ten run-of-the-river hydroelectric plants in the Zongo river valley, four run-of-the-river hydroelectric plants in the Miguillas river valley, and two open-cycle natural gas powered generation turbines at a plant located in El Alto-Kenko, adjacent to La Paz, Bolivia. IC Power owns water rights in connection with operation of COBEE. COBEE has capacity of 228 MW, representing 12% of the total capacity of Bolivia as of December 31, 2015.

During the years ended December 31, 2015, 2014 and 2013, COBEE generated revenues of \$43 million, \$41 million and \$41 million, respectively, representing 3%, 3% and 5% of IC Power's consolidated revenues, respectively. During the year ended December 31, 2015, COBEE generated 1,081 GWh, representing 13% of the national interconnected electrical system of Bolivia's energy requirements.

The following table sets forth certain information for each of COBEE's plants for each of the periods presented:

Plant	Year of Commission	Elevation (meters)	As of December 31, 2015	Years Ended December 31,					
			Installed Capacity (MW)	2015		2014		2013	
				Gross Energy Generated (GWh)	Availability Factor (%)	Gross Energy Generated (GWh)	Availability Factor (%)	Gross Energy Generated (GWh)	Availability Factor (%)
<i>Zongo Valley plants:</i>									
Zongo	1997	4,264	11	10	98	9	99	8	98
Tiquimani	1997	3,889	9	13	98	11	99	11	99
Botijlaca	1938 ¹	3,492	7	39	99	34	97	38	97
Cutichucho	1942 ²	2,697	23	128	95	91	80	104	85
Santa Rosa	2006	2,572	18	86	97	84	98	82	96
Sainani	1956	2,210	10	24	34	15	17	71	98
Chururaqui	1966 ³	1,830	25	139	96	127	95	144	98
Harca	1969	1,480	26	162	95	156	95	166	97
Cahua	1974	1,195	28	163	94	163	95	171	98
Huaji	1999	945	30	180	92	198	96	205	97
<i>Miguillas Valley plants</i>									
Miguillas	1931	4,140	4	9	91	9	99	9	99
Angostura	1936 ⁴	3,827	6	19	92	19	99	20	99
Choquetanga	1939 ⁵	3,283	6	37	95	37	98	40	99
Carabuco	1958	2,874	6	42	94	43	97	45	98
El Alto-Kenko ⁶	1995	4,050	19	30	50	90	93	46	87
Total			228	1,081		1,086		1,160	

1. This plant was originally commissioned with an installed capacity of 3 MW in 1938. The installed capacity of this plant was increased by 2 MW in 1941 and 4 MW in 1998.
2. This plant was originally commissioned with an installed capacity of 3 MW in 1942. The installed capacity of this plant was increased by 3 MW in 1943, 3 MW in 1945, 2 MW in 1958 and 15 MW in 1998.
3. This plant was originally commissioned with an installed capacity of 15 MW in 1966. The installed capacity of this plant was increased by 15 MW in 1967.
4. This plant was originally commissioned with an installed capacity of 3 MW in 1936. The installed capacity of this plant was increased by 3 MW in 1958 and by 3 MW in 2008.
5. This plant was originally commissioned with an installed capacity of 3 MW in 1939. The installed capacity of this plant was increased by 6 MW in 1944.
6. Reflects the effective capacity of El Alto—Kenko, which is comprised of two open-cycle turbines. The turbines have an installed capacity of 29 MW. However, as a result of the high altitude of the turbines (which are located at 4,050 meters above sea level), the installed capacity of these turbines are de-rated, resulting in an effective capacity of 19 MW.

Although the Bolivian government has nationalized entities in its power utility market, as recently as 2012, IC Power is unaware of any steps the Bolivian government may take, or is currently taking, with respect to nationalizations within the Bolivian power utility market, generally, or with respect to COBEE, in particular. For further information on the risks related to the Bolivian government's nationalization of certain generation companies, see *"Item 3.D Risk Factors—Risks Related to IC Power—The Bolivian government has nationalized energy industry assets, and IC Power's remaining operations in Bolivia may also be nationalized."*

Chile

Central Cardones

IC Power owns 87% of Central Cardones; the remaining 13% is held by Central Cardones' former controlling shareholder, South World Consulting S.A., an energy consulting and business development firm. IC Power acquired its interest in Central Cardones in December 2011 to obtain an initial footprint in the Chilean power market. Central Cardones owns and operates one open-cycle diesel Siemens turbine located in the northern part of the SIC and was the first Chilean power facility to be included in IC Power's portfolio. Central Cardones has an installed capacity of 153 MW, representing 0.8% of the total installed capacity of Chile as of December 31, 2015. Central Cardones' power plant is used primarily for cold reserve capacity as a peaking unit, generally operating only in extraordinary situations. Central Cardones receives revenues from its allocation of available system capacity and does not have any customers. During the years ended December 31, 2015, 2014 and 2013, Central Cardones generated revenues of \$14 million, \$11 million and \$11 million, respectively, representing 1%, 1% and 1% of IC Power's consolidated revenues, respectively.

The following table sets forth certain information for Central Cardones' plant for each of the periods presented:

Plant	Year of Commission	As of	Years Ended December 31,					
		December 31,	2015		2014		2013	
		2015	Gross Energy	Availability	Gross Energy	Availability	Gross Energy	Availability
		Installed Capacity (MW)	Generated (GWh)	Factor (%)	Generated (GWh)	Factor (%)	Generated (GWh)	Factor (%)
Central Cardones	2009	153	4	97	0.04	97	—	98

Colmito

IC Power owns 100% of Colmito. Colmito, which IC Power acquired in September 2013, owns and operates a dual fuel open-cycle Rolls Royce aeroderivative turbine that commenced operation in August 2008. Although the Colmito plant previously operated with diesel oil as a backup for the SIC, the plant was connected to a natural gas pipeline in February 2015, and has begun to purchase natural gas on a seasonal basis to generate energy. Colmito's generation facility is located in the central part of the SIC. Colmito has an installed capacity of 58 MW, representing 0.3% of the total installed capacity of Chile as of December 31, 2015.

During the years ended December 31, 2015, 2014 and 2013, Colmito generated revenues of \$28 million, \$38 million and \$1 million, respectively, representing 2%, 4% and 0.1% of IC Power's consolidated revenues, respectively. During the year ended December 31, 2015, Colmito generated 27 GWh, representing 0.1% of the SIC system's energy requirements. Colmito has committed to sell over 50% of its available energy in every year up to 2017.

The following table sets forth certain information for Colmito's plant for each of the periods presented:

Plant	Year of Commission	As of	Years Ended December 31,					
		December 31,	2015		2014		2013	
		2015	Gross Energy	Availability	Gross Energy	Availability	Gross Energy	Availability
		Installed Capacity (MW)	Generated (GWh)	Factor (%)	Generated (GWh)	Factor (%)	Generated (GWh)	Factor (%)
Colmito	2008	58	27	99	5.9	95	46	91

Dominican Republic

CEPP

IC Power owns 97% of CEPP; the remaining 3% is held by Basic Energy LTD Bahamas. CEPP owns and operates 12 generation units powered by HFO at two plants located in Puerto Plata, Dominican Republic. The CEPP I plant is located on land and consists of three Wartsila V32 diesel generators burning HFO with a combined capacity of 17 MW. The CEPP II plant generates power on a barge near the shore, which contains nine Wartsila V32 diesel generators burning HFO, that is moored at a pier adjacent to the CEPP I plant and has capacity of 50 MW. In the third quarter of 2013, CEPP purchased second a barge with a capacity of 37 MW for \$5 million. This barge contains seven engines, five with 5.5 MW of capacity and two with 5 MW of capacity. CEPP completely refurbished this barge at a total cost of \$16 million, and, in November 2014, transferred this barge to IC Power's subsidiary Kanan.

Excluding the capacity associated with the newly-refurbished barge that has been transferred to Kanan, CEPP has a capacity of 67 MW, representing approximately 2% of the total capacity in the Dominican Republic as of December 31, 2015. The CEPP I plant and the CEPP II plant also have fuel storage tanks on-site with an aggregate storage capacity of 56,000 barrels.

During the years ended December 31, 2015, 2014 and 2013, CEPP generated revenues of \$39 million, \$73 million and \$92 million, respectively, representing 3%, 5% and 11% of IC Power's consolidated revenues, respectively. During the year ended December 31, 2015, CEPP generated 298 GWh, representing 2% of the national interconnected electrical system of the Dominican Republic's energy requirements.

The following table sets forth certain information for each of CEPP's plants for the periods presented:

Plant	Year of Commission	As of December 31, 2015	Years Ended December 31,					
		Installed Capacity (MW)	2015		2014		2013	
			Gross Energy Generated (GWh)	Availability Factor (%)	Gross Energy Generated (GWh)	Availability Factor (%)	Gross Energy Generated (GWh)	Availability Factor (%)
CEPP I	1990	16	67	74	51	34	78	87
CEPP II	1994	51	231	83	191	42	261	87
Total		67	298		242		339	

Prior to September 2014, CEPP was party to two long-term PPAs, representing 75% of its capacity, with Empresa Distribuidora de Electricidad del Norte S.A., or Edenorte, and had experienced significant payment delays with respect to such PPAs. As a result, CEPP's payment cycle spanned three to six months, as compared to the typical payment cycle of IC Power's other business which spans 30 to 45 days. Notwithstanding such significant delays, which characterize Edenorte's payment patterns in both the PPA and spot market in the Dominican Republic, Edenorte has historically paid its outstanding obligations, in full, including interest accrued on late payments. To finance its operating activities in light of such payment cycle, CEPP utilizes its working capital line of credit with local banks. For further information on CEPP's counterparty risks, see "*Item 3.D Risk Factors—Risks Related to IC Power—IC Power is exposed to counterparty risks.*" For further information on CEPP's line of credit with financial institutions in the Dominican Republic, see "*Item 5.B Liquidity and Capital Resources—IC Power's Liquidity and Capital Resources—IC Power's Material Indebtedness—Short-Term Loans.*"

Each of CEPP's PPAs expired in September 2014, and as of the date of this annual report have not yet been extended or replaced with one or more PPAs on comparable terms. As a result, CEPP sells the previously contracted capacity under such PPAs on the spot market, at the rates dictated by such market, and subject to the aforementioned significant payment delays.

Jamaica

JPPC

IC Power owns 100% of JPPC, as a result of its purchase in May 2014 of the 84% of JPPC's outstanding equity interest that IC Power did not own, which increased IC Power's equity interest in JPPC from 16% to 100%. JPPC owns and operates two diesel generation units burning HFO and a combined-cycle steam turbine at a plant located in Kingston, Jamaica. JPPC has capacity of 60 MW, representing approximately 6% of the total capacity of the Jamaican interconnected system as of December 31, 2015. JPPC's plant has fuel storage tanks on site with an aggregate storage capacity of 50,000 barrels.

During the years ended December 31, 2015 and 2014, JPPC generated revenues of \$45 million and \$41 million, respectively, representing 3% and 3% of IC Power's consolidated revenues, respectively. During the year ended December 31, 2015, JPPC generated 445 GWh, representing 11% of the Jamaican interconnected system's energy requirements. JPPC has committed to sell over 50% of its available energy in every year up to 2018.

The following table sets forth certain information for JPPC's plant for each of the periods presented:

Plant	Year of Commission	As of December 31, 2015	Years Ended December 31,					
		Installed Capacity (MW)	2015		2014		2013	
			Gross Energy Generated (GWh)	Availability Factor (%)	Gross Energy Generated (GWh)	Availability Factor (%)	Gross Energy Generated (GWh)	Availability Factor (%)
JPPC	1998	60	445	86	425	85	447	88

Colombia

Surpetroil

IC Power owns 60% of Surpetroil, which IC Power acquired in March 2014 and which represents its initial entry into the Colombian power generation market; the remaining 40% is owned by Mr. Yesid Gasca Duran. Surpetroil is dedicated to power generation utilizing stranded and associated natural gas reserves and operates three power plants fueled by natural gas in different parts of Colombia. Surpetroil also transports and distributes compressed natural gas within Colombia. The Surpetroil

plant has a generation capacity of 20 MW, representing approximately 0.12% of the total capacity in the Colombian interconnected system as of December 31, 2015. Out of the 20 MW of Surpetroil's capacity, only 10 MW (purification plant) are connected to the Colombian interconnected system. Surpetroil has various small-scale opportunities to install additional capacity using stranded gas under development.

During the years ended December 31, 2015 and 2014, Surpetroil generated revenues of \$8 million and \$9 million, respectively, representing 1% and 1% of IC Power's consolidated revenues in each of the periods. During the year ended December 31, 2015, Surpetroil generated 43 GWh, and primarily provided energy to Enertolima, an affiliate of Enel Group, via purification plant.

Plant	Year of Commission	As of	Years Ended December 31,					
		December 31,	2015		2014		2013	
		2015	Gross Energy	Availability	Gross Energy	Availability	Gross Energy	Availability
		Installed Capacity (MW)	Generated (GWh)	Factor (%)	Generated (GWh)	Factor (%)	Generated (GWh)	Factor (%)
La Hocha	2011	3	10	84	47	98	22	97
Purificación	2014	10	19	100	1	1 ¹	—	—
Entrerios	2015	2	12	98	—	—	—	—
Geopark	2015	5	2	100	—	—	—	—
		20	43		48		22	

1. As a result of gas unavailability during December 2014.

Panama

Pedregal

IC Power owns 21% of Pedregal; of the remaining 79%, (1) 55% is held by Conduit Capital Partners, LLC, a private equity investment firm focused on the independent electric power industry in Latin America; (2) 12% is held by Burmeister & Wain Scandinavian Contractor A/S, an operating company of the Mitsui Group; and (3) 11% is held by The Industrialization Fund for Developing Countries, a fund focusing on promoting economic activities in developing countries. Although Pedregal is located in Central America, it is not included as part of IC Power's Central America segment because IC Power does not consolidate Pedregal's results in its income statement, but account for its investment in Pedregal under the equity method, recording its share in income of associated companies.

Pedregal owns and operates three generation units powered by HFO at a plant located in Pacora, Panama. Although IC Power has a non-controlling interest in Pedregal, Pedregal has entered into a management services agreement with IC Power's wholly-owned subsidiary Inkia Panama Management that expires in October 2016. Under this agreement, Inkia Panama Management has been designated as the administrator responsible for day-to-day management of Pedregal. As of the date of this annual report, the management services agreement has not been extended beyond October 2016. Pedregal has an installed capacity of 54 MW, representing approximately 2% of the total installed capacity in the Panamanian interconnected system as of December 31, 2015. Pedregal's plant also has fuel storage tanks on site with an aggregate storage capacity of 51,402 barrels.

During the year ended December 31, 2015, Pedregal generated 356 GWh, representing 4% of the Panamanian interconnected system's energy requirements. Pedregal has committed to sell over 60% of its available energy in 2016.

Distribution Operations

In January 2016, IC Power acquired 100% of a holding company that indirectly holds the Energuate businesses of DEORSA and DEOCSA and two related businesses, which represents IC Power's initial entry into the electricity distribution business. The acquired businesses consist of:

- Energuate, the trade name for IC Power's Guatemalan electricity distribution businesses, which consists of:
 - DEORSA, in which IC Power holds a 93% interest; the remaining 7% interest is held by private minority shareholders; and
 - DEOCSA, in which IC Power holds a 91% interest; the remaining 9% interest is held by private minority shareholders; and

- 100% of two smaller related businesses, Comercializadora Guatemalteca Mayorista de Electricidad S.A., or Guatemel, an electricity trading company in Guatemala, and Redes Electricas de Centroamerica, S.A., or RECSA, an electricity transmission company that owns and operates a 32 km network of transmission lines and eight substations in Guatemala.

History and Background

In January 2016, IC Power acquired Energuate, as well as Guatemel and RECSA, from Deorsa-Deocsa Holdings Limited, an investment company of Actis LLP, a private equity firm. IC Power paid \$265 million in cash for the acquired businesses and assumed debt of \$289 million. IC Power funded the payment of the acquisition through internally generated funds and a \$120 million loan facility, which IC Power entered into in December 2015.

DEORSA and DEOCSA were both founded in 1998, when the Guatemalan government conducted an auction for these companies as part of the privatization of the Guatemalan electricity sector. As a result of the auction, DEORSA and DEOCSA were sold to Union Fenosa.

Guatemel and RECSA were founded in 2004 and 2006, respectively. In 2011, DEORSA, DEOCSA, Guatemel and RECSA were sold to Actis LLP.

Energuate

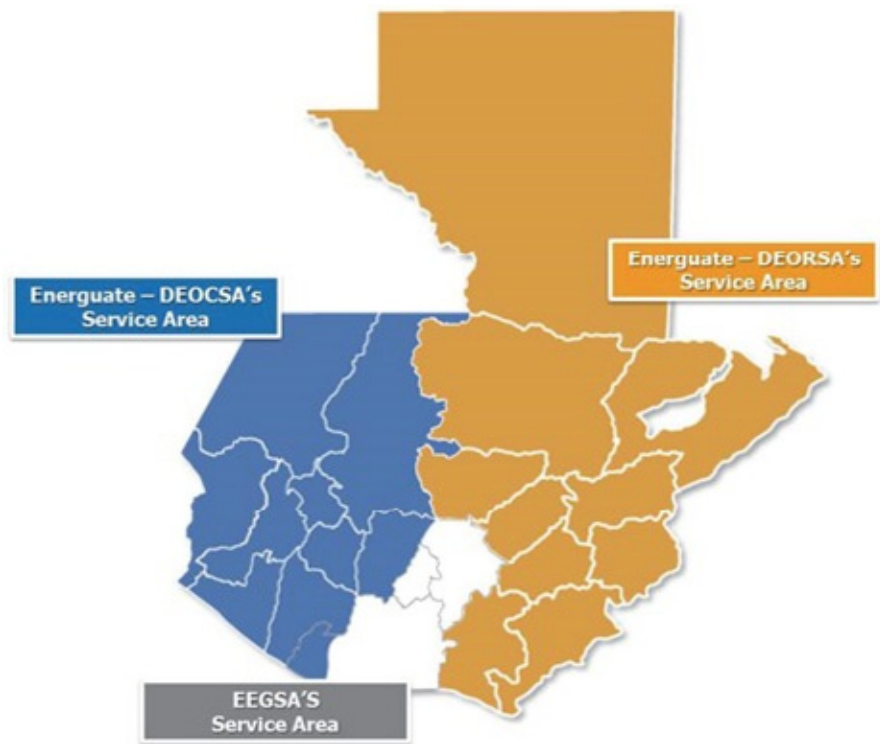
Energuate consists of two electricity distribution companies in Guatemala that provide services for approximately 1.6 million regulated customers in Guatemala (representing approximately 55% of Guatemala's regulated distribution customers in 2014) and distribute energy to a service area of approximately 100,000 km² in Guatemala, covering primarily rural areas with a population of approximately 12 million inhabitants. Energuate operates approximately 34,000 km of distribution lines within Guatemala (representing approximately 70% Guatemala's distribution lines as of December 31, 2015). Energuate operates in 20 of Guatemala's 22 departments and holds the non-exclusive right to distribute electricity within its service areas until 2048.

In the years ended December 31, 2015 and 2014, Energuate sold 2,304 GWh and 2,163 GWh of energy, respectively.

Service Area

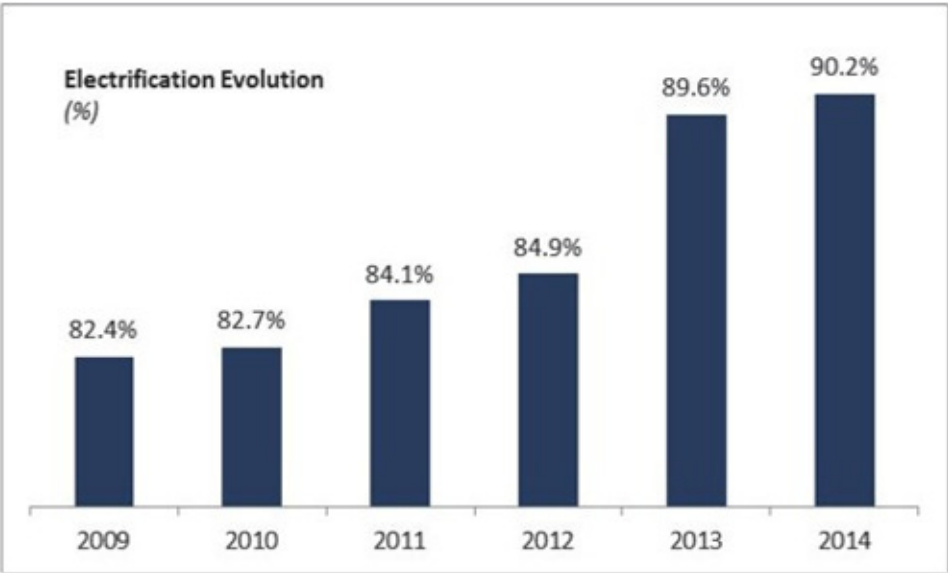
Energuate has authorizations to provide electricity distribution services within its service area until 2048. Energuate operates in 20 of Guatemala's 22 departments, excluding Guatemala City and Sacatepéquez, covering approximately 100,000 km² and approximately 12 million inhabitants. DEORSA's service area covers the northern and eastern regions of Guatemala, while DEOCSA's service area covers the southwest region of Guatemala. DEOCSA's authorization also includes the Department of Guatemala, but DEOCSA does not operate within this department.

The following map indicates the areas in which DEORSA and DEOCSA operate.



Compared to the urban and residential departments in which the other large Guatemalan distribution company, EEGSA, operates, Energuate’s service area is predominantly rural and characterized by lower electrification levels and underdeveloped infrastructure. For example, in Energuate’s service area, there are still some households that utilize propane and wood for cooking, illumination and other household needs. As such, IC Power believes that Energuate’s service area shows room for further growth in electricity distribution. In addition, the Guatemalan government has historically implemented projects to increase electrification levels in Guatemala and IC Power believes the Guatemalan government will continue to promote access to electricity through policies such as subsidies for low-consumption rural clients.

The following chart shows the growth of electrification levels in Guatemala between 2009 and 2014.



Customer Base

Energuate provides services to approximately 1.6 million customers, which includes both regulated and unregulated customers. Energuate's customer base is divided into four categories:

- Residential (some of whom receive subsidies for their purchase of electricity);
- Commercial;
- Industrial; and
- Other (which includes certain government entities, such as municipalities).

The following table sets forth the energy distributed to Energuate's consumers and the number of Energuate's regulated consumers by category, the volume of energy purchased and the percentage of purchased energy lost during the periods indicated.

	Year ended December 31,		
	2015	2014	2013
Energy purchased (GWh)	2,785	2,631	2,520
Total electricity losses (%)	17.3%	17.7%	20.0%
Energy distributed (GWh)	2,304	2,164	2,017
<i>To regulated customers</i>	2,149	1,991	1,862
Residential	1,604	1,483	1,405
Commercial	245	234	228
Industrial	34	27	19
Other customers	266	246	210
<i>To unregulated customers¹</i>	156	173	155
Number of customers	1,634,773	1,579,725	1,534,923
<i>Regulated customers</i>	1,634,616	1,579,555	1,534,758
Residential	1,630,204	1,575,204	1,530,474
Commercial	4,037	3,991	3,917
Industrial	79	65	75
Other customers	296	295	292
<i>Unregulated customers¹</i>	157	170	165

1. Unregulated customers consist of end users with a demand exceeding 100 kW, consisting principally of industrial and commercial customers.

Distribution Tariffs

Under the General Electricity Law and the regulations of the CNEE, the tariffs that Energuate charges to its regulated customers are subject to the approval of the CNEE. Energuate charges distribution tariffs for all electricity delivered through its distribution system, whether to its customers or customers of wholesale electricity brokers.

There are seven different tariffs that are applicable to Energuate's regulated customers. Each of Energuate's regulated customers agrees to purchase electricity from Energuate at one of these tariff rates. Energuate's schedule of tariffs includes:

- a social tariff available to customers with a demand of less than 300 kWh per month;
- a regular tariff, available to all customers that purchase electricity at low voltage;
- a low voltage peak tariff available to customers that have their greatest demand during hours of peak demand (between 6:00 p.m. and 10:00 p.m.);
- a low voltage off-peak tariff available to customers that have their greatest demand during off-peak hours;

- a medium voltage peak tariff available to customers that have their greatest demand during peak hours (between 6:00 p.m. and 10:00 p.m.);
- a medium tension off-peak tariff available to customers that have their greatest demand during off-peak hours; and
- a tariff available to governmental entities that purchase electricity for public lighting.

For further information on the seven tariffs applicable to Energuate's regulated customers, see "*Regulatory, Environmental and Compliance Matters—Regulation of the Guatemalan Electricity Distribution Market—Tariffs and Tolls.*" The following table sets forth the volume of energy delivered by Energuate to its regulated customers by tariff during the periods indicated.

	Year ended December 31,		
	2015	2014	2013
	(GWh)		
Tariff			
Social tariff	1,175	1,102	1,039
Regular tariff	407	363	348
Low voltage peak tariff	98	72	33
Low voltage off-peak tariff	148	163	197
Medium voltage peak tariff	14	2	2
Medium voltage off-peak tariff	177	197	172
Public lighting tariff	250	240	210
Energy distributed	2,304	2,163	2,017

The tariffs above are comprised of :

- an electricity charge designed to reimburse the distribution company for the cost of electricity and capacity that it purchases and transmission tolls; and
- a VAD charge designed to permit Energuate to cover its operating expenses, complete its capital expenditure plans and recover its cost of capital. The electricity charge consists of a base tariff and an electricity adjustment surcharge. Under the General Electricity Law and the regulations of the CNEE, the base tariff is adjusted annually each year on May 1 to reflect anticipated changes in the cost of electricity to be purchased by Energuate during the following year. The electricity adjustment surcharge is adjusted quarterly to reflect variations in the actual cost of electricity purchased by Energuate against the projected cost.

The VAD component of the distribution tariff is revised every five years with semi-annual adjustments for inflation and local currency exchange rates against the US dollar. The VAD charges are set by the CNEE. The VAD charge was last set in January 2014 and will expire in January 2019. In setting the tariff, the range for permitted theoretical after-tax return on investment for distributors is between 7%—13%. Currently, the tariffs approved for Energuate's authorizations contemplate approximately a 7.0% return. For further information on the calculation of distribution tariffs, see "*—Regulatory, Environmental and Compliance Matters—Regulation of the Guatemalan Electricity Distribution Market—Tariffs and Tolls.*"

Authorizations

In 1998, the MEM granted authorizations to DEORSA and DEOCSA to use public property (including rivers) and impose easements on private lands, thus enabling them to deliver electricity over their respective distribution systems in their service areas for a period of 50 years. The authorizations allow Energuate to conduct its operations and include the right to use public roads and other public domain spaces and to obtain easements over certain state-owned and private lands in order to construct, maintain and operate its distribution system.

The authorizations granted are not exclusive. However, due to the high cost of constructing a distribution system, IC Power does not expect significant competition from other distribution companies within Energuate's service area in the near- to medium-term.

The authorizations impose certain obligations on Energuate, such as the obligation to provide service to all consumers requesting such service and maintain safety and quality standards, as well as customer satisfaction levels. The authorizations may be revoked at the discretion of MEM if Energuate fails to meet these standards, among others. In the event that

Energuate's authorizations are revoked, the MEM may sell through a public auction Energuate's distribution assets. For further information on Energuate's authorizations to provide electricity distribution services in Guatemala, see "*Regulatory, Environmental and Compliance Matters—Regulation of the Guatemalan Electricity Distribution Market—Distribution Authorizations.*"

Billing

Energuate bills its customers on a monthly basis. Energuate's customers have meters installed to record electricity usage, and customers are sent invoices each month based on their total electricity consumption. Payments are required to be made 30 days from billing. By law, customers can accumulate two invoices without making a payment before their supply of electricity can be ceased. Customers who fail to pay a bill will receive an interest charge on their subsequent bill for amounts not paid in the preceding month. Unpaid invoices are sent to Energuate's internal collections department, and generally, Energuate will cease supplying its services when a customer repeatedly fails to make payments. Energuate records a monthly provision for doubtful accounts based on its past collection experience and management estimates regarding future collections. Amounts are written off when the collections department deems the account to be irrecoverable. In the years ended December 31, 2015 and 2014, DEORSA's collection rates were 97.6% and 97.5%, respectively, and DEOCSA's collection rates were 92.4% and 92.9%, respectively.

Power Purchase Agreements and Spot Market Purchases

Energuate purchases the electricity it distributes to its customers through PPAs with generation companies. Guatemalan distribution companies are required by the General Electricity Law to maintain PPAs with generating companies at all times to cover 100% of the maximum expected demand for the current year, as well as the next year. Should the contracted capacity and electricity under its PPAs be insufficient to meet the demand of its customers, Energuate makes purchases on the spot market. As of December 31, 2015, Energuate was party to over 100 PPAs.

The following table sets forth the supplier, the amount of contracted capacity and the expiration date of Energuate's eight largest effective PPAs.

Supplier	Contracted Capacity (MW)	Expiration Date
Jaguar Energy Guatemala LLC	200	April 2030
Instituto Nacional de Electrificación	76	April 2017
Eólico San Antonio El Sitio, Sociedad Anónima	50	April 2030
Renace, Sociedad Anónima	45	April 2030
Preexistentes	34	October 2019
Instituto Nacional de Electrificación	38	April 2030
Hidro Xacbal, Sociedad Anónima	30	April 2030
Duke Energy Guatemala y Compañía, Sociedad en Comandita por Acciones	18	April 2017

Under each of its PPAs, Energuate pays a capacity charge and an energy charge. Energuate pays a specified amount for each MW of capacity purchased under these PPAs and an electricity charge for the kWh of electricity actually consumed. Most of Energuate's PPAs also provide that the electricity charge is indexed to changes in published quotations for the type of fuel used by the generator. In addition, Energuate is required to pay certain additional costs incurred by the generators to provide electricity including connection costs, transmission tolls, additional costs imposed by the CNEE and other similar costs.

Service Standards

Pursuant to its authorizations, Energuate is required to meet specified standards with respect to the quality and delivery of the electricity distributed to its customers. The quality standards refer to the electricity's voltage levels. A breach may be deemed to have occurred when there are changes in the voltage level. A monetary fine is imposed under Energuate's authorizations for breaches exceeding certain limits, with such fines credited towards the affected consumer's next bill. Delivery standards refer to the frequency and duration of breaches in the supply of electricity.

Energuate is also required to survey its customers annually to assess their satisfaction levels. The survey covers perceived service quality, technical services (measuring interruptions or blackouts during the year) and overall customer

service. If customer satisfaction levels set by the CNEE are not achieved, Energuate may be fined. If Energuate repeatedly incurs such fines, does not pay fines that have been imposed or otherwise repeatedly provides deficient service, its authorizations may be revoked.

Energuate may be subject to other monetary fines and penalties for failure to comply with other terms of its authorization agreements. In the years ended December 31, 2015 and 2014, Energuate paid approximately \$210 thousand and \$450 thousand in fines, respectively.

The following table sets forth the results of the annual customer survey for DEORSA, DEOCSA and EEGSA, the other significant electricity distribution company in Guatemala, for the periods presented.

	For the Year Ended December 31,		
	2015	2014	2013
DEORSA			
Product Quality (%)	71.5	72.4	81.6
Technical Service (%)	70.1	70.9	77.8
Customer Service (%)	93.1	72.5	94.0
DEOCSA			
Product Quality (%)	59.9	78.3	77.6
Technical Service (%)	59.5	76.9	75.8
Customer Service (%)	88.1	76.7	91.9
EEGSA			
Product Quality (%)	78.6	86.6	87.7
Technical Service (%)	75.1	87.0	85.4
Customer Service (%)	92.1	89.5	93.7

In connection with its acquisition of Energuate, IC Power's management has established a goal to improve Energuate's customer satisfaction levels by improving service standards, reducing interruptions, and improving customer service by achieving faster response times.

Electricity Losses

Energuate experiences electricity losses in the form of technical and commercial losses. Technical losses are those that occur in the ordinary course of Energuate's distribution of electricity or those resulting from the specific characteristics of Energuate's distribution network. Commercial losses are those resulting from illegal connections, fraud or billing errors. Energuate's total electricity losses in the year ended December 31, 2015 and 2014 were 17.3% and 17.7% of its total energy received, respectively. The distribution tariffs that Energuate charges its regulated customers include a VAD component, which provides for an allowance for losses incurred in the distribution of electricity determined by the CNEE. To the extent that Energuate's electricity losses exceed the allowance contemplated in the VAD component of the distribution tariff, Energuate will bear the costs of such losses.

In connection with its acquisition of Energuate in January 2016, IC Power's management has established a goal to reduce Energuate's electricity losses. IC Power intends to reduce commercial losses through improving customer billing practices, increasing targeted inspections and meter replacements, implementing a communication program with local communities and modernizing Energuate's facilities to reduce tampering, especially in areas where electricity theft has been more prevalent, while reducing technical losses by investing in the modernization of Energuate's transmission grid and distribution system. In particular, Energuate will inspect around 10,000 specifically targeted meters each month for evidence of fraud and replace approximately 93,000 old meters each year.

Distribution Network

Electricity is transferred from supply points connected with the Guatemalan National Electricity System, to customers through Energuate's distribution system, which consists of a wide network of overhead lines, cables and substations carrying successively lower voltages. As of December 31, 2015, Energuate's distribution system included approximately 34,000 km of distribution lines, representing approximately 70% of Guatemala's installed distribution lines.

Transmission, Construction and Maintenance Services

Energuate pays tolls for transmission of electricity over the secondary transmission system. These tolls are subject to the approval of the CNEE and will expire on December 31, 2016. The cost of transmission tolls are included in the electricity charge in Energuate's tariffs, which are then passed through to Energuate's customers.

Energuate has outsourced certain construction and maintenance activities to various third parties, who provide the following services to Energuate:

- 24-hour emergency services, including call center, fault response, building security and personal security services;
- building new connections and installations;
- providing connection and disconnection services; and
- maintaining and repairing installations and equipment, including substations, transformers and meeting stations.

Seasonality

Seasonality does not have a significant impact on the demand for electricity in Energuate's service area. Demand for electricity is consistent throughout the year due to a steady number of daylight hours throughout the year and limited use of heating and air conditioning systems within Energuate's service areas.

Employees

As of December 31, 2015, Energuate had a total of 788 employees, divided into operative, administrative and customer service employees. From time to time, Energuate contracts for the service of temporary employees.

Guatemala Distribution Service Providers

The electricity distribution market in Guatemala is predominantly served by three companies: DEORSA and DEOCSA (which operate under the brand name "Energuate") and EEGSA. In addition, there are approximately 15 municipal distributors operating in the AMM. EEGSA operates in an urban and suburban service area, including the departments of Guatemala (which includes the country's capital, Guatemala City), Sacatepéquez and Escuintla and holds an authorization over the service area until 2048. DEORSA and DEOCSA are the only large distribution companies with authorizations granted to operate distribution systems in their service area, and therefore do not face significant competition for regulated customers within their service areas. However, DEORSA and DEOCSA's authorizations are non-exclusive and MEM may grant an authorization to a competing distribution company in their service areas. Given the cost of constructing a competing distribution system, IC Power does not believe any other distribution company will establish a widespread service to regulated customers in DEORSA and DEOCSA's service areas in the near- to medium-term.

Other Businesses

The acquired businesses also include Guatemel, an electricity trading company, and RECSA, a transmission company.

Guatemel

IC Power owns 100% of Guatemel, an electricity trading company that supplies large users within Guatemala's unregulated sector.

Guatemel enters into sales contracts with its customers under which it sells a specified amount of capacity to each customer. Customers are charged a capacity charge based on the amount of capacity purchased and an energy charge based on the amount of energy actually consumed. Guatemel pays transmission tolls and distribution tariffs to the transmission and distribution companies that deliver the electricity it sells to its customers, including Energuate. As of December 31, 2015 and 2014, Guatemel had agreements to supply capacity and electricity to 46 and 58 large customers, respectively, which consumed an average of 57 GWh and 74 GWh annually, respectively.

Guatemel enters into PPAs in order to obtain the capacity and electricity that it then on sells to unregulated customers. In the event that Guatemel requires capacity or electricity in excess of that supplied under its PPAs in order to meet customer demand under its sales contracts, Guatemel makes spot market purchases.

RECSA

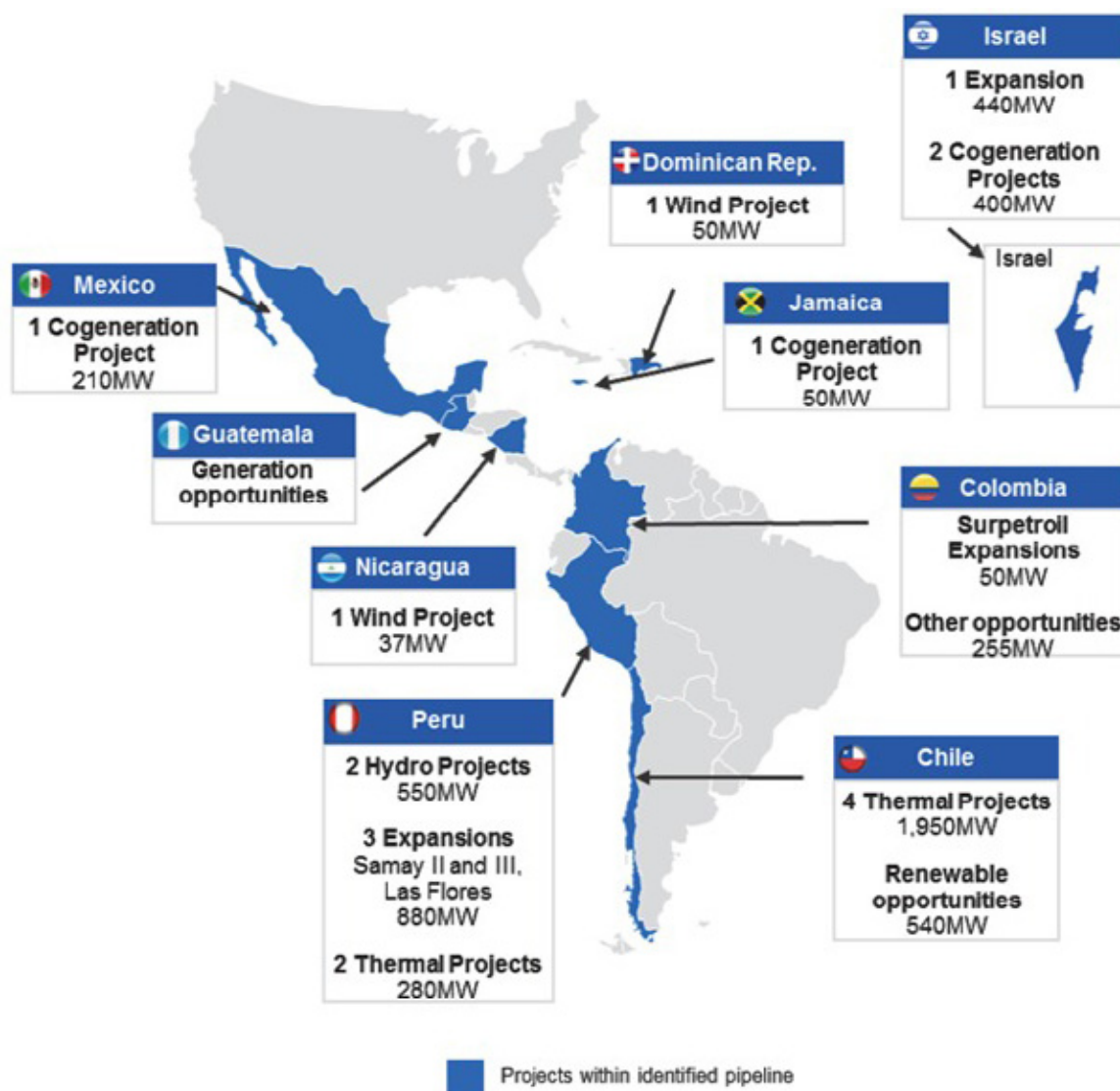
IC Power owns 100% of RECSA, an electricity transmission company that supports Guatemala's electrical system by operating 32 km of transmission lines and eight sub-stations. RECSA operates its transmission lines under a 50-year authorization granted by the Guatemalan government that will expire in 2057. Generators, transportation companies, distributors, electricity brokers and unregulated customers pay for their connection to, and use of, RECSA's transmission lines. The tolls charged for use of RECSA's lines were set by CNEE in January 2015, and will expire in January 2017.

Potential Projects

IC Power is constantly monitoring and considering development and acquisition opportunities and is currently assessing approximately 25 projects in Israel and various Latin American countries, such as Chile, Jamaica, Colombia, Mexico, Peru, the Dominican Republic, and Nicaragua. These potential projects range in size from small-scale power facilities (*e.g.*, less than 40 MW) to large-scale power facilities (*e.g.*, approximately 550 MW) and utilize different fuels and technologies, including natural gas, hydroelectric, wind, and stranded gas. In some instances, IC Power has acquired land, secured necessary licenses or rights, including temporary concessions and water rights, commissioned studies, made bids, or initiated similar actions, in connection with its assessment of the viability of the relevant project.

In addition to the Latin American opportunities that IC Power is currently considering, it also monitors opportunities in other markets. For example, in August 2015, IC Power acquired 100% of the shares of AIE from Hadera Paper for NIS 60 million (approximately \$16 million). AIE holds a conditional license for the construction of a cogeneration power station in Israel. The project is in the advanced development stage, construction is expected to commence in mid-2016, and the AIE plant is expected to reach its COD in the second half of 2018. Based upon IC Power's initial assessment, it expects that the total cost of completing the AIE plant (including the consideration for the acquisition of AIE) will be approximately \$250 million.

Set forth below is a map summarizing certain of the markets and projects that IC Power has identified for potential expansion. Development projects imply a high degree of uncertainty, and there is no guarantee that IC Power will proceed with these projects. Ultimately, notwithstanding the number of opportunities that IC Power may consider over the long- and short-terms, it will only pursue those projects that it believes will generate attractive, risk-adjusted returns over the long-term and which it believes it has the management capacity to build and operate. In addition, in some cases, IC Power may not obtain the relevant approval to develop a project. Furthermore, in many cases, IC Power will need to win tenders, obtain additional rights, permits, licenses, land purchases and water rights and may need to negotiate with counterparties or conduct valuations and environmental studies, each of which could take years to satisfy, or may not be satisfied at all. The summary below sets forth projects developed and owned by IC Power, as well as projects owned by third parties, that IC Power may be able to acquire by direct negotiations or through tender processes. This summary is not exhaustive, is only provided to show projects which IC Power is evaluating, and should not serve as an indication of any expectation regarding any final outcome:



Chile

IC Power believes that Chile is one of the most attractive power markets in Latin America, as it is characterized by a highly-efficient and investor-friendly model with a stable regulatory framework, electricity demand growth and prices which are among the highest in the region.

IC Power is constantly monitoring and assessing opportunities in Chile and, specifically, in the SIC system. The acquisitions of Colmito and Central Cardones provide IC Power with the initial footprint from which to carry out organic development strategy in this key market. Currently, IC Power has identified opportunities in the thermal and renewables segments. In the thermal segment, IC Power has already acquired lands and a 50-year land concession from the government on which it may develop thermal projects representing an installed capacity of 1,890 MW. In the renewables segment, IC Power is currently analyzing potential opportunities in the hydroelectric, wind and solar sectors. Chile represents one of the most attractive markets in Latin America, but historically it has also been one of the most challenging markets in Latin America to obtain environmental permits. As such, opportunities may take time to materialize.

Israel

Following recent government initiatives encouraging investments in the Israeli power generation market, the entrance of private developers has opened the door for a range of opportunities. IC Power believes the OPC plant, the first IPP in the country, provides it with a first-mover's advantage to further expand IC Power's presence in this fast growing, but stable market. In addition, IC Power acquired an additional plot of land adjacent to OPC, which is large enough to house another combined cycle or similar generation facility to expand OPC's capacity in the long-term, among other potential opportunities.

Mexico

Mexico is enjoying strong momentum in the energy and infrastructure sectors following market reforms in 2013 and 2014. The reform of the electricity sector has driven, and is expected to continue to drive, significant investments in new generation capacity. In addition, PEMEX, a Mexican state-owned petroleum company, has announced that it aims to reach an installed capacity of approximately 3.1 GW in the medium-term by partnering with power companies for the development of cogeneration plants. The Mexican government has also announced initiatives towards the development of significant renewable energy capacity, seeking to add approximately 4.6 GW of wind capacity over the next decade. Given the market's expected growth, strong demand and stability, IC Power has decided to open an office in Mexico which is fully dedicated to the sourcing of opportunities and IC Power hopes to materialize prospects in the short to medium term as a result of these efforts.

Colombia

Colombia's investment grade status, high growth and mature regulatory framework make Colombia similar to Peru and one of the main target countries within our strategic plan. Factors such as the attractive niche of stranded gas reserves and the proximity of such reserves to industrial areas create an appealing opportunity for us. For these reasons, IC Power's strategic acquisition of a 60% equity interest in Surpetroil, a company that utilizes stranded natural gas reserves, serves as an important entry point into the Colombian market. By having a local presence in the market, IC Power has been able to identify new opportunities, such as a large project portfolio of small-scale stranded gas and mini-hydros, that it is currently pursuing.

Peru

Peru, IC Power's current core market, represents an attractive geography for further expansion, especially in the hydro segment. Peru has one of the fastest growing economies in Latin America, with a strong outlook for power demand coupled with a mature regulatory framework and a well-run power system. For these reasons, Peru remains a key growth focus for IC Power and it has several opportunities under various states of development in this country. In the hydro segment, IC Power has secured land and is pursuing environmental approval for two hydroelectric projects with a combined capacity of approximately 550 MW. In addition to hydro, IC Power has also identified other opportunities such as two cold reserve projects in the thermal segment. IC Power believes its strong presence in the Peruvian market gives it a competitive advantage at the time of materializing opportunities, helping to identify and assess new developments in advance of other market participants.

In addition, IC Power may pursue opportunities to expand the installed capacity of its existing operating assets and assets in advanced stages of construction in Peru. For example, the Samay I plant, which, as of December 31, 2015, was 98% constructed, will operate as a cold reserve plant with diesel and is expected to have an installed capacity of 600 MW upon its COD in the second quarter of 2016. Once natural gas becomes available to the facility through the Gasoducto Sur Peruano (which the pipeline's developers are obligated to complete by 2018), the Samay I plant will operate as a natural gas-fired power plant and will be able to do so without us making any additional investments in Samay I's facilities. When fueled by natural gas, the Samay I plant will have an installed capacity of 720 MW. Finally, following an additional investment in the conversion of the Samay I plant, which IC Power has not committed to make, the Samay I plant could operate as a combined cycle thermoelectric plant, which would increase Samay I's installed capacity to approximately 1,080 MW.

Furthermore, IC Power may pursue opportunities to increase the installed capacity of the Las Flores plant, which has the environmental approvals and a permit to increase its installed capacity through the construction of a 190 MW gas-fired expansion. In addition, Las Flores has sufficient space to locate a combined-cycle expansion on its existing premises. Following the gas-powered expansion and an additional investment in the conversion of the Las Flores plant, neither of which IC Power has committed to do, the Las Flores plant could operate as a combined cycle thermoelectric plant, reflecting an increase in capacity by 400 MW from 193 MW to 593 MW.

IC Power applies a disciplined approach to evaluating and pursuing any development projects. First, it endeavors to construct projects by entering into turnkey EPC agreements that define the total project cost and transfer significant part of the risks of construction delays and cost overruns to its EPC contractors. Second, IC Power seeks to secure a revenue stream as early as possible in the development process of its plants by sourcing and entering into long-term PPAs, which provide IC Power's development projects with verifiable projected margins and cash flows before construction has commenced. Finally, IC Power leverages its EPC contracts and PPAs to secure long-term project financing agreements which are generally standalone, secured, project-specific and with no or limited recourse. IC Power has not entered into EPC agreements, PPAs or financing agreements in connection with these potential projects.

IC Power's Generation Customers

IC Power's generation businesses' customers include governments, local distribution companies, and/or non-regulated customers, depending upon the operating company and the particular country of operation. IC Power's generation companies seek to enter into long-term PPAs with power purchasers. In 2015, approximately 89% of IC Power's capacity and energy sales were pursuant to long-term PPAs, although IC Power operates in challenging jurisdictions that subject it to numerous regulatory or counterparty risks, including risks related to asset nationalizations or delayed payments. Additionally, the majority of IC Power's capacity has been contracted for sale, according to long-term agreements. For example, in 2015, Kallpa signed 7 long-term PPAs with various distribution companies and non-regulated clients for the sale of electricity (which accounts for most of its current generation capacity) and Kallpa has committed to sell over 50% of its available energy (in MWh) in every year through 2021.

In attempting to limit the effects of such counterparty risks, each of IC Power's generation companies analyzes the creditworthiness and financial strengths of its various counterparties during the PPA negotiations as well as during the life of the agreement. Where the creditworthiness of the power purchaser is deemed to be below standard, various contractual agreements and structures are negotiated (such as letters of credit, liquidity facilities, and government guarantees) to provide the credit support.

Under the terms of most of IC Power's generation businesses' PPAs, the power purchaser is contractually obligated to purchase energy, and sometimes capacity and/or ancillary services, from the power generator based upon a base price (denominated either in U.S. Dollars or in the local currency) that is adjusted for (i) fluctuations in exchange rates, (ii) the U.S. inflation index, (iii) a local inflation index, (iv) fluctuations in the cost of operating fuel, (v) supply of natural gas, (vi) transmission costs and/or (vii) spot prices in the case of an interruption of the supply or transportation of natural gas. Many of these PPAs differentiate between peak and off-peak periods. Utilizing PPAs allows IC Power's generation companies to lock in gross margins and provides IC Power and its generation companies with earnings stability.

The following table sets forth a summary of the significant PPAs for IC Power's generation companies as of December 31, 2015:

<u>Company</u>	<u>Principal Customer</u>	<u>Commencement</u>	<u>Expiration</u>	<u>Contracted Capacity² (MW)</u>
<u>Operating Companies and Associated Company</u>				
Peru Segment				
Kallpa	Edelnor S.A.A., Luz del Sur S.A.A., Hidrandina S.A., Edecañete S.A.A., Electosureste S.A., Seal S.A. ³	January 2014	December 2021	350
	Edelnor S.A.A., Luz del Sur S.A.A., Hidrandina S.A., Electosureste S.A., Seal S.A., Electrosur S.A. ⁴	January 2014	December 2023	210
	Sociedad Minera Cerro Verde S.A.A. ⁵	January 2011	December 2020	140
	Compañía Minera Antapaccay S.A. ⁶	November 2011	December 2025	100
	Southern Perú Copper Corporation	April 2017	April 2027	120
Israel Segment				
OPC ⁷	PPA with Israel Electric Corporation ⁸	July 2013	June 2032	440
AIE	Hadera Paper	August 2015	September 2018	12
	Hadera Paper	September 2018	August 2036	40
Central America Segment				
Corinto	Distribuidora de Electricidad del Norte S.A., Distribuidora de Electricidad del Sur S.A.	June 1999	December 2018	50
Tipitapa Power	Distribuidora de Electricidad del Norte S.A., Distribuidora de Electricidad del Sur S.A.	April 1999	December 2018	51
Amayo I and Amayo II	Distribuidora de Electricidad del Norte S.A.,	March 2009	March 2024	40
	Distribuidora de Electricidad del Sur S.A.,	March 2010	March 2025	23
Nejapa	Seven distribution companies	August 2013	January 2018	71
	Seven distribution companies	August 2013	July 2017	39
	Seven distribution companies	January 2015	December 2017	30
Puerto Quetzal	Empresa Electrica de Guatemala,	October 2015	April 2016	14
	Comegsa	January 2013	April 2017	20/30
	CCEESA	September 2015	December 2017	12
	MEL	February 2013	December 2017	15
Other Segment				
COBEE ⁹	Minera San Cristóbal	December 2008	October 2017	43
Colmito	ENAP Refinerías S.A.	January 2014	December 2017	35
JPPC	Jamaica Public Services Company	January 1998	January 2018	60
Surpetroil	GEOPARK	December 2015	December 2016	7
	PETROSUD	March 2015	June 2018	2
Pedregal	Empresa de Distribución Eléctrica Metro-Oeste, S.A.,	February 2013	December 2016	25
	Empresa de Distribución Eléctrica Chiriquí, S.A.			
	Elektra Noreste, S.A.	February 2013	December 2016	13
	Empresa de Distribución Eléctrica Metro-Oeste, S.A.,	January 2014	December 2016	5
	Empresa de Distribución Eléctrica Chiriquí, S.A.			
CDA	Elektra Noreste, S.A.	January 2014	December 2016	2
	<u>Assets in Advanced Stages of Construction</u>			
	ElectroPerú	H1 2016 ¹⁰	December 2030	200
	Luz del Sur S.A.A. ¹¹	January 2018	December 2027	202
Samay I	Edelnor S.A.A.	January 2022	December 2031	81
	Peruvian Investment Promotion Agency	May 2015	April 2035	600
Kanan	Empresa de Distribución Eléctrica Chiriquí (EDECHI)	December 2015	December 2020	7
	Empresa de Distribución Eléctrica Elektra Nor Este S.A. (ENSA)	December 2015	December 2020	34
	Empresa de Distribución Eléctrica Metro Oeste S.A. (EDEMET)	December 2015	December 2020	45

1. Many of IC Power's PPAs, excluding OPC's PPAs, provide for payment in, or are linked to, the U.S. Dollar. The majority of the PPAs are indexed to the price of the corresponding power plant's operating fuel prices in U.S. Dollars. Although OPC's PPAs are not linked to the U.S. Dollar, IEC, who has contracted to purchase all of OPC's energy and capacity, purchases its gas pursuant to an agreement which, as a result of a number of other factors, ties IEC's gas purchases to the U.S. Dollar.
2. Where a range is presented, contracted capacity varies monthly for the duration of the PPA.
3. Kallpa executed 14 PPAs, two PPAs with each of the following seven entities: (i) Edelnor S.A.A., (ii) Luz del Sur S.A.A., (iii) Edecañete S.A., (iv) Electrosur S.A., (v) Electro Sur Este S.A.A., (vi) Sociedad Eléctrica del Sur Oeste S.A. and (vii) Electro Puno S.A.A. Each of Electrosur S.A. and Electro Puno S.A.A. assigned their PPAs to Hidrandina S.A. in August 2012 and in October 2012, respectively. The 350 MW capacity represents the aggregate contracted capacity among these 14 PPAs.
4. Kallpa executed 12 PPAs, two PPAs with each of the following six entities: (i) Edelnor S.A.A., (ii) Luz del Sur S.A.A., (iii) Electrosur S.A., (iv) Electro Sur Este S.A.A., (v) Electro Puno S.A.A. and (vi) Sociedad Eléctrica del Sur Oeste S.A. Electro Puno S.A.A. assigned its PPAs to Hidrandina S.A. in October 2012. The 210 MW capacity represents the aggregate contracted capacity among these 12 PPAs.
5. A subsidiary of Freeport McMoRan, Inc.
6. A subsidiary of Glencore Xstrata.
7. OPC's PPAs provide for payment in New Israeli Shekels.
8. The terms of the IEC PPA provide OPC with the option to allocate and sell the generated electricity of the power station directly to end users. OPC has exercised this option and sells its energy and capacity directly to 24 end users as of December 31, 2015 (22 end users as of December 31, 2014), who primarily consist of Israeli industrial companies, such as Oil Refineries Limited and Granit Group. OPC has entered into PPAs with end users which cover a range of 5 MW to 107 MW of capacity, with each PPA covering, on average, 25 MW of capacity. As of December 31, 2015, the weighted average remaining life of OPC's PPAs with end users based on firm capacity is seven years. For further information on the IEC PPA, see *"Regulatory, Environmental and Compliance Matters—Regulation of the Israeli Electricity Sector."*
9. In December 2011, the Bolivian government amended the applicable law to prohibit generation companies from entering into new PPAs. As a result, COBEE will be unable to extend or replace its current PPA, under which it has contracted 19% of its capacity, when it expires in October 2017. For further information on risks related on IC Power's inability to renew, enter into, or replace long-term PPAs, see *"Item 3.D Risk Factors—Risks Related to IC Power—IC Power's generation companies may not be able to enter into, or renew existing, long-term contracts for the sale of energy and capacity, contracts which reduce volatility in IC Power's results of operations."*
10. Subject to an adjustment in connection with a delay in the completion of the CDA plant's construction.
11. Represents capacity under three separate PPAs.

IC Power's Raw Materials and Suppliers

IC Power's power facilities utilize either natural gas, hydroelectric, HFO, diesel, wind, solar or a combination of the aforementioned energy sources. The price volatility, availability and purchase price of these materials (other than wind and hydroelectricity) depend upon the specific fuel and the market in which the fuel is to be used.

Kallpa, IC Power's largest asset, is party to several supply agreements, including natural gas supply agreements and transportation services agreements that are material to its operations. While Nejapa and CEPP purchase the HFO necessary for their operations in the El Salvador and Dominican spot markets, respectively, JPPC, Nejapa, Corinto, Tipitapa and Puerto Quetzal purchase the HFO necessary for their operations from several fuel suppliers in connection with long-term supply agreements. The sole provider of natural gas in Bolivia is a government-owned company. Therefore, the terms for transmission and delivery of natural gas to COBEE are set by government decree.

Natural Gas Supply and Transportation Agreements

Kallpa purchases its natural gas requirements for its generation facilities from the Camisea Consortium, composed of Pluspetrol Peru Corporation S.A., Pluspetrol Camisea S.A., Hunt Oil Company of Peru L.L.C. Sucursal del Perú, SK Corporation Sucursal Peruana, Sonatrach Peru Corporation S.A.C., Tecpetrol del Perú S.A.C. and Repsol Exploración Peru Sucursal del Perú, which we collectively refer to as the Camisea Consortium, pursuant to a natural gas exclusive supply agreement. Under this agreement, the Camisea Consortium has agreed to supply Kallpa's natural gas requirements, subject to a daily maximum amount, and Kallpa has agreed to acquire natural gas exclusively from the Camisea Consortium. The Camisea Consortium is obligated to provide a maximum of 4.3 million cubic meters of natural gas per day to Kallpa's plant and Kallpa is obligated to purchase a minimum of 2.2 million cubic meters of natural gas per day. Should Kallpa fail to consume the contractual minimum volume on any given day, it may make up the consumption volume shortage on any day during the following 18 months. The price that Kallpa pays to the Camisea Consortium for the natural gas supplied is based upon a base price in U.S. Dollars set on the date of the agreement, indexed each year based on two producer price indices: Fuels and Related Products Power Index and Oil Field and Gas Field Machinery Index, with discounts available based on the volume of natural gas consumed. This agreement expires in June 2022.

Kallpa's natural gas transportation services are rendered by Transportadora de Gas del Peru S.A., or TGP, pursuant to a natural gas firm transportation agreement dated December 2007, as amended. In April 2014, this agreement was further

modified to include the transportation agreement between Duke Energy Egenor S. en C. por A. and Las Flores. Pursuant to the modified agreement, TGP is obligated to transport up to 3.4 million cubic meters of natural gas per day from the Camisea Consortium's delivery point located at the Camisea natural gas fields to Kallpa's facilities. This obligation will be reduced, first, by approximately 199,312 cubic meters per day beginning in March 2020 and, second, 206,039 cubic meters per day beginning in April 2030. This agreement expires in December 2033. Additionally, Kallpa is party to two additional gas transportation agreements, to become effective at the completion of the expansion of TGP's pipeline facilities (which is expected to occur between March 2016 and September 2016). Pursuant to these agreements, TGP will be obligated to transport up to 565,130 cubic meters of natural gas per day and 935,000 cubic meters of natural gas per day, respectively, from the Camisea Consortium's delivery point located at the Camisea natural gas fields to Kallpa's facilities. These agreements expire in April 2030 and April 2033, respectively. Additionally, on April 1, 2014, Kallpa entered into an agreement with TGP to cover the period up to the completion of the expansion of TGP's pipeline facilities. Pursuant to this agreement, TGP is obligated to transport up to 120,679 cubic meters of natural gas per day from the Camisea Consortium's delivery point located at the Camisea natural gas fields to Kallpa's facilities. Pursuant to the terms of each of these agreements, Kallpa pays a regulated tariff approved by the OSINERGMIN.

Set forth below is a summary of the natural gas transportation services under each of the two agreements:

Periods	Firm	Interruptible
Initial Date of Dispatch	3,474,861	1,329,593
Initial Date of Dispatch - 3/20/20	4,854,312	764,463
3/20/20 - 1/1/21	4,655,000	764,463
1/2/21 - 3/31/30	4,655,000	530,000
4/1/30 - 3/31/33	3,883,831	1,301,169
4/1/33 - 12/31/33	2,948,831	1,301,169

OPC purchases natural gas from the Tamar Group, composed of Noble Energy Mediterranean Ltd., Delek Drilling Limited Partnership, Isramco Negev 2 Limited Partnership, Avner Oil Exploration Limited Partnership and Dor Gas Exploration Limited Partnership, or collectively, the Tamar Group, pursuant to a natural gas exclusive supply agreement dated November 2012. Under this agreement, the Tamar Group has agreed to supply OPC's natural gas requirements, subject to a contractual maximum amount of 10.6 billion cubic meters, and OPC has agreed to acquire its natural gas exclusively from the Tamar Group.

The price that OPC pays to the Tamar Group for the natural gas supplied is based upon a base price in New Israeli Shekels set on the date of the agreement, indexed to changes in the "Production Cost" tariff, which is part of the "Time of Use" tariff and the U.S. Dollar representative exchange rate. As a result, increases or decreases in the EA's generation tariff have a related effect on OPC's cost of sales and margins. In addition, the natural gas price formula in OPC's supply agreement is subject to a floor mechanism. As a result of previous declines in the EA generation component tariff, OPC began to pay the ultimate floor price in November 2015. Therefore, the September 2015 decline and any further declines in the EA generation component tariff, will not result in a corresponding decline in OPC's natural gas expenses, and will therefore lead to a greater decline in OPC's margins, which may have a material adverse effect on OPC's business, results of operations and financial condition. For information on the risks associated with the impact of the EA's generation tariff on OPC's supply agreement with the Tamar Group, see "*Item 3.D Risk Factors—Risks Related to IC Power—The production and profitability of IPPs in Israel may be adversely affected by changes in Israel's regulatory environment.*"

OPC's agreement with the Tamar Group expires upon the earlier of June 2029 or the date on which OPC consumes the entire contractual capacity. For information on the Israeli Natural Gas Council's resolution regarding the pro rata distribution of natural gas in the event of gas shortages in Israel, see "*—Regulatory, Environment and Compliance Matters—Regulation of the Israeli Electricity Sector.*"

OPC's agreement with the Tamar Group provides for the curtailment of OPC's gas supply in the event of insufficient gas supply, and notes that certain other Tamar Group customers have priority over OPC for supply and may therefore not be curtailed even if OPC were curtailed. However, in December 2012, the Israeli Natural Gas Council issued Resolution No. 6/2012, or the Gas Authority Resolution, with respect to the regulation of the usage of capacity of the natural gas pipeline from the Tamar rig in case of a shortage of capacity of the gas pipeline, and such regulation differs from the provision included in OPC's agreement with the Tamar Group. IC Power believes that the pro-rata mechanism stipulated in the Gas Authority Resolution may increase the gas volume delivered to OPC pursuant to OPC's agreement with the Tamar Group in the event of gas pipeline capacity shortages. The manner in which the Gas Authority Resolution would be implemented, if at all and, if implemented, its potential effect on OPC's agreement with the Tamar Group, if any, remains unknown.

The Tamar Group has, in the past, worked on the expansion of the transmission capacity of natural gas from the Tamar gas field, which expansion will eventually increase the pipeline capacity from the platform to the shore, and to the transmission system. However, following delays in the Israeli Anti-Trust Authority's approval of, among others, Noble, a part owner and the operator of the Tamar lease as a result of Noble's cross holdings in additional gas fields (primarily the Leviathan gas field), Noble announced that it was suspending all of its projects in Israel, including the Tamar expansion project, until all regulatory issues were resolved. On August 16, 2015, a revised natural gas framework arrangement between the Tamar Group, the Leviathan group, and the Israeli government was approved by the Israeli government. Pursuant to such arrangement, new IPPs may now, among other things, select to purchase gas at a base price which reflects the average price paid by the three major conventional IPPs—Dorad, Dalia Power Energies and OPC. In response to petitions filed against the natural gas framework arrangement, on March 27, 2016, the Supreme Court of the State of Israel affirmed the natural gas framework arrangement, with the exception of the stability provisions (which, subject to certain conditions, protected the Tamar Group and the Leviathan Group from future regulatory changes). The Supreme Court concluded that the Israeli government should provide stability assurances and provisions through an alternate legal mechanism and indicated that provided the Israeli government had one year to resolve this matter. Once such matter has been resolved, Noble is expected to continue with the Tamar expansion project (together with the Tamar Group) and the development of the Leviathan field (together with the Leviathan group). In the event that the Tamar expansion project is not completed, the possible result could be a lack of pipeline capacity in the future, which could result in the curtailment of OPC's gas supply.

HFO and Diesel Supply

IC Power's operating companies that rely on HFO and diesel obtain their supply of HFO and diesel either through acquisitions on the spot market or pursuant to short- to medium-term supply agreements. The supply agreements that IC Power's operating companies enter into for HFO and diesel are generally linked to the Platts, McGraw Hill Financial Index.

IC Power's Competition

IC Power's major competitors in the Latin American and Caribbean countries in which its generation companies operate are generally the large international power utility corporations operating in these countries. Local competitors also exist in each of these countries and account for varying market shares, depending upon the country of interest. Within Israel, IC Power's major competitors are IEC, Dorad Energy Ltd., a private power generator, and other private developers who, as a result of recent government initiatives encouraging investments in the Israeli power generation market, are constructing power stations with significant capacity.

Set forth below is a discussion of competition among power generation companies in certain of IC Power's markets of operation. For a discussion of Energuate's competition, see "*Distribution Operations—Energuate—Guatemala Distribution Service Providers.*"

Peru

In Peru, power generation companies compete along a number of dimensions, including the ability to (i) source and enter into long-term PPAs with power purchases, (ii) source and secure land for the development or expansion of additional power generation plants, (iii) source and secure natural gas to fuel power generation stations, (iv) win tenders by the Peruvian government to build cold, or other generation supply, reserve plants, and (v) maintain or increase market share in the growing Peruvian electricity market, particularly in connection with the balance of energy supply and demand within Peru. In Peru, IC Power competes with state-owned generation companies (although their relative weight in the market has been diminishing over time since the privatization process started in the 1990s), as well as large international and domestic generators.

The following table sets forth the quantity of energy generated by each of the principal generation companies in Peru for the periods presented:

Company	Gross Energy Generation					
	For the Year Ended December 31,					
	2015		2014		2013	
	(GWh)	Market Share (%)	(GWh)	Market Share (%)	(GWh)	Market Share (%)
Kallpa Generación S.A.	5,166	11.60	5,920	14.17	5,459	13.76
Edegel ¹ (a subsidiary of Enel)	8,370	18.79	8,848	21.17	8,700	21.93
EnerSur S.A. (a subsidiary of Engie S.A.)	7,172	16.10	7,098	16.98	7,719	19.46
ElectroPerú S.A. (a state-owned generation company)	7,172	16.10	7,041	16.85	7,272	18.33
Duke Energy Egenor S. en C. por A ² (a subsidiary of Duke Energy Corp)	2,648	5.95	2,534	6.06	2,727	6.87
Other generation companies	14,012	31.46	10,351	24.77	7,793	19.65
Total	44,540	100.0	41,792	100.0	39,670	100.0

1. Includes Edegel and Chinango S.A.C.
2. Includes Egenor and Termoselva S.R.L.

Israel

Until OPC commenced commercial operations in July 2013, IEC operated as the sole large-scale provider of electricity in Israel. In May 2014, Dorad Energy Ltd. became the second IPP to commence commercial operations in Israel, adding a capacity of 860 MW to the Israeli electric market. In July 2015, the first of two units of the power plant of Dalia Power Energies commenced commercial operations. In September 2015, the second unit reached its COD, adding, together with the first unit, 910 MW to the Israeli electric market. Several other IPPs are in the process of constructing power plants, and are expected to commence commercial operations in the coming years. As of the date of this annual report, IEC has not published generation and energy and capacity sales information for IPPs.

Nicaragua

The electricity market in Nicaragua is served by a variety of generation companies, including (1) ICPNH, (2) ALBA de Nicaragua, S.A. (ALBANISA), (3) PENSA Proyecto Eléctrico de Nicaragua, S.A., (4) Enel SpA and (5) Generadora de Occidente, Ltda. ICPNH competes with each of these companies for the right to supply capacity and energy to distribution companies and other unregulated customers as well as exports to SIEPAC.

The following table sets forth the quantity of energy generated by each of the principal generation companies in Nicaragua for the periods presented:

Company	Gross Energy Generation For the Year Ended December 31,					
	2015		2014		2013	
	(GWh)	Market Share (%)	(GWh)	Market Share (%)	(GWh)	Market Share (%)
ICPNH	1,095	24.88	1,099	26.71	1,085	28.03
ALBA de Nicaragua, S.A. (ALBANISA)	886	20.13	745	18.11	535	13.82
PENSA Proyecto Eléctrico de Nicaragua, S.A.	451	10.24	430	10.45	424	10.95
Enel SpA	283	6.42	354	8.60	435	11.23
Generadora de Occidente, Ltda.	370	8.42	266	6.47	258	6.66
Other generation companies	1,316	29.91	1,220	29.65	1,134	29.29
Total	4,401	100.0	4,114	100.0	3,871	100.0

Guatemala

The electricity market in Guatemala is served by a variety of generation companies, including (1) Puerto Quetzal, (2) El Instituto Nacional de Electrificación (Inde), (3) Energías San José S.A., and (4) Duke Energy Guatemala y Cia, S.C.A. Puerto Quetzal competes with each of these companies for the right to supply capacity and energy to distribution companies and other unregulated customers, as well as ancillary services to the grid. In addition, Puerto Quetzal competes directly, or through its trading arm Poliwatt Limitada, for the export of energy and capacity to various countries in SIEPAC.

The following table sets forth the quantity of energy generated by each of the principal generation companies in Guatemala for the periods presented:

Company	Gross Energy Generation For the Year Ended December 31,					
	2015		2014		2013	
	(GWh)	Market Share (%)	(GWh)	Market Share (%)	(GWh)	Market Share (%)
Puerto Quetzal	673	6.53	490	4.67	514	5.38
El Instituto Nacional de Electrificación (Inde)	1,969	19.11	3,159	30.09	2,763	28.91
Energías San José, S. A.	1,045	10.14	970	9.24	916	9.58
Duke Energy Guatemala y CIA, S. C. A.	675	6.55	872	8.31	905	9.47
Other generation companies	5,940	57.66	5,007	47.69	4,460	46.66
Total	10,302	100.0	10,498	100.0	9,558	100.0

El Salvador

The electricity market in El Salvador is served by a variety of generation companies, including (1) Nejapa, (2) Comisión Ejecutiva Hidroeléctrica del Río Lempa, a state-owned generation company whose primary generation facilities are hydroelectric plants, (3) LaGeo S.A. de C.V., a state-owned generation company whose primary generation facilities are geothermal plants, (4) Duke Energy International, a subsidiary of Duke Energy Corp., (5) Inversiones Energéticas, S.A. de C.V., and (6) Termopuerto, S.A. de C.V. Nejapa competes with each of these companies for the right to supply capacity and energy to distribution companies and other unregulated customers, as well as for exports to SIEPAC.

The following table sets forth the quantity of energy generated by each of the principal generation companies in El Salvador for the periods presented:

Company	Gross Energy Generation For the Year Ended December 31,					
	2015		2014		2013	
	(GWh)	Market Share (%)	(GWh)	Market Share (%)	(GWh)	Market Share (%)
Nejapa	440	7.97	376	6.08	458	7.37
Comisión Ejecutiva Hidroeléctrica del Río Lempa	1,349	24.43	1,718	27.76	1,790	28.81
LaGeo S.A. de C.V.	1,432	25.93	1,558	25.17	1,560	25.11
Duke Energy International	853	15.43	821	13.26	826	13.29
Inversiones Energéticas, S.A. de C.V.	491	8.89	574	9.27	599	9.64
Termopuerto, S.A. de C.V.	493	8.93	476	7.69	303	4.88
Other generation companies	465	8.42	667	10.77	677	10.90
Total	5,523	100.0	6,188	100.0	6,211	100.0

Panama

The electricity market in Panama is served by a variety of generation companies, including (1) Pedregal, (2) ACP, (3) AES Panamá, S.R.L., (4) Celsia SA ESP and (5) Enel Fortuna, S.A. Pedregal competes with each of these companies for the right to supply capacity and energy to distribution companies and other unregulated customers, as well as for exports to SIEPAC.

The following table sets forth the quantity of energy generated by each of the principal generation companies in Panama for the periods presented:

Company	Gross Energy Generation For the Year Ended December 31,					
	2015		2014		2013	
	(GWh)	Market Share (%)	(GWh)	Market Share (%)	(GWh)	Market Share (%)
Pedregal	356	3.31	405	4.40	420	4.79
ACP	828	7.70	1,029	11.18	551	6.28
AES Panamá, S.R.L.	2,497	23.22	1,993	21.66	2,160	24.63
Celsia SA ESP	1,444	13.43	1,565	17.00	1,750	19.95

Enel Fortuna, S.A.	1,658	15.42	1,130	12.28	1,224	13.96
Other hydros	1,777	16.53	1,473	16.00	1,191	13.58
Other thermal	1,047	9.74	1,311	14.25	1,408	16.05
Solar & wind	428	3.97	189	2.05	—	
EOR	17	0.16	108	1.17	68	0.78
Total	<u>10,752</u>	<u>100.0</u>	<u>9,203</u>	<u>100.0</u>	<u>8,772</u>	<u>100.0</u>

Bolivia

The electricity market in Bolivia is primarily served by a variety of generation companies, including COBEE, Guaracachi, Valle Hermoso and Corani. Prior to May 2010, Guaracachi was a subsidiary of Rurelec Plc, Valle Hermoso was a subsidiary of the Bolivian Generating Group, and Corani was a subsidiary of Engie. In May 2010, the Bolivian government nationalized each of these generation companies and began negotiations with the owners of these generation companies with respect to the compensation to be paid for these assets. In October 2011, the Bolivian government reached compensation settlements related to the nationalization of Valle Hermoso and Corani, and in 2014, reached compensation settlements related to the nationalization of Guaracachi.

The following table sets forth the quantity of energy generated by each of the principal generation companies in Bolivia for the periods presented:

Company	Gross Energy Generation For the Year Ended December 31,					
	2015		2014		2013	
	(GWh)	Market Share (%)	(GWh)	Market Share (%)	(GWh)	Market Share (%)
COBEE	1,081	12.97	1,086	13.86	1,160	15.17
Guaracachi	1,999	23.98	2,078	26.52	2,104	28.63
Valle Hermoso	1,070	12.84	1,457	18.59	1,318	17.94
Corani	938	11.25	923	11.78	930	12.66
Other generation companies	3,247	38.96	2,292	29.25	1,836	24.99
Total	8,335	100.0	7,837	100.0	7,348	100.0

Chile (SIC)

The electricity market in Chile is served by a variety of generation companies, including (1) Central Cardones, (2) Colmito, (3) Endesa and (4) Colbún. We compete in the SIC system, Chile's largest power system, with each of these companies for the right to supply capacity and energy to distribution companies and other unregulated customers. A transmission line is under construction to connect the SIC with SING, Chile's second largest power system. Once completed, we also expect to compete with power plants in the SING system.

The following table sets forth the quantity of energy generated by each of the principal generation companies in SIC for the periods presented:

Company	Gross Energy Generation For the Year Ended December 31,					
	2015		2014		2013	
	(GWh)	Market Share (%)	(GWh)	Market Share (%)	(GWh)	Market Share (%)
Central Cardones	4	0.01	—	—	—	—
Colmito	27	0.05	6	0.01	46	0.09
Endesa S.A.	11,759	22.23	12,312	23.58	15,184	29.88
Colbún S.A.	11,805	22.32	12,170	23.31	10,363	20.39
AES Gener S.A.	5,047	9.54	5,296	10.14	5,420	10.67
Empresa Eléctrica Guacolda S.A.	4,548	8.60	4,889	9.36	5,115	10.06
Empresa Eléctrica Pehuenche S.A.	2,980	5.63	3,006	5.76	2,583	5.08
Other generation companies	16,731	31.63	14,531	27.83	12,109	23.83
Total	52,901	100.0	52,210	100.0	50,820	100.0

Dominican Republic

The power and electricity market in the Dominican Republic is served by a variety of generation companies, including (1) CEPP, (2) affiliates of AES Corp., which own one combined-cycle plant fueled by natural gas and two open-cycle plants fueled by natural gas, as well as equity interests in two plants fueled with coal, (3) Empresa de Generación Hidroeléctrica Dominicana, a state-owned generation company whose primary generation facilities are hydroelectric plants, (4) Empresa Generadora de Electricidad Haina, S.A., (5) Compañía de Electricidad de San Pedro de Macorís, (6) Gas Natural SDG, S.A. (Gas Natural Fenosa), (7) Transcontinental Capital Corp. (Bermuda) Ltd (Seaboard), and (8) Consorcio Laesa Ltd. CEPP competes with each of these companies for the right to supply capacity and energy to distribution companies and other unregulated customers.

The following table sets forth the quantity of energy generated by each of the principal generation companies in the Dominican Republic for the periods presented:

Company	Gross Energy Generation					
	For the Year Ended December 31,					
	2015	Market Share (%)	2014	Market Share (%)	2013	Market Share (%)
	(GWh)		(GWh)		(GWh)	
CEPP	298	1.99	242	1.80	339	2.45
Affiliates of AES Corp.	5,311	35.48	5,443	40.40	5,075	36.62
Empresa de Generación Hidroeléctrica Dominicana	2,688	17.96	1,260	9.35	1,860	13.42
Empresa Generadora de Electricidad Haina, S.A.	1,006	6.72	2,731	20.27	1,739	12.55
Compañía de Electricidad de San Pedro de Macorís	934	6.23	113	0.84	290	2.09
Gas Natural SDG, S.A. (Gas Natural Fenosa)	1,012	6.76	919	6.82	1,096	7.91
Transcontinental Capital Corp. (Bermuda) Ltd (Seaboard)	842	5.62	1,006	7.47	1,330	9.60
Consorcio Laesa Ltd	612	4.09	471	3.50	737	5.32
Other generation companies	2,287	15.28	1,285	9.54	1,391	10.04
Total	14,970	100.0	13,470	100.0	13,857	100.0

Colombia

The electricity market in Colombia is served by a variety of generation companies, including (1) Surpetroil, (2) Empresas Públicas de Medellín E.S.P, (3) Emgesa S.A. E.S.P, (4) Isagen S.A. E.S.P and (5) Generadora y Comercializadora de Energía del Caribe S.A. E.S.P. Surpetroil competes with each of these companies for the right to supply energy and reliability to distribution companies and other non-regulated customers. Surpetroil also competes in the off-grid generation market.

The following table sets forth the quantity of energy generated by each of the principal generation companies in Colombia for the periods presented:

Company	Gross Energy Generation					
	For the Year Ended December 31,					
	2015	Market Share (%)	2014	Market Share (%)	2013	Market Share (%)
	(GWh)		(GWh)		(GWh)	
Surpetroil	43	0.06	23	0.04	22	0.04
Empresas Públicas de Medellín E.S.P	13,994	21.03	13,626	21.18	14,518	23.34
Emgesa E.SP	13,749	20.66	13,691	21.28	12,877	20.70
Isagen S.A. E.SP	12,821	19.27	10,609	16.49	10,322	16.60
Generadora y Comercializadora de Energía del Caribe S.A. E.S.P.	6,972	10.48	7,508	11.67	6,834	10.99
Other generation companies	18,970	28.51	18,871	29.34	17,624	28.34
Total	66,548	100.0	64,328	100.0	62,197	100.0

IC Power's Seasonality

Within the Latin American and the Caribbean countries in which IC Power operates, power is generally generated by hydroelectric or thermal power stations. The hydroelectric stations are an efficient source of power generation due to the cost

savings of fuel associated with thermal power generation. The power generated by these hydroelectric power stations varies in accordance with the rainy seasons and rainfall patterns of each country in each year. For example, greater amounts of hydroelectric power are dispatched between November and April in Peru—the Peruvian rainy season—than between May and October, when the volumes of rainfall declines and operators have less water available for electricity generation in the reservoirs serving their plants. However, greater amounts of hydroelectric power are dispatched between May and October in El Salvador—the Salvadorian rainy season—than between November and April, when the volumes of Salvadorian rainfall declines and the hydroelectric units have less water available for electricity generation. El Salvador’s hydroelectric plant is also subject to annual variations depending on climactic conditions, such as the El Niño phenomenon. For the same reasons, the volume of power generated by thermal power stations is also variable. Furthermore, IC Power’s Nicaraguan assets which rely on wind generate less volume of power during the Nicaraguan rainy season between May and October, as those months tend to experience less wind. Accordingly, IC Power’s revenues are subject to seasonality, the effects of rainfall, and the type of energy generated in each country of operation (whether hydroelectric or thermal, and whether generated using natural gas, HFO or diesel). Although IC Power acts to reduce this exposure to seasonality by contracting long-term PPAs for most of its capacity, this effect cannot be completely neutralized.

Within Israel, electricity demand is sensitive to temperatures and tends to be greater in the summer season (July to August) because of the use of air conditioners and in the winter season (December to February) because of the use of heating devices, as compared with the other months of the year. As a result, the tariffs in the winter and summer seasons are higher than those in the transition seasons, making Israeli power generators, such as OPC, more profitable, generally, in the winter and summer months, as compared to other months of the year. These seasonal increases are partially offset by an increase in fuel costs during those periods. For further information on the seasonality of tariffs in Israel, see “—IC Power’s Industry Overview—Israel.”

For a discussion of the seasonality of Energuate, see “—Distribution Operations—Energuate—Seasonality.”

IC Power’s Property, Plants and Equipment

The following table provides certain information regarding IC Power’s power plants that are owned, leased or under construction, as of December 31, 2015:

<u>Company/Plant</u>	<u>Location</u>	<u>Installed Capacity</u> (MW)	<u>Fuel Type</u>
<u>Operating Companies</u>			
Peru Segment			
Kallpa:			
Kallpa I, II, III and IV	Chilca district, Peru	870	Natural gas (combined cycle)
Las Flores	Chilca district, Peru	193	Natural gas
Kallpa Total		1,063	
Israel Segment			
OPC	Mishor Rotem, Israel	440	Natural gas and diesel (combined cycle)
AIE ¹	Hadera, Israel	18	Steam
Central America Segment			
ICPNH			
Corinto	Chinandega, Nicaragua	71	HFO
Tipitapa Power	Managua, Nicaragua	51	HFO
Amayo I	Rivas, Nicaragua	40	Wind
Amayo II ¹	Rivas, Nicaragua	23	Wind
ICPNH Total		185	
Puerto Quetzal	Escuintla, Guatemala	179	HFO
Nejapa	Nejapa, El Salvador	140	HFO
Other Segment			
CEPP	Puerto Plata, Dominican Republic	67	HFO
COBEE:			
Zongo Valley plants:			
Zongo	Zongo Valley, Bolivia	11	Hydroelectric
Tiquimani	Zongo Valley, Bolivia	9	Hydroelectric
Botijlaca	Zongo Valley, Bolivia	7	Hydroelectric
Cutichucho	Zongo Valley, Bolivia	23	Hydroelectric
Santa Rosa	Zongo Valley, Bolivia	18	Hydroelectric
Sainani ²	Zongo Valley, Bolivia	10	Hydroelectric

<u>Company/Plant</u>	<u>Location</u>	<u>Installed Capacity (MW)</u>	<u>Fuel Type</u>
Chururaqui	Zongo Valley, Bolivia	25	Hydroelectric
Harca	Zongo Valley, Bolivia	26	Hydroelectric
Cahua	Zongo Valley, Bolivia	28	Hydroelectric
Huaji	Zongo Valley, Bolivia	30	Hydroelectric
		187	
<i>Miguillas Valley plants:</i>			
Miguillas	Miguillas Valley, Bolivia	4	Hydroelectric
Angostura	Miguillas Valley, Bolivia	6	Hydroelectric
Choquetanga	Miguillas Valley, Bolivia	6	Hydroelectric
Carabuco	Miguillas Valley, Bolivia	6	Hydroelectric
		22	
El Alto-Kenko	LaPaz, Bolivia	19	Natural gas
COBEE Total		228	
Central Cardones	Copiapó, Chile	153	Diesel
Colmito	Concón, Chile	58	Natural gas and diesel
JPPC	Kingston, Jamaica	60	HFO
Surpetroil			
La Hocha	Huila, Colombia	3	Natural gas
Purificación	Tolima, Colombia	10	Natural gas
Entrerios	Casanare, Colombia	2	Natural gas
Geopark	Casanare, Colombia	5	Natural gas
Surpetroil Total		20	
<u>Assets in Advanced Stages of Construction</u>			
CDA	Huancavelica, Peru	510	Hydroelectric
Samay I	Mollendo, Peru	600	Diesel and natural gas
Kanan	Colon, Panama	92	HFO

1. AIE also holds a conditional license for the construction of a cogeneration power station in Israel. This station will be developed as a greenfield project (at an expected cost of \$250 million, including the acquisition price of AIE), based upon a plant with 135 MW of capacity. Construction is expected to commence in mid-2016 and COD is expected in the second half of 2018.
2. Wind farm complex sustained damage in December 2014 in connection with a blackout in the Nicaragua's National Interconnection System, which left one wind turbine collapsed and another two wind turbines with severe damage. The three damaged turbines, which represent 10% of all of IC Power's installed capacity at the Amayo I and II plants, were replaced and were operational in early 2016. Between the contracted operator and IC Power's insurance provider, IC Power expects that there will be sufficient funds to cover the replacement and business interruption costs resulting from the damaged turbines.

In addition:

- Cenérgica owns three fuel storage tanks on site with an aggregate capacity of 240,000 barrels and maintains a fuel depot and marine terminal located on a 6.5 hectare site that IC Power leases in Acajutla, El Salvador;
- IC Power was awarded a tender published by the Chilean government for a lease of land in Northern Chile, which is intended for the construction of a power station with a capacity of about 350 MW; and
- IC Power was awarded a tender published by the Israel Land Authority to lease an approximately 592,000 square foot plot adjacent to the OPC site, which can be utilized to extend OPC's capacity in Israel.

For further information regarding IC Power's plants, see "*—IC Power's Description of Operations.*"

IC Power believes that it has satisfactory title to its plants and facilities in accordance with standards generally accepted in the electric power industry, other than title to certain land on which CEPP's facilities are located. With respect to CEPP, the Dominican Corporation of State Electricity Companies (*Corporación Dominicana de Empresas Eléctricas Estatales*) has transferred the land titles on which CEPP's facilities are located to CEPP and CEPP is in the process of obtaining the definitive titles documenting CEPP's appointment as the beneficiary.

For a discussion of Energuate's property, plant and equipment, see "*—Distribution Operations—Energuate—Distribution Network.*"

IC Power leases its principal executive offices in Lima, Peru and various other office space in the markets that it serves. IC Power owns all of its production facilities, other than Kallpa I, Kallpa II, Kallpa III and Las Flores power plant. IC Power leases the Kallpa I, Kallpa II and Kallpa III facilities under capital leases as described in “*Item 5.B—Liquidity and Capital Resources—IC Power’s Liquidity and Capital Resources—IC Power’s Material Indebtedness—Kallpa Leases.*”

IC Power believes that all of its production facilities are in good operating condition. As of December 31, 2015, the consolidated net book value of IC Power’s property, plant and equipment was \$2,972 million.

Maintenance and Spare Parts

IC Power’s operating subsidiaries regularly perform comprehensive maintenance on their facilities, including maintenance to turbines, engines, generators, transformers, the balance of plant and substations, as well as civil works maintenance. Maintenance is typically performed according to a predefined schedule at fixed intervals, based on running hours or otherwise according to manufacturer or engineering specifications. Maintenance is either performed by IC Power’s trained employees, or is outsourced to third party contractors. In some cases, IC Power’s operating subsidiaries have entered into long-term service agreements for their maintenance.

Each of IC Power’s operating subsidiaries has arrangements to obtain spare parts, as necessary. IC Power’s operating subsidiaries generally purchase their spare parts from the OEMs, as well as from other suppliers. In some cases, these operating subsidiaries have entered into long-term supply contracts for spare parts.

For a discussion of maintenance services received by Energuate, see “*—Distribution Operations—Energuate—Transmission, Construction and Maintenance Services.*”

Insurance

IC Power carries insurance for its plants against material damage and consequent business interruption through comprehensive “all-risks” insurance policies. These all-risk insurance policies provide for total replacement values of \$2.4 billion for property damage and \$563 million for business interruption and are renewed annually, with the most recent renewal occurring in December 2015. Specifically, Kallpa and OPC plants are covered by insurance policies which provide for total replacement values of \$734 million and \$400 million for property damages per year, respectively, and \$265 million and \$120 million for business interruption damages per 18-month period, respectively. In some cases, IC Power relies on insurance policies in the event that any of its plants sustain damages or experience business interruptions as a result of the actions of, or a breach under the relevant agreement by, suppliers, customers or other third parties whose liability obligations are contractually limited. IC Power’s insurance coverage is underwritten by some of the largest international reinsurance companies, including Mapfre S.A., Munich Re, Zurich Insurance Group Ltd, ACE Limited, American International Group, Inc., Allianz SE and Swiss Re Ltd, among others.

The material damage insurance for IC Power’s operations provides insurance coverage for losses due to accidents resulting from fire, explosion and machinery breakdown, among others. This coverage has a maximum indemnification limit of \$600 million per event (combined material damage and business interruption coverage). These policies have deductibles of up to \$2 million, depending on the plant.

The business interruption coverage under each of these policies provides insurance for losses resulting from interruptions due to any material damage covered by the policy. The losses are covered until the plant production is fully re-established, with maximum indemnity periods ranging from 12 to 30 months.

IC Power carries insurance for CDA to protect against certain risks associated with this project. IC Power carries a (1) construction all-risk policy with a limit of \$679 million, (2) consequent delay in start-up policy with a limit of \$180 million with a 24-month indemnity period, and (3) third-party liability policy with a limit of \$25 million.

IC Power carries insurance for Samay I to protect against certain risks associated with this project. IC Power carries a (1) construction all-risk policy with a limit of \$320 million, (2) consequent delay in start-up policy with a limit of \$86 million with a 18-month indemnity period, and (3) third-party liability policy with a limit of \$40 million.

IC Power does not anticipate having any difficulties in renewing any of its insurance policies and believe that its insurance coverage is reasonable in amount and consistent with industry standards applicable to energy generation companies operating in the same markets.

Employees

As of December 31, 2015, IC Power had a total of 1,309 employees. All of IC Power's employees are employed on a full-time basis, and are usually divided into one of the following functions: plant operation and maintenance, administrative support, corporate management, budget and finance, legal and project management.

The table below sets forth breakdown of employees by main category of activity and by segment as of the dates indicated:

	As of December 31,		
	2015	2014	2013
Number of employees by category of activity:			
Plant operation and maintenance	894	842	445
Administrative support	305	310	159
Corporate management, budget and finance	38	33	23
Other, including project management	72	50	32
Total	1,309	1,235	659
Number of employees by segment:			
Peru	230	182	149
Israel	66	61	58
Central America	389	443	127
Other	624	549	325
Total	1,309	1,235	659

IC Power does not employ a material number of temporary employees.

For a discussion of Energuate's employees, see "*Distribution Operations—Energuate—Transmission, Construction and Maintenance Services.*"

As of December 31, 2015, approximately 23% of IC Power's employees were unionized, representing a significant portion of its employees in Israel, Bolivia and Jamaica. As of December 31, 2015, approximately 45% of OPC's employees were represented by Histadrut Labor Federation, the general federation of labor in Israel, approximately 72% of COBEE's employees were represented by the Sindicato Unico de Trabajadores de Luz y Fuerza COBEE and approximately 27% of JPPC's employees were represented by Union of Technical Administrative and Supervisory Personnel. We negotiate a collective bargaining with each union on an annual basis. In June 2015, COBEE's facilities in Bolivia experienced a brief strike, which did not result in a work stoppage and did not have a material effect on IC Power's operations.

As IC Power's operations are subject to various hazards, IC Power's management places a high priority on, and closely monitors, the health and safety of its employees. IC Power has installed policies, procedures and training programs to reduce workplace accidents at each of its operating companies.

Additionally, IC Power has a competitive compensation structure for its employees and the managers of each of its operating subsidiaries. Compensation for such managers typically consists of a base salary, as well as a year-end bonus, which is based on the personal performance of the manager and the performance of the relevant operating subsidiary.

Shareholders' Agreements

IC Power holds a majority stake in most of its operating companies—Kallpa, OPC, CEPP, Central Cardones, Surpetroil, Corinto, Tipitapa Power, Amayo I, Amayo II, CDA, and Samay I—and a non-controlling interest in Pedregal. The operations of these companies are subject to shareholders' and/or member agreements. Although the terms of each of these shareholder and member agreements vary, they generally provide, in certain circumstances and subject to certain conditions: (1) each shareholder with the right to elect a specified number of directors and/or appoint specified executive officers; (2) for the distribution of dividends in proportion to each shareholder's equity interest; (3) the minority shareholder with veto rights with respect to significant corporate actions (e.g., mergers, share issuances, the amendment of governing documents, and the entry into PPAs or other contracts in excess of a specified value) and certain approval protocol with respect to the budget of the relevant company; (4) each party with a right of first refusal with respect to any potential sale of equity interests in the relevant company; and (5) specifications of additional equity contributions, if any.

Additionally, IC Power and Energía del Pacífico, the minority shareholder in each of Kallpa, Samay I, and CDA, have agreed that each of IC Power and Energía del Pacífico submits projects related to generation or transmission of energy in Peru to Kallpa and will not develop such projects other than through Kallpa. Similarly, IC Power has provided tag-along rights to Mr. Yesid Gasca Duran, the minority shareholder in Surpetroil, with respect to any new projects which IC Power may develop or acquire in Colombia.

Legal Proceedings

Set forth below is a discussion of a significant legal proceeding to which IC Power's subsidiary is party. As of the date of this annual report, IC Power is not party to any other significant legal proceedings.

Kallpa—Import Tax Assessments

Since 2010, SUNAT has issued tax assessments to Kallpa and its lenders (as lessors under the Kallpa leases) for payment of import taxes allegedly owed by Kallpa and its lenders in connection with the engineering services related to the EPC contractors of Kallpa I, II, III and IV. The assessments were made on the basis of the allegation that Kallpa and its lenders should have included the value of the engineering services rendered by the contractor of the relevant project in the tax base of the imported equipment for the import taxes. Kallpa disagrees with these tax assessments on the grounds that the engineering services rendered to design and build the power plant are not part of the value of the imported goods but a separate service for which Kallpa paid its corresponding taxes because all such equipment, according to SUNAT's allegation, could be deemed a plant with respect to the unit in connection with which it was imported. Kallpa and its lenders disputed the tax assessments before SUNAT and, after SUNAT confirmed the assessments, appealed before the Peruvian Tax Administrative Court, or the Tribunal Fiscal, except for the assessment of Kallpa IV.

In January 2015, Kallpa and its lenders were notified that the Tribunal Fiscal had rejected their appeal in respect of the Kallpa I assessment. Kallpa and its lenders disagreed with the Tribunal Fiscal's decision and challenged this decision in the Peruvian courts. In order to challenge the Kallpa I ruling, Kallpa and its lenders were required to pay the tax assessment of Kallpa I in the aggregate amount of approximately \$12.3 million, which amount consists of the tax assessment for Kallpa I, plus related interest and fines. In April 2015, Kallpa and its lenders made the final payment (under protest) regarding Kallpa I's tax assessment in order to appeal the administrative ruling of the Tribunal Fiscal in the judicial system. Kallpa has reimbursed the lenders for each of the amounts due under the terms and conditions set forth in the operation agreement dated July 31, 2008, as amended, by and among Citibank del Perú S.A., Citileasing S.A., Banco de Crédito del Perú, Scotiabank Perú, and Kallpa. To the extent that the appeal is successful, Kallpa and its lenders will be entitled to seek the return of the amounts paid to SUNAT. A decision of the Tribunal Fiscal of the appeals in respect of the Kallpa II and III assessments is still pending.

As of December 31, 2015, the total tax exposure related to claims by SUNAT against Kallpa and its lenders in connection with the importation of equipment related to the Kallpa I, II, III and IV projects, equaled approximately \$31.2 million, including interest and fines.

In January 2016, SUNAT issued a ruling in favor of Kallpa, releasing Kallpa from substantially all claims and associated fines related to Kallpa IV, as SUNAT concluded that the Kallpa IV unit could not be deemed a plant and therefore, the engineering services rendered in connection with the Kallpa IV project could not be incorporated into the value of the imported equipment.

Regulatory, Environmental and Compliance Matters

In Latin America, Central America and the Caribbean, where IC Power primarily operates, the electricity market allows for sale and delivery of power from power generators (private or government owned) to distribution companies (private or government owned) and to industrial (i.e., unregulated) consumers. In these countries there is typically structural segregation of power generation companies and transmission and distribution companies. In most of these countries there is a government-owned power grid and transmission services are provided on open access basis, i.e. the transmission company must transmit power through the grid and in exchange, charges a transmission rate set by the supervisory authority or based on a competitive proceeding or regulated tariff. Whereas in these markets private and government-owned entities compete for power generation, its transmission and distribution are conducted subject to exclusive franchises; therefore, the transmission and distribution operations are regulated in markets in which IC Power operates.

In these countries, delivery and sale of power is subject to a regulatory regime (typical of privatized electricity markets) which includes supervision by an independent supervisory entity for the electricity market. For further information on the regulatory risks related IC Power's operations, see "*Item 3.D Risk Factors—Risks Related to IC Power—IC Power's equipment, facilities, operations and new projects are subject to numerous environmental, health and safety laws and regulations.*"

Regulation of the Peruvian Electricity Sector

In Peru, power is generated by companies which primarily operate hydroelectric and natural gas based power stations. The general electricity laws in Peru form the statutory framework governing the electricity market in Peru and cover, among other things:

- generation, transmission, and distribution and trading of electricity;
- operation of the energy market; and
- generation prices, capacity prices and other tariffs.

All entities that generate, transmit or distribute power to third parties in Peru operate subject to the general electricity laws in Peru. Power generating companies in Peru, such as Kallpa, are impacted by, among other things, regulation applicable to transmission and distribution companies.

Although significant private investment has been made in the electricity market in Peru and independent supervisory entities have been created to supervise and regulate the electricity market, the State of Peru has remained, in actual fact, in the role of supervisor and regulator. In addition, the State of Peru owns multiple power generation and distribution companies in Peru, although their market participation has diminished over time and face significant legal restrictions to engage in new projects or investments.

Regulatory Entities

There are five entities in charge of regulation, operation and supervision of the electricity market in Peru in general, and of IC Power's operations in Peru, in particular:

MINEM—The Ministry of Energy and Mines, responsible for:

(a) setting national energy policy; (b) proposing and adopting laws and regulations to supervise the energy sector; (c) controlling expansion plans for SEIN; (d) approving proposed expansion plans by COES; (e) promoting scientific research and investment in energy; and (f) granting concessions or authorizations, as applicable, to entities to operate in power generation, transmission or distribution in Peru.

OSINERGMIN—the Supervisor Body of Investment in Energy and Mining is an independent governmental regulatory agency responsible, among other things, for:

(a) supervising compliance of different entities with laws and regulations concerning power generation, transmission, distribution and trading; (b) setting transmission (electricity and natural gas) and distribution (electricity and natural gas) tariffs; (c) setting and enforcing price levels in the electricity market in Peru and setting tariffs for customers subject to regulated tariffs; (d) imposing fines and compensations for violations of the laws and regulations; (e) handling claims made by, against or between consumers and players in the electricity market; (f) supervising public tenders with regard to PPAs between generation companies and distribution companies for the supply to regulated consumers; and (g) supervising operations of COES.

Generation tariffs for the sale of energy by generation companies to distribution companies are generally determined based on tenders where OSINERGMIN sets a cap price that is not disclosed to participants except when the respective bid is unsuccessful because no party has made an offer below such price cap. In addition, OSINERGMIN annually specifies energy prices, known as the regulated tariff, which is used by market participants only in exceptional situations, as most of the PPAs with distribution companies are based on the results of the tenders. OSINERGMIN also determines the annual capacity prices used in agreements between generation companies and distribution companies, as well as in the spot market.

COES—the Committee for the Economic Operation of the System is an independent private entity composed of qualified participants undertaking activities in the SEIN (*i.e.*, electric power generators, transmission companies, distributors and major non regulated users) which is responsible, among others, for:

(a) planning and co-ordination of the power generation system for all power generation and transmission units, in order to ensure reliable generation at minimum cost; (b) setting spot market prices based on marginal cost; (c) managing the clearing house of the spot market transactions between generation companies (excess and shortage of actual generation vs. demand pursuant to PPAs); (d) allocating firm capacity and firm energy to generation units; (e) submitting proposals to OSINERGMIN for issuing regulatory standards, including technical standards and procedures used as guidelines for carrying out COES directives; (f) determining on a monthly basis the amounts owed between generators as consideration for energy injected into the grid and for ancillary services; and (g) proposing expansion plans for the transmission grid.

INDECOPI—the Antitrust and Intellectual Property Authority in Peru.

OEFA—the governmental body responsible for the power stations compliance with the environmental regulations.

Generation Companies

Since 1992, the Peruvian market has been operating based upon a “marginal generation cost” system. Such system is embedded in the general electricity laws of Peru and is administrated by COES. In such capacity the COES has as its main mandate to satisfy all the demand of electricity at any given time (i.e., periods of 15 minutes each) with the most efficient generation assets available at such time, independently of contractual arrangements between generators and their clients. For such purpose, the COES determines which generation facilities will be in operation at any given time with the objective of minimizing the overall system energy cost. Energy units are dispatched (i.e., ordered by the COES to inject energy into the system) on a real-time basis; units with lower variable generation costs are dispatched first and other less efficient generation units will be ordered to dispatch until the electricity demand is satisfied.

The variable cost for the most expensive generation unit dispatching in each 15-minute time period determines the spot price of electricity in said time period. Generally, the variable cost used for dispatch is audited by the COES, based on actual fuel costs, the plant efficiency, and variable maintenance costs. However, as natural gas supply and transportation contracts contain high levels of take-or-pay, the calculation of variable costs for these units is not straightforward. As a result, generators with power plants utilizing natural gas are allowed to declare the variable cost of their plants once a year and such declared cost may differ from the actual cost of such plant and this declaration will be the variable cost applicable for dispatch purposes for the next 12 months, being the declared cost part of the commercial strategy of the corresponding generator.

The spot market price is determined by the COES and is the price at which generation companies sell or buy power on the spot market during each 15-minute period. All injections and withdrawals of electricity are valued at the spot market price of the 15-minute period when they are made. Any generation companies with excess generation over energy sold pursuant to PPAs in each 15-minute interval, sell their excess energy at spot prices to generation companies with lower generation than their contractual obligations under PPAs for that time period. COES defines, on a monthly basis, the amounts that are owed by each generator with a net “buyer” position to generators with a net “seller” position. Generators with a net seller position directly invoice and collect from generators with a net buyer position the amounts liquidated by COES, respectively, not being COES involved in the payment procedure or providing any form of payment guarantee. Distribution companies and regulated consumers cannot purchase power off the grid at spot prices. Distribution companies must enter into agreements that guarantee offtakes of regulated consumers located in their concession areas. Regulated consumers must enter into agreements with distribution companies or, in the case of a large consumer, may contract directly with power generation companies.

Power generation companies are also paid capacity fees by SEIN, based on their firm capacity and other variables. Capacity transactions are subject to Law 25844. This law stipulates a methodology for calculating the capacity payments for each generation unit. Firm capacity calculation varies by type of technology, but is principally based upon the unit’s effective capacity and its ability to supply energy continuously during the peak hours of the dry season, and also taking into consideration the historic availability statistics of the unit. Capacity payments are based primarily upon the unit’s firm capacity and the regulated capacity price, but it is also affected by other variables, such as the expected supply-demand balance, the approved reserve margin, and the merit order of the generation unit. PPAs are commercial agreements, independent of actual allocation of generation or actual provision of availability. Generation companies that generate over any 15-minute period insufficient energy to satisfy the supply obligations under their PPAs purchase in the spot market the energy required to satisfy such supply obligations, based on COES procedures, from other generation companies with excess generation or availability during any such period. The energy price for those transactions is the spot price, and the capacity price is regulated and set by OSINERGMIN. Due to short term constraints in the gas supply and power transmission systems, which were generating distorting price signals in the spot market, the Peruvian government issued Emergency Decree 049-2008, extended by Emergency Decree 079-2010 and Law 30115. Pursuant to this decree, COES is required to simulate energy spot prices without accounting for limitations due to shortage in supply and transportation of natural gas and for limitations on the transmission system. The latter scheme caps spot prices at a maximum amount of S/. 0.3135 per megawatt hour. Generation companies with units that are called to dispatch that have a variable cost higher than the spot price determined pursuant to the referenced

emergency decree are compensated for the difference in their cost by transmission surcharges imposed on all end consumers of the SEIN (*i.e.*, regulated and non-regulated customers) and collected by distribution companies. As of the date of this annual report, the aforementioned government decree will be in force until December 2016. Emergency decrees are legislative statutes that are exceptionally issued by the executive branch of the Peruvian government which can only be issued on circumstances and in areas specified in the Peruvian Constitution and are effective for a limited time period.

Sales of electricity under PPAs are not regulated unless they involve sales to distribution companies for resale to regulated customers. The latter PPAs are subject to price caps set by OSINERGMIN prior to the corresponding public bidding process where generators submit their bids. Generation and distribution companies may also enter into contracts resulting from a direct negotiation and not a bidding process, but only when the regulated tariff approved by OSINERGMIN is applicable. As with capacity transactions under PPAs, the financial settlement of energy transactions under PPAs is independent of the actual dispatch of energy by any particular generation unit. Generators accrue receivables from the counterparties to their PPAs based on the contract price in their PPAs and the amount of energy delivered from the SEIN, irrespective of the amount of energy that was produced by the generator counterparty to the PPA. The COES's dispatch of generation units in the SEIN is designed to satisfy the demand of electricity of the SEIN at any given time in the most efficient manner possible and the COES is not under any obligation to dispatch a particular generation unit to fulfill a generator's PPA commitments.

The general electricity laws of Peru require generators with an installed capacity in excess of 500 kW that use renewable energy sources to obtain a definitive generation concession, and generators with an installed capacity in excess of 500 kW that use thermal energy sources to obtain a generation authorization. A concession for electricity generation activity is granted by the State of Peru acting through the MINEM and embedded in an agreement between the generator and the MINEM, while an authorization is merely a unilateral permit granted by the MINEM. Authorizations and concessions are granted by the MINEM for an unlimited period of time and their termination, respectively, is subject to the same considerations and requirements under the procedures set forth in the Law 25844 and related regulations. However, according to Legislative Decree 1221, the concessions granted as a result of an investment promotion process will have a term of up to 30 years.

The definitive concession allows its titleholder to use public lands and infrastructure, and obtain easements imposed by the MINEM (in lieu of easements agreed with the owner of the affected land plots) for the construction and operation of generation plants, substations or transmission lines and distribution networks, as applicable. The definitive concession is granted by a ministerial resolution issued by the MINEM. Also, definitive concessions for generation with renewable energy sources, with an installed capacity equal to or less than 10 MW are granted by resolution of the Energy and Mines Regional Directorate (*Dirección Regional de Energía y Minas*) of the corresponding regional government. In all cases a definitive concession involves the execution of a concession agreement under the form of a public deed. The concession agreement is based on a standard form and is recorded in the public registries.

Under the general electricity laws in Peru, the titleholders of authorizations have most of the rights and benefits of concessionaires and have basically, the same obligations than concessionaires.

Definitive concessions and authorizations may be terminated by relinquishment or breach upon the occurrence of certain termination events set forth in Law 25844 and upon completion of a procedure regulated by the general electricity laws in Peru. Termination events include: (i) failure to provide evidence of registration of the concession agreement in the public registry within the term of twenty business days following such registration; (ii) non-compliance with the schedule for completion of the project included in the concession agreement, unless otherwise authorized by the MINEM due to force majeure; (iii) failure to operate for at least 876 hours during a calendar year, without justified cause; and (iv) failure by the concessionaire, after being penalized, to operate the facilities in accordance with COES' operative regulations, unless otherwise authorized by the MINEM by justified reasons. The termination procedure for breach of the project schedule may be suspended by the concessionaire upon delivery of a new project schedule that is guaranteed with a performance bond, thereby providing a mechanism that in practice substantially reduces the risk of termination for such cause. According to Legislative Decree 1221, this guaranteed schedule will be approved only once.

Without prejudice to the above, Law 25844 provides that if the State of Peru declares the termination of a definitive concession for a reason different from those mentioned above (*i.e.*, termination at will), the concessionaire shall be indemnified at the present value of the net cash flow of future funds generated by the concession's activities, using the discount rate set forth in article 79 of such law (12% on an annual basis). As of the date of this annual report, IC Power believes no concession has been terminated by the Peruvian government invoking its authority to terminate at will.

Termination of a definitive concession is declared by a ministerial resolution issued by MINEM. In such case, MINEM shall ensure the continuity of the operation of the generation plant by appointing a temporary administrator of the assets (*intervención*), until the concession is transferred to a new concessionaire. MINEM shall appoint a consultant to make a valuation of the concession and its assets, elaborate the corresponding bidding rules and organize a tender procedure. MINEM

shall award the definitive concession to the best bid offered. The product of the tender shall be used to pay the costs of the temporary administration, the costs of the tender procedure, and any balance shall be allocated in favor of the former concessionaire. The procedure for termination of an authorization is similar to that of a concession. IC Power believes that no definitive concession or authorization of a project that actually started construction or operation has been terminated, as of the date of this annual report.

Transmission Companies

Transmission in the SEIN grid is operated by the individual companies that conform the transmission system and is centrally coordinated by COES. Expansion plans for the transmission grid are proposed by COES to MINEM for final approval; prior to executing the COES expansion plan, the Peruvian government prepares the transmission plan. Transmission companies who wish to participate in construction of the transmission system specified in the expansion plan are required to submit their bid for a tender organized by the Peruvian Agency for the Promotion of Private Investments (*ProInversión*). The transmission company awarded the tender may operate the line over the term of its concession (usually 30 years) and would be eligible to receive tariff payments paid by all the final users in the SEIN, as specified in the tender document and incorporated into its concession contract. The group of transmission lines created pursuant to such tenders after 2006 are known as “guaranteed transmission lines.” Transmission lines not included in plans such as the aforementioned, independently constructed by transmission companies after 2006, are known as “complementary transmission lines”; tariffs for use of these lines are determined by OSINERGMIN and are paid based upon actual use.

Transmission lines created prior to 2006 are categorized into two groups. Transmission lines available for use by all generation companies are categorized as principal transmission lines; transmission lines only used by specific generation or distribution companies and only available to these generation companies are categorized as secondary transmission lines. Both the Kallpa and Las Flores facilities transmit the power generated by their plants through secondary transmission lines built prior to 2006, which then connect to primary and guaranteed transmission lines.

Distribution Companies

According to the general electricity laws in Peru, distribution companies are required to provide energy to regulated customers at regulated prices. Distribution companies may also provide energy to customers not subject to regulated prices—pursuant to PPAs. As of the date of this annual report, the only private distribution companies holding a distribution concession are: Luz del Sur, Edelnor, Edecañete, Electro Dunas and Coelvisac. These five companies distributed 73% of all energy distributed by distribution companies in Peru in 2014. The remainder of power is sold by state-owned entities.

Prior to July 2006, pricing in all contracts between generation companies and distribution companies with respect to sale of power to end customers at regulated prices, included energy tariffs composed of payment for capacity, energy and transmission, as determined by OSINERGMIN. Distribution companies sell energy on the regulated market at cost plus an additional distribution charge known as VAD. After July 2006, most of the agreements result from tenders in which generation companies bid prices. Bid prices include payment for capacity and energy.

The energy purchased by distribution companies from generation companies at regulated prices pursuant to old PPAs accounted for less than 56% of total purchasing in 2014—and is expected to decrease in coming years.

Since July 2006, pursuant to Law 28832, contracts to sell energy to distribution companies for resale to regulated customers may be made at fixed prices based on public bids of generation companies or at regulated prices set by the OSINERGMIN. After the bidding process is concluded, a distribution company will be entitled to purchase energy from the winning bidder at the bid price for the life of the relevant PPA. The prices obtained through the public bid process are subject to a maximum energy price set by the OSINERGMIN prior to bidding. If all the bids are higher than the price set by the OSINERGMIN, the public bids are disregarded and no PPA will be awarded. The process may be repeated until the prices that are offered are below the cap set by the OSINERGMIN for each process.

Regulated tariffs are annually set by OSINERGMIN through a public procedure conducted by the Adjunct Manager’s Office for Tariff Regulation (*Gerencia Adjunta de Regulación Tarifaria*) and are effective from the month of May of each year. During this process, the OSINERGMIN will take into account a proposal delivered by the COES.

The price components of the regulated tariffs are: (i) the regulated price of energy; (ii) the capacity price in peak hours; and, (iii) the transmission toll, and are calculated considering the following:

- a projection of demand for the next 24 months, considering generation and transmission facilities scheduled to start operations during such period. The projection assumes, as a constant, the cross-border (*i.e.*, Ecuador) supply and demand based on historical data of transactions in the last year;
- an operations program that minimizes the operation and rationing costs for the period taking into account the hydrology, reservoirs, fuel costs and a rate of return (*Tasa de Actualización*) of 12% annual. The evaluation period includes a projection of the next 24 months and the 12 months precedent to March 31 of each year considering historic data;
- a forecast of the short-term marginal costs of the expected operations program, adapted to the hourly blocks (*bloques horarios*) established by OSINERGMIN;
- determination of the basic price of energy (*precio básico de la energía*) for the hourly blocks of the evaluation period, as a weighted average of the marginal costs previously calculated and the electricity demand, updated to March 31 of the corresponding year;
- determination of the most efficient type of generation unit to supply additional power to the system during the hour of maximum peak demand during the year (*demanda máxima anual*) and the annual investment costs, considering a rate of return of 12% on an annual basis;
- the base price of capacity in peak hours (*precio básico de la potencia de punta*) is determined following the procedure established in the general electric laws of Peru, considering as a cap the annual investment costs (which include connection and operation and maintenance costs). An additional margin to the basic price shall be included if the reserve of the system is insufficient;
- calculation of the nodal factors of energy (*factores nodales de energía*) for each bar of the system. The factor shall be equal to 1.00 for the bar where the basic price is set;
- the capacity price in peak hours (*precio de la potencia de punta en barra*) is calculated for each bar of the system, adding to the basic price of capacity in peak hours the unit values of the Transmission Toll and the Connection Toll referred to in Article 60 of Law 25844; and
- the bus bar price of energy (*precio de energía en barra*) is calculated for each bar of the system, multiplying the nodal basic price of energy (*precio básico de la energía nodal*) of each hourly block by the respective nodal factor of energy.

Peruvian Energy Policy 2010-2040

The Energy Policy 2010-2040 was approved by Supreme Decree 064-2010-EM. By this document, the Peruvian government set forth the following objectives in order to improve the energy market:

- develop a diversified energy matrix, based on renewable energy resources and efficiency. The government, among other measures, will prioritize the development of efficient hydroelectric projects for electricity generation;
- competitive energy supply. One of the main guidelines is to promote private investment in energy projects. The Peruvian government has a subsidiary role in the economy as mandated by the Peruvian Constitution;
- universal access to energy supply. Among other guidelines, the Peruvian government shall develop plans to ensure the supply of power and hydrocarbons;
- promote a more efficient supply chain and efficient energy use. Comprises promoting the automation of the energy market through technological repowering;
- achieve energy self-sufficiency. For such purpose, the Peruvian government will promote the use of energy resources located in the country;
- develop an energy sector with minimal environmental impact and low carbon in a sustainable development framework. Promote the use of renewable energy and eco-friendly technologies that avoid environmental damage and promote obtaining Certified Emission Reductions, or CERs, by the energy projects developed;

- strengthen the institutional framework of the energy sector. Maintain a legal stability intended to promote development of the sector in the long term. Likewise, simplification and optimization of administrative and institutional structure of the sector will be promoted;
- regional market integration for a long-term development. Regional interconnection agreements will permit the development of infrastructure for energy uses; and
- developing the natural gas industry and its use in household activities, transportation, commerce and industry as well as efficient power generation.

Regulation of the Nicaraguan Electricity Sector

The electricity market in Nicaragua is subject to the Nicaraguan Electrical Industry Law and regulations based thereupon, which apply to the electricity sector and the wholesale power market. The Electrical Industry Law is subject to supervision by local authorities.

The regulation of the Nicaraguan electricity market governs three sectors of the electricity market, which are vertically unbundled: generation, transmission and distribution. Units which use renewable resources, such as wind, geothermal and biomass, are dispatched with priority over thermal units. Transmission is administered by a government-owned company and distribution is carried out by a sole private company, which is subject to regulated prices.

The power pricing mechanism in Nicaragua is based on a free market where generation companies compete for dispatch, and the spot price is determined on an hourly basis, based on marginal cost and considering the last unit dispatched in such hour. All power generation companies are required to obtain a license from the Nicaragua's Ministry of Energy and Mines for the right to generate and sell power to the national grid. Generation companies can sell energy to distribution companies or to non-regulated clients.

Regulation of the Salvadorian Electricity Sector

Through July 2011, the electricity market in El Salvador was based on purchase and sale of power by competitive price tenders by generation companies. In August 2011, the electricity market in El Salvador was re-structured and is now essentially similar to electricity markets in other Latin American countries in which IC Power operates. Currently, generation units are dispatched based on the variable cost thereof, and prices are determined by the variable cost of the most expensive unit operating. Due to this change, local distribution companies have issued a first tender for purchase of power over a two- to three-year term. In conjunction with this tender, Nejapa was awarded a contract to provide 71 MW over a four- to five-year term, through January 2018 and a 39 MW PPA over a four-year period until July 2017.

Regulation of the Bolivian Electricity Sector

The electricity market in Bolivia is subject to Bolivia's Electricity Act and regulations based there upon, which apply to the electricity sector and the wholesale power market in Bolivia and which is subject to supervision by local authorities. The power pricing system in Bolivia is based on a free market where generation companies compete for dispatch of their generation units, and the spot price is determined based on marginal cost (similar to Peru), with free access to transmission and distribution systems. However, major customers purchase power at regulated tariffs. The price for energy and power generation in this country is based on marginal cost. According to Bolivia's 2009 constitution, all power generation companies in Bolivia are required to obtain a license from the relevant authority for the right to generate and sell power on the national grid. As of the date of this annual report, COBEE operates in accordance with the interim licenses awarded to it. There is no certainty that IC Power will obtain the necessary permanent licenses.

In December 2011, the Bolivian government amended the applicable law to prohibit generation companies from entering into new PPAs. For further information on the risks related the potential nationalization of IC Power's assets in Bolivia, see "*Item 3.D Risk Factors—Risks Related to IC Power—The Bolivian government has nationalized energy industry assets, and IC Power's remaining operations in Bolivia may also be nationalized.*"

Regulation of the Chilean Electricity Sector

The electricity market in Chile consists of three sectors: generation, transmission and distribution. Power generation is open to competition, whereas transmission and distribution are conducted by monopolies subject to regulated prices.

The electricity market in Chile uses the marginal generation cost method to determine the sequence of dispatch of power stations, thereby ensuring that demand for power is satisfied at the minimum system cost. This method, launched in 1982, is now used in many countries.

Chile has four power systems, of which two of these are its major systems. The largest system is the SIC, with capacity of 15,911 MW, primarily consisting of hydroelectric, coal-based power stations and dual power stations using natural gas (imported as liquid natural gas) or diesel. SIC serves over 93% of the Chilean population.

The second largest system is the SING, with capacity of 4,165 MW. SING covers a 700 kilometer stretch of Chile's northern coast line. SING serves 6% of Chile's population and is a major power supplier for the country's copper mining industry.

The two other power systems located in the south of Chile are relatively smaller.

Central Cardones and Colmito are part of the SIC power grid. The National Energy Commission (*Comisión Nacional de Energía*) is an independent government regulator which determines distribution tariffs, among other things. Prices used by generation companies to sell power to distribution companies for regulated customers (those customers who consume up to 2 MW) are determined by regulated tenders. Power prices for non-regulated customers are determined by direct negotiations and by tenders, with no intervention by government entities. Tariffs for expansion of the transmission system are determined by international tenders.

Regulation of the Dominican Republic Electricity Sector

The regulatory framework of the electricity sectors in the Dominican Republic is essentially similar to the one in Peru. Power generation in the Dominican Republic is based on free competition among private and government-owned generation companies, whereas the transmission and distribution grid is controlled by government-owned companies. The main source of revenues for generation companies is direct energy sale to distribution companies and from sale of energy and availability in the spot market.

The large-scale theft of power from the grid is prevalent in the Dominican Republic. Since generation and distribution companies do not pass through the cost associated with such theft to consumers, the government must provide significant subsidies to these companies.

Regulation of the Colombian Electricity Sector

Since 1994, the electricity sector in Colombia has allowed private companies to participate in the different types of businesses in the industry chain. The different activities of the electricity sector are governed by Law 142 of 1994, or the Public Service Code and Law 143 of 1994, or the Electricity Code. The industry's activities are also governed by the regulations and technical standards issued by the CREG. The wholesale energy market began operating in July 2005, and since then generating companies must submit price bids and report the quantity of energy available on a daily basis in a competitive environment.

The Colombian Electricity Act regulates the generation, trading, transmission and distribution of electricity. Under the law, any company, domestic or foreign, may undertake any of these activities. New companies, however, must engage exclusively in one of these activities. Trading can be combined with either generation or distribution. The system formed by generation plants, the interconnected grid, regional transmission lines, distribution lines and consumer loads is referred to as the SIN. Utility companies are required to ensure continuous and efficient service, facilitate the access of low-income users through subsidies granted by the government, inform users regarding efficient and safe use of services, protect the environment, allow access and interconnection to other public service companies and large customers, cooperate with the authorities in the event of an emergency to prevent damage to users and report to the authority any commercial start-up of operations.

The Colombian electricity market includes two types of customers: unregulated and regulated. Unregulated customers (those who consume a minimum of 100 kWh or 55,000 kWh per month) can negotiate freely with generation companies, distribution companies or traders. Regulated customers (all other customers) must purchase energy through public bids and establish bilateral two-party agreements, which normally last from one to five years.

The maximum market share for generators is limited by law. The limit for generators is 25.0% of firm energy. Firm energy refers to the maximum electric energy that a generation plant is able to deliver on a continuous basis during a year in extremely dry conditions, such as in the case of the "El Niño" phenomenon. Such limits are applied to economic groups,

including companies that are controlled by, or under common control with, other companies. In addition, generators may not own more than a 25.0% interest in a distributor, and vice versa. However, this limitation only applies to individual companies and does not preclude cross-ownership by companies of the same corporate group.

A generator, distributor, trader or an integrated company, i.e., a firm combining generation, transmission and distribution activities, cannot own more than 15.0% of the equity in a transmission company if the latter represents more than 2.0% of the national transmission business in terms of revenues. A distribution company can own more than 25.0% of an integrated company's equity if the market share of the integrated company is less than 2% of national generation revenues. Any company created before enactment of the Electricity Code is prohibited from merging with another company created after the enactment thereof.

The Ministry of Mines and Energy of Colombia defines the government's policy for the energy sector. Other government entities which play an important role in the electricity industry include (1) the Public Utility Superintendency of Colombia, which is in charge of overseeing and inspecting the utility companies, (2) the Superintendency of Industry and Commerce, which is in charge of evaluating market competency, (3) CREG, which is in charge of regulating the energy and gas sectors and (4) the UPME, which is in charge of planning the expansion of the generation and transmission network.

CREG is empowered to issue regulations that govern technical and commercial operations and to set charges for regulated activities. CREG's main functions are to establish conditions for gradual deregulation of the electricity sector toward an open and competitive market, approve charges for transmission and distribution networks and charges to regulated customers, establish the methodology for calculating and establishing maximum tariffs for supplying the regulated market, establish regulations for planning and coordination of operations of the SIN and establish technical requirements for quality, reliability and security of supply, and protection of customers' rights.

Regulation of the Israeli Electricity Sector

IEC

IEC, in which the State of Israel maintains a 99.846% equity interest, operates as a vertically integrated electricity company. IEC generates and supplies the majority of electricity in Israel according to licenses granted by virtue of the Electricity Sector Law 5756-1996, or the Electricity Sector Law, and transmits and distributes all of the electricity in Israel. In addition, IEC acts as the "System Operator" of Israel's electricity system, determining the dispatch order of generation units, granting interconnection surveys, and setting spot prices, etc. within Israel. IEC is required, among other things, to provide service to the general public, purchase electricity from IPPs, provide infrastructure and certain backup services, and act to ensure provision of all of its services, including services pursuant to a development plan approved in accordance with the Electricity Sector Law.

The objective of the Electricity Sector Law enacted in 1996, is "to regulate the activity in the electricity market for the good of the public, guaranteeing reliability, availability, quality, efficiency, while concurrently creating conditions for competition and minimizing costs."

IEC is classified as an "Essential Service Provider," as defined in the Electricity Sector Law. As such, it is subject to statutory obligations and operations for proper management of the electricity market in favor of the entire public without discrimination, including filing development plans, management of the power system, management of the power transmission and distribution systems, providing backup and infrastructure services to IPPs and to consumers, and purchasing power from IPPs.

IEC was declared a monopoly by the Israeli Antitrust Authority in all segments of the electricity sector: generation, transmission, distribution, supply and provision of backup services for electricity customers and manufactures.

Pursuant to the Electricity Sector Law, the Minister of National Infrastructures, Energy and Water Resources, or the Minister of Energy, has an overall responsibility for the electricity sector in Israel, including responsibility for IEC and its overall supervision. In July 2013, the State of Israel appointed a steering committee, tasked with proposing a comprehensive reform of IEC and the Israeli electricity market. The committee was mandated to review the electricity market structure, while focusing on unbundling the electricity market, the implementation of competition in the competitive sectors, the financial stabilization of IEC, and the development of a plan to improve IEC's efficiency. Although the steering committee has not published its final recommendations, and there had not been any recent formal announcements concerning the steering committee's discussions or negotiations with IEC and the State of Israel for some time, in November 2015 the steering committee announced that it resumed its discussions regarding comprehensive reform of IEC and the Israeli electricity market. The effect of any such reforms on OPC is uncertain.

EA

The EA (which was, until January 1, 2016, known as the PUAE) was established in 1996 in accordance with the Electricity Sector Law. The EA is responsible for granting licenses (although licenses for facilities with a capacity of more than 100 MW are also subject to approval by the Minister of Energy), supervising the holders of such licenses, setting the tariffs and determining the standards of service which are required from a holder of an Essential Service Provider license. As such, the EA oversees both the government-owned IEC and the IPPs.

The EA determines the electricity tariffs to the public, based on the costs of IEC which the EA decides to recognize, and including a fair rate of return on equity. The EA sets different tariffs for the various electricity segments. In addition, the EA sets the tariffs that IEC pays for electricity purchased from IPPs. The Electricity Sector Law provides that IEC will collect payments pursuant to the tariffs set by the EA and that IEC will make payments to another license holder or a customer, pursuant to the relevant tariffs.

Each year, the EA performs an annual update of the various components of the costs recognized in the tariffs, and publishes a new set of tariffs accordingly. In January 2015, the EA reduced the tariff rates by approximately 10% effective as of February 1, 2015. On September 8, 2015, the EA published a final decision, which became effective on September 13, 2015, reducing the EA generation component tariff by approximately 12%. OPC's operations can be affected by changes in the EA's policies, regulations, and tariffs. The EA's generation component tariff, for example, serves as the base price for OPC's calculation of the sale price of its energy to its private customers. As a result, increases or decreases in this tariff have a related effect on the sales price of OPC's energy and OPC's revenues. In addition, the price at which OPC purchases its natural gas from its sole natural gas supplier, the Tamar Group, is predominantly indexed (in excess of 70%) to changes in the EA's generation component tariff, pursuant to the price formula set forth in OPC's supply agreement with the Tamar Group. As a result, its increases or decreases have a related effect on OPC's cost of sales and margins. In addition, the natural gas price formula in OPC's supply agreement is subject to a floor mechanism. As a result of previous declines in the EA generation component tariff, OPC began to pay the ultimate floor price in November 2015. Therefore, the September 2015 decline and any further declines in the EA generation component tariff, will not result in a corresponding decline in OPC's natural gas expenses, and will therefore lead to a greater decline in OPC's margins, which may have a material adverse effect on OPC's business, results of operations and financial condition.

Furthermore, since 2013, the EA had been in the process of determining a system cost tariff. In August 2015, the EA published a decision that IPPs in Israel would be obligated to pay system management service charges, which charges are retroactively effective as of June 1, 2013. According to the EA decision, as amended in September 2015 and December 2015, the amount of system management service charges that would be payable by OPC from the effective date of June 1, 2013 to June 30, 2015, is approximately NIS 163 million (approximately \$43 million), which includes interest rate and linkage costs of NIS 8 million (approximately \$2 million). The approximately NIS 163 million which the EA has deemed payable by OPC is based upon the "average rate" of the system management service charges. However, as the rate of the new system management service charges, like other rates of the EA, varies by season (e.g., summer and winter) and by demand period (peak, shoulder and off-peak), the EA's final calculation of the amount payable by OPC will be based upon the applicable "Time of Use" rates. For further information on Israel's seasonality and the related EA tariffs, see "*IC Power—IC Power's Industry Overview—Israel*." For further information on the effect of EA tariffs on IC Power's revenues and margins, see "*Item 5. Operating and Financial Review and Prospects—Material Factors Affecting Results of Operations—IC Power—EA Tariffs Affect IC Power's Results in Israel Segment*." IC Power is considering the implications of this decision and may contest it.

Additionally, on November 19, 2015, as a part of the legislative process regarding the State of Israel's 2015—2016 budget, new legislation was approved by the Knesset (the Israeli parliament) incorporating, among other things, amendments to the Electricity Sector Law-1996. According to an amendment to the Electricity Sector Law, which was published on November 30, 2015, and became effective on January 1, 2016, the PUAE was replaced by the EA, which was merged with the

electricity unit of the Israeli Ministry of National Infrastructures, Energy and Water Resource and is therefore subordinate to the Minister of National Infrastructures, Energy and Water Resources. As a result, the Minister of National Infrastructures, Energy and Water Resources may overrule the EA's decisions, demand a rehearing of specific decisions (excluding tariff decisions, which remain entirely in the EA's independent authority), and controls the EA's key board appointments and policies. The EA has yet to appoint a new chairman.

Any decisions of the EA, including decisions regarding licenses and tariffs, prior to this date will remain in force and will be deemed to have been made by the EA.

Regulatory Framework for Conventional IPPs

The regulatory framework for current and under construction conventional IPPs was set by the EA in 2008. An IPP may choose to allocate its generation capacity, as "permanently available capacity," or PAC, or as "variable available capacity," or VAC. PAC means capacity that is allocated to IEC and is dispatched according to IEC's instructions. PAC receives a capacity payment for the capacity allocated to IEC, as well as energy payment to cover the energy costs, in the event that the unit is dispatched. VAC refers to capacity that is allocated to private consumers, and sold according to an agreement between the IPP and a third party. Under VAC terms, an IPP may sell the capacity to IEC on a short-term basis. IEC may purchase electricity from the VAC allocated to it, based on a bid price. An IPP may choose to allocate its capacity between 70% to 90% as PAC, with the remaining 30% to 10% as VAC, or 100% VAC.

In December 2014, the EA published a new regulatory framework for conventional IPPs, which shall apply to conventional IPPs who have commenced commercial operations as of January 2019. The new framework allows an IPP to choose between a transaction with IEC (similar to PAC regulation), and a bilateral agreement with a third party.

OPC's Regulatory Framework

OPC operates according to a tender issued by the state of Israel in 2001 and, in accordance therewith, OPC and the IEC executed the IEC PPA in 2009, which stipulates the regulatory framework of OPC. OPC's framework differs from the general regulatory framework for IPPs, as set by the EA and described above.

According to the IEC PPA, OPC may sell electricity in one or more of the following ways:

1. *Capacity and Energy to IEC:* according to the IEC PPA, OPC is obligated to allocate its full capacity to IEC. In return, IEC shall pay OPC a monthly payment for each available MW, net, that was available to IEC.
In addition, when IEC requests to dispatch OPC, IEC shall pay OPC for the starting of the power plant (an amount that covers the starting costs), as well as a variable payment for each operating hour. IEC shall also pay the fuel cost of OPC.
2. *Sale of energy to end users:* OPC is allowed to inform IEC, subject to an advanced notice, that it is releasing itself in whole or in part from the allocation of capacity to IEC, and extract (in whole or in part) the capacity allocated to IEC, in order to sell electricity to private customers pursuant to the Electricity Sector Law. OPC may, subject to an advanced notice, re-include the excluded capacity (in whole or in part) as capacity sold to IEC.

OPC informed IEC, as required by the IEC PPA, of the exclusion of the entire capacity of its power plant, in order to sell such capacity to private customers. Since July 2013, the entire capacity of OPC has been allocated to private customers. Under the IEC PPA, OPC can also elect to revert back to supplying to the IEC instead of to private customers.

The IEC PPA includes a transmission and backup appendix, which requires IEC to provide transmission and backup services to OPC and its customers, for private transactions between OPC and its customers, and the tariffs payable by OPC to IEC for these services. Moreover, upon entering a PPA between OPC and an individual consumer, OPC becomes the sole electricity provider for this customer, and IEC is required to supply power to this customer when OPC is unable to do so, in exchange for a payment by OPC according to the tariffs set by the EA for this purpose. For further information on the risks associated with the indexation of the EA's generation tariff and its potential impact on OPC's business, financial condition and results of operations, see "*Item 3.D Risk Factors—Risks Related to IC Power—The production and profitability of IPPs in Israel may be adversely affected by changes in Israel's regulatory environment.*"

Regulatory Framework for Cogeneration IPPs

The regulatory framework for current and under construction cogeneration IPPs was established by the EA in its 2008 and 2013 decisions. The primary difference between the regulation of cogeneration IPPs (as compared to the regulation of conventional IPPs) is that, as long as the cogeneration production unit meets the definition of a “Cogeneration Production Unit” as stipulated in the regulations (which require such unit to, among other things, meet a certain efficiency rate), and if the cogeneration IPP so wishes, IEC will be obliged to purchase energy from such IPP in accordance with the following provisions:

1. At peak and shoulder times, one of the following shall apply:
 - a. each year, the IPP may sell up to 70% of the total electrical energy, calculated annually, produced in its facility to IEC—for up to 12 years from the date of the grant of the license; and
 - b. each year, the IPP may sell up to 50% of the total electrical energy, calculated annually, produced in its facility to IEC—for up to 18 years from the date of the grant of the license.
2. At low demand times, IPPs with units with an installed capacity of up to 175 MW, may sell electrical energy produced by it with a capacity of up to 35 MW, calculated annually (in accordance with the duration applicable to the IPP with respect to peak and shoulder time, as set forth above).

According to regulations published by the EA in January 2015, if a cogeneration facility no longer qualifies as a “Cogeneration Production Unit,” such cogeneration facility may be entitled, under certain circumstances, to operate under the regulatory framework for conventional IPPs, with certain modifications and limitations.

AIE’s Regulatory Framework

AIE holds a conditional license for the construction of a cogeneration power station in Israel. As set forth above, AIE must meet certain conditions before it will be subject to the regulatory framework for cogeneration IPPs and be considered a “Cogeneration Production Unit.” For example, AIE will have to obtain a certain efficiency rate which will depend, in large part, upon the steam consumption of AIE’s consumers. In circumstances where AIE no longer satisfies such conditions and therefore no longer qualifies as a “Cogeneration Production Unit,” AIE may be entitled to operate under the special regulatory framework set forth in the regulations published by the EA in January 2015, as described above in “—*Regulatory Framework for Cogeneration IPPs.*”

Regulation of the Guatemalan Electricity Distribution Market

The General Electricity Law and the Liberalization of the Electricity Sector

The General Electricity Law provided for the liberalization of the electricity industry and authorized the creation of two new institutions to regulate the electricity sector: the CNEE and the AMM. Regulations implementing the General Electricity Law were adopted by the Executive through the MEM on March 21, 1997. The CNEE and the AMM were created in 1997 and 1998, respectively, completing the legal framework for the privatized electricity sector.

The electricity industry in Guatemala is governed by the General Electricity Law and related regulations. The General Electricity Law was adopted in 1996 to liberalize the electricity sector.

Limitations on Activities of Industry Participants

The General Electricity Law provides that no individual company may engage directly in more than one of the following businesses: generation, transmission, or distribution services. However, the General Electricity Law allows any company carrying any such specific business to own stock or other interests in companies carrying any other specific business within the industry.

Deregulation of Generation

The General Electricity Law provides that a governmental license is only required to operate a power plant (hydroelectric, geothermal or general thermoelectric plants) and connect to the National Electricity System where state- or publicly-owned property is used and the power exceeds 5MW.

Unrestricted Access to Transmission and Distribution Systems

The General Electricity Law provides that transmission and distribution companies must grant all customers the ability to connect to their transmission and distribution grids. Unregulated customers are entitled to choose freely their supplier and to acquire electricity from any source and transmission and distribution companies must allow such electricity to flow through their transmission lines. Distribution and transmission companies are entitled to collect distribution or transmission tolls for the use of their grids. Failure to provide such access by a transmission or distribution company may lead to fines and ultimately the termination of that company's distribution authorization, and potentially the appointment of a receiver of the distributor and the sale of its assets.

Unregulated Customers

The General Electricity Law provides that no public price regulation may be established relating to PPAs entered into by end users that have power demand greater than 100 kW. The MEM has the authority to lower or remove the threshold electricity that defines customers as "unregulated customers." Unregulated customers are entitled to choose as their supplier the distribution company operating the distribution grid to which the unregulated customer is connected, any generator that supplies electricity to the National Electricity System or any electricity broker.

Regulated Customers and Distribution Authorizations

The General Electricity Law provides that those companies in the electricity business may use public property (including rivers) and acquire mandatory easements on privately owned lands as necessary to carry on their business activities, provided they have been granted an authorization from the MEM. The General Electricity Law provides that the MEM may authorize a company to use the public domain and impose easements on private lands to distribute or transmit electricity. Authorizations for distribution services are granted on a non-exclusive basis for specific geographic areas and have terms of up to 50 years. Although authorizations to provide distribution services are non-exclusive, the investment required to establish a competing distribution system is a substantial barrier to entry.

The General Electricity Law provides that a distribution company must provide service to all those demanding the supply of electric energy that are located within 200 meters of its distribution lines. In addition, a distributor must provide electricity to all parties who demand their services within the service area covered by the distributor's authorization, provided the interested party provides for its connection to the distributor's system. A distributor must also provide electricity to all parties who demand the distributor's service and furnish their own lines or those of a third party. A distributor must provide these services at prices and quality levels determined by the CNEE.

All tariffs charged by distribution companies to regulated customers are determined and revised by the CNEE pursuant to legal and regulatory proceedings.

Principal Regulatory Authorities

Ministry of Energy and Mines (MEM)

The MEM is the Guatemalan government's highest-ranking regulator of the electricity industry. The MEM is responsible for enforcing the General Electricity Law and the related regulations and for the coordination of policies between the CNEE and the AMM. The MEM also has the authority to grant operating authorizations to distribution, transmission and generation companies.

National Electric Energy Commission (CNEE)

The Guatemalan electricity industry is regulated by the CNEE, a regulatory agency created pursuant to the General Electricity Law. The CNEE acts as the technical arm of the MEM. The CNEE is comprised of three members who are appointed by the Guatemalan government. The members must be nominated by the MEM, the national universities, and the board of the AMM. Members hold office for five years. The General Electricity Law establishes the following powers and duties for the CNEE:

- Determine transmission and distribution tariffs;
- Enforce the sector's laws and regulations and impose fines and penalties as legally prescribed;
- Supervise compliance by the holders of any kind of authorization to carry on business in the electricity sector, protect the rights of end-users, and prevent anti-competitive, abusive and discriminatory activities;

- Conduct arbitration proceedings and exercise powers of review in case of controversy among any parties subject to the General Electricity Law and its regulations;
- Issue technical rules and performance standards for the electricity sector and enforce accepted international practices; and
- Issue regulations and rules to secure access to and use of the transmission lines and distribution grids.

Wholesale Market Administrator (AMM)

The Guatemalan wholesale market is managed by the AMM, an independent private entity created pursuant to the General Electricity Law. The AMM coordinates the operation of the generators, international interconnections, and transmission lines that form the National Electricity System. The AMM is in charge of overseeing the safety and operation of the National Electricity System and the efficient dispatch of electricity, with the mission to minimize operating costs, including costs from losses, and compliance with service quality requirements. The AMM is also responsible for scheduling the operation of the system and managing the dispatch of electricity on the basis of best market prices.

All policies and rules of the AMM are subject to approval by the CNEE. If a generation company, transmission company, distribution company, electricity broker or large user does not operate its facilities in accordance with the regulations established by the AMM, the CNEE has the ability to impose fines and, in the case of serious breaches, may require that a company disconnect from the National Electricity System.

The Wholesale Electricity and Capacity Markets

The Guatemalan wholesale electricity and capacity markets are “open border” markets that allow market participants to purchase energy and capacity from generators and to sell energy and capacity to customers inside and outside Guatemala. The parties that may, but are not required to, participate in the wholesale electricity and capacity market include:

- generators with an installed capacity of more than 10 MW;
- distribution companies with 20,000 or more customers;
- transmission companies with a system connected to plants with capacity of more than 10 MW;
- electricity brokers buying or selling 10 MW or more, including importers and exporters; and
- unregulated customers.

Purchases and sales of capacity are conducted through the wholesale capacity market. Generators may sell generating capacity at negotiated prices through medium- or long-term PPAs with distribution companies, unregulated customers or electricity brokers. Distribution companies are required to have PPAs covering at least 100% of their projected capacity needs for the current year and the following year. Distribution companies may only enter into PPAs through public bids conducted under the supervision of the CNEE.

Generators may sell uncommitted electricity in the spot market at prices determined as described below. Other participants in the wholesale electricity market may buy electricity in the spot market to cover shortages under their PPAs or to sell excess electricity. The AMM dispatches electricity in the spot market based on the marginal variable cost of the generators offering electricity, giving priority to electricity produced at the lowest marginal cost.

The prevailing price in the spot market for electricity is established on an hourly basis based on the clearing price at which demand can be filled by available offered electricity.

Participants in the wholesale market can also trade capacity transactions, permitting generators that are unable to supply their committed capacity to purchase additional capacity and other market participants who have contracted to purchase capacity in excess of their need to sell their excess capacity. Prices in the capacity market are set by the AMM based on the theoretical cost of installing efficient power generation.

Operation of the National Electricity System

The AMM runs the National Electricity System in real time, arranging any re-dispatches deemed necessary to correct differences between actual and projected power demand to ensure that the National Electricity System runs safely and efficiently. In the event of electricity failures and emergencies, the AMM is responsible for ensuring that service be reestablished and normal operation of the National Electricity System is achieved.

All participants in the wholesale electricity market are required to abide by the operating and dispatch instructions issued by the AMM. The commercial practices and rules of the AMM create the framework within which the participants are obligated to carry on their business in the wholesale electricity market.

All parties connected to the National Electricity System, including large generation facilities, distribution companies, transmission companies, electricity brokers and unregulated customers that choose not to participate in the wholesale market, as well as small generators, transmission companies and distribution companies that cannot participate in the wholesale market, are required to submit to the directions of the AMM in all that concerns technical standards for the adequate operation of the National Electricity System.

Quality of Service Regulation

The CNEE establishes minimum levels of quality for electricity services. In addition, the CNEE imposes certain obligations on distribution companies related to quality standards, and fines them for failure to comply with such quality standards and other obligations. The CNEE regulates the quality parameters of the supplied electricity (tension, frequency and disturbances), establishes parameters for continuity (number and length of interruptions) and minimum standards for customer service. An interruption is defined as any period of time over three minutes during which electricity is not available.

The CNEE monitors the number of interruptions, the length of time of each interruption and the total number of customers affected. If a distribution company experiences excessive interruptions, it must indemnify the affected customers.

Each distribution company is required to survey its customers annually to obtain information regarding its compliance with required customer service regulations. The CNEE publishes the results of these surveys. Fines and other sanctions can also be imposed if a distribution company does not comply with CNEE customer service standards or if there are other service complaints.

If a distribution company does not comply with the CNEE's regulations regarding the quality of the supplied electricity and implementation of electricity services and quality of service, it can be fined and, ultimately, its authorization can be revoked. In addition, the General Electricity Law provides for an appointment of a receiver and the sale of the distribution company's assets.

Tariffs and Tolls

Distribution Tariffs

Pursuant to the General Electricity Law, distributors charge consumers a price for electricity sales based on distribution tariffs, consisting of an electricity charge and a VAD charge, which are determined on the basis of the legal and regulatory proceedings by the CNEE every five years. There are nine different tariffs that are applicable to a distributors' regulated customers, of which seven of these tariffs are applicable to Energuate's regulated customers. Each of Energuate's regulated customers purchases electricity at one of those seven tariff rates. The VAD component of the distribution tariff covers the distributor's operating expenses, capital expenditures, and the cost of capital and is revised every five years with semi-annual adjustments for inflation and local currency exchange rates against the US dollar. The tariffs are set by the CNEE in accordance with the applicable legal and regulatory proceedings.

The process of establishing the distribution tariffs involves several parties, including distribution companies, and takes place over several stages. While the tariffs are intended to be set on the basis of objective criteria, the parties who participate in the process of establishing the tariffs can exercise discretion. The prices for electricity charged to unregulated customers are not regulated by the CNEE; however, unregulated customers must pay a regulated tariff, equal to the applicable VAD charge, for delivery of electricity through the facilities of a distribution company.

Regulated Tariffs

The CNEE publishes a schedule of tariff rates for regulated customers every three months. These tariffs currently include:

- a social tariff available to customers that demand less than 300 kWh per month;
- a regular tariff, available to all customers that purchase electricity at low tension;
- three additional tariffs available to customers that purchase electricity for delivery at low voltages;

- three tariffs available to customers that purchase electricity for delivery at medium voltage; and
- a tariff available to governmental entities that purchase electricity for public lighting.

The social tariff, the regular tariff and the public lighting tariff consist solely of an electricity charge, a VAD charge and a monthly fixed charge for connection to the distribution system.

The three additional low voltage tariffs and three medium voltage tariffs are available for:

- customers that purchase capacity and electricity only during hours of peak demand which are between 6:00 p.m. and 10:00 p.m.;
- customers that purchase capacity and electricity only during off-peak hours (between 10:00 p.m. and 6:00 a.m.); and
- customers that purchase capacity and electricity during any time of the day.

Customers that request these tariffs enter into a contract with the distribution company to purchase a specified amount of capacity. These tariffs consist of a fixed capacity consumption charge for each contracted kW, an electricity charge for the electricity used by the customer, a capacity consumption charge and a monthly fixed charge for connection to the distribution system. The capacity consumption charge consists of two components: a generation and transmission component and a distribution component. Customers are charged the capacity consumption charge based on the maximum amount of capacity demanded during any billing cycle.

The electricity charge and the generation and transmission components of the capacity consumption charge is adjusted in the same manner as the electricity charge under the social tariff, the regular tariff and the public lighting tariff. The capacity charge and the distribution component of the maximum capacity charge are adjusted in the same manner as the VAD charges under the social tariff, the regular tariff and the public lighting tariff.

Tariff Adjustments

The VAD charges for each distribution company are established by the CNEE every five years and are calculated to equal an annuity over 30 years of the Net Replacement Value of the distribution system. The Net Replacement Value of a distribution system is determined by calculating the replacement value of a distribution network economically adjusted such that it would allow the distribution company to offer the services as if provided by a distribution company operating in the same area. The replacement value of the distribution system is determined based on a discount rate set by the CNEE, based on studies conducted by independent consultants. The calculation of the VAD for a distribution company uses as a benchmark the costs estimated of an efficient distribution company serving a similar distribution area and accounts for the following costs:

- an allowance for electricity losses as determined by the CNEE;
- administrative costs; and
- costs of maintaining and operating the distribution systems, including the cost of capital.

The VAD charged by DEORSA and DEOCSA until January 2019 was established in January 2014. New VAD charges applicable to DEORSA and DEOCSA are scheduled to be established in January 2019. The process of establishing the VAD charges requires the distribution company to engage an independent consultant approved by the CNEE to calculate the components of the VAD (including the Net Replacement Value) applicable to the distribution company's system. The CNEE may also engage a consultant to calculate the VAD applicable to the distribution company's system. Following the submission of the VAD calculated by the independent consultants to the CNEE, the CNEE decides whether to approve the VAD calculated by the consultants. In the event that the CNEE does not approve the new VAD charges, the dispute is submitted to an arbitration panel composed of three individuals, one named by the distribution company, one named by the CNEE and one named by the other two arbitrators. The arbitration panel must rule within 60 days. In one instance, the General Electricity Law and its regulations were construed such that the CNEE was not bound to adopt the decision of the arbitration panel and is free to set the VAD at its discretion.

The VAD charges are adjusted semi-annually to reflect the effect of fluctuations in the quetzal/dollar exchange rate on the dollar-denominated components of the Net Replacement Value calculation and the effects of Guatemalan inflation on the quetzal-denominated components of the Net Replacement Value calculation.

The energy charge is designed to allow a distribution company to recover the costs of the electricity that it purchases and transports up to the connection points of its own grid. The energy charge component of the regulated tariffs consists of a base tariff and an electricity adjustment surcharge. Under the General Electricity Law and the regulations of the CNEE, the base tariff is adjusted annually to reflect anticipated changes in the cost of the electricity to be purchased by the distribution company during the following year. The electricity adjustment surcharge is adjusted quarterly to reflect variations in the actual cost of electricity purchased by the distribution company from the projected cost.

The Social Tariff

In 2001, Guatemala enacted the Social Tariff Law (*Ley de la Tarifa Social para el Suministro de Energía Eléctrica*) which requires that a special tariff, called the “social tariff”, be made available to customers with electricity consumption of less than 300 kWh per month. Under regulations adopted by the CNEE, distribution companies solicit bids for PPAs to supply the electricity to be delivered to customers eligible for the social tariff. INDE has been the only bidder for these PPAs and has agreed to provide electricity under these PPAs at below market rates, which effectively lowers the base tariff applicable to these customers. In addition, the VAD charge applicable to customers eligible for the social tariff is lower than the VAD charge that is part of the regular tariff as a result of technical characteristics related to the calculation of the VAD applicable to these customers.

Transmission Tolls

The General Electricity Law provides that all parties that connect to the National Electricity System, including all generation companies, transportation companies, distribution companies, electricity brokers and unregulated customers, must pay for their connection to and use of the National Electricity System. The transmission tolls for electricity can be negotiated by the generation companies, distribution companies or unregulated customers using the National Electricity System. In the absence of a negotiated price, tolls for the use of the transmission lines, substations and distribution installations are set according to regulations issued by the CNEE.

There are separate tolls applicable to the primary transmission system and the secondary transmission system. Both tolls are determined on the basis of the VNR of the transmission system. The VNR of a transmission system is the estimated cost of replicating a “model” transmission system including an estimated return on capital.

The tolls for the primary transmission system are determined by the CNEE based on information provided by the owners of the transmission facilities and the AMM. CNEE revises transmission tolls for the primary transmission system every two years and whenever new generation capacity is connected to the National Electricity System or a portion of the secondary transmission system is upgraded to become part of the primary transmission system.

Transmission tolls for the secondary transmission system are negotiated between the owners of these transmission facilities and the generators and electricity brokers that use these transmission facilities. If these parties cannot reach an agreement with respect to transmission tolls, the transmission tolls are established by the CNEE according to applicable regulations. The transmission tolls for distribution facilities are equal to the VAD charge.

Transmission tolls for use of the primary transmission system are paid by generation companies or importers and are included as part of the cost in the tariffs paid by regulated customers. Transmission tolls for use of the secondary transmission system are paid by distribution companies, electricity brokers or unregulated customers. Transmission tolls for use of the secondary transmission system paid by distribution companies are included as part of the cost in the tariffs paid by regulated customers.

Qoros

Qoros is a China-based automotive company delivering international standards of quality and safety, as well as innovative features, to the large and fast-growing Chinese automotive market. Qoros’ vision is to design, manufacture, distribute, and service (through dealers) high quality cars for young, modern, urban consumers. Qoros has assembled a highly experienced international management team with decades of experience in leading global OEMs and other industry participants, and has established strong relationships with world class suppliers and engineering service providers. Qoros’ existing manufacturing facility has a technical capacity of 150 thousand units per annum, which can be increased to approximately 220 thousand units per annum through the utilization of different shift models (and further increased through additional shift optimizations and improvements in workday efficiency) and is located in Changshu, China. In 2015, Qoros launched three vehicle models, the Qoros 3 Sedan, the Qoros 3 Hatch and the Qoros 3 City SUV and launched the 2016 model versions of the Qoros 3 Sedan, the Qoros 3 Hatch and the Qoros 3 City SUV. In 2015, Qoros sold approximately 14,250 vehicles, as compared to approximately 7,000 vehicles in 2014. In November 2015, Qoros debuted the Qoros 5 SUV at the Guangzhou Auto Show, and launched the model in March 2016.

Qoros is seeking to establish a strong position in the Chinese passenger vehicle market, the largest and fastest growing passenger vehicle market in terms of new units sold, according to *China Association of Automobile Manufacturers*, or CAAM. In designing its vehicles, Qoros devoted significant time and resources in conducting extensive consumer surveys, including tracking the driving habits of drivers, to ascertain the vehicle features preferred by its targeted consumers: young, modern, urban consumers who have demonstrated a preference for C-segment vehicle models. The C-segment, which primarily includes the sedan, hatchback, SUV, and multi-purpose-vehicle body types, is the largest vehicle segment in China with 10.6 million C-segment vehicles, or 56% of China's total passenger vehicle sales, sold in 2015 (including exports, and excluding imports) according to *China Passenger Car Association*, or CPCA. Qoros' strategy is to offer Chinese consumers expressive design, international standards of quality and safety, as well as innovative features, in a Chinese manufactured and branded vehicle and, having designed such vehicles, Qoros believes that it will be positioned to enter into other markets in the future.

Qoros' vehicles reflect the strong customer preferences identified in Qoros' research, such as vehicle safety, innovative connectivity, and vehicle performance and design features tailored to the Chinese market. Qoros received numerous awards throughout 2015, including a "5+" star safety rating in the China—New Car Assessment Program (C-NCAP)'s 2015 crash test (representing the highest score ever in its 9-year history). In addition, Qoros received the highest and second highest quality ranking among all domestic brands and all car brands (including JV brands), respectively, in Autohome's annual top quality rankings.

Each Qoros vehicle is equipped with a Multi-Media Hub, or MMH, which includes an 8-inch touch screen and interactive human machine interface, or HMI, system. Through the MMH, most of Qoros' vehicles are equipped with the "QorosQloud," an innovative, cloud-based entertainment and services system that delivers a variety of free (e.g., cloud-enhanced navigation, car care, and social sharing) and premium (e.g., real-time traffic and parking information) connectivity features.

We have a 50% stake in Qoros, with the remaining 50% interest owned by Wuhu Chery, a subsidiary of Chery, a large state controlled holding enterprise and Chinese automobile manufacturing company that has been producing automobiles since 1999. As of December 31, 2015, Kenon and Chery each have invested RMB4.9 billion to Qoros via capital contributions and/or convertible or non-convertible shareholder loans. In January and February 2016, Kenon and Chery each made further loans of RMB275 million to Qoros. Additionally, in April 2016, Ansonia, which owns approximately 46% of the outstanding shares of Kenon, entered into a loan agreement to provide loans in an aggregate amount of up to \$50 million to Qoros to support Qoros' ordinary course working capital requirements, subject to Wuhu Chery's provision of loans in the same amount and on similar conditions to Qoros. For further information on Ansonia's agreement to invest in Qoros, see "*Item 5. Operating and Financial Review and Prospects—Recent Developments—Qoros—Ansonia's Agreement to Invest in Qoros.*"

Qoros will need to secure additional financing to meet its operating expenses (including accounts payable) and debt service requirements. Qoros' ability to obtain such financing will depend on a number of factors, including its sales performance, and Qoros may be unable to secure such financing. If Qoros is not able to raise additional financing as required, it may be unable to continue operations, in which case Kenon may lose its entire investment in Qoros and Kenon may be required to make payments under its back-to-back guarantees to Chery in respect of Qoros' bank debt. See "*Item 3.D Risk Factors—Risks Related to Our Diversified Strategy and Operations—Qoros will require additional capital resources to meet its operating expenses.*"

Qoros' Strengths

Focus on the Large Chinese Passenger Vehicle Market—China is the largest passenger vehicle market in the world in terms of new units sold, with approximately 19 million domestic passenger vehicles sold in 2015, representing approximately 32% of the global passenger vehicle market, according to CAAM, CPCA and the *International Organization of Motor Vehicle Manufacturing*, or OICA. China is also the fastest growing passenger vehicle market in the world in terms of new units sold with a 21% CAGR from 2004 to 2015, based upon information sourced from CAAM and CPCA, with respect to vehicles sold (including imports) during the period. Industry analysts expect the growth of China's passenger vehicle market to continue—for example, CPCA forecasts a 10% growth rate in 2016. Additionally, China's vehicle penetration level as of the end of 2014 (approximately 10%) is significantly lower than those of many other developed automotive markets (81% in the U.S., for example), according to OICA, indicating significant growth potential for this market. The C-segment, in which Qoros' initial vehicle models compete, is the largest passenger vehicle segment in China in terms of units sold. According to CPCA, 10.6 million C-segment vehicles were sold in China in 2015 (including exports, and excluding imports), representing 56% of China's passenger vehicle sales in that year. A significant portion of the sales within this segment is generated from foreign joint venture brands, indicating Chinese consumers' preference for vehicles delivering international standards and features.

Modern, high-quality vehicle models specifically-designed for the Chinese urban consumer—Based on Qoros’ extensive customer and industry research, Qoros’ vehicle models were specifically designed to reflect the preferences of young, modern, urban consumers. In designing its C-segment model, Qoros commissioned more than 100 primary marketing studies, soliciting input from over 10,000 potential buyers over the course of seven years, including tracking the driving habits of drivers. Qoros has developed a vehicle product concept that Qoros believes satisfies the three “voice of the customer” pillars—Refined and Solid Driving Experience, Expressive Design, and Engaging Consumers through Qoros World—and reflects Chinese consumers’ safety, performance, design and connectivity preferences:

- *Refined and Solid Driving Experience:* Qoros has engaged global companies in both the automotive (e.g., Magna Steyr, Bosch, Getrag, Valeo) and non-automotive (e.g., Frog Design, Microsoft, China Unicom) industries to facilitate the development and design of its vehicle platform. As evidence of Qoros’ successful engineering efforts, the Qoros 3 Sedan has been recognized for its outstanding vehicle safety according to European standards, having received the Euro NCAP’s maximum five-star rating. In 2015, the Qoros 3 Sedan received 2015 Annual Safety Car Award in Compact Category issued by World Auto. Additionally, the Qoros 3 Sedan’s vehicle performance is competitive within this segment in China, particularly in terms of fuel economy, acoustics, aerodynamics, climatic comfort and braking performance.
- *Expressive Design:* Qoros has an experienced in-house design team. The Qoros 3 Sedan’s design provides one of the most spacious interiors in the segment. In particular, the large shoulder room and rear leg room reflect important preferences of the Chinese C-segment consumers. In 2015, the Qoros 3 Sedan Excite received two awards from the 10th China Car Annual Selection, including Car of Year Award and Annual Best Design Award.
- *Engaging Consumers through Qoros World:* All of Qoros’ vehicles are equipped with a MMH, including an intuitive, 8-inch capacitive touch screen with swipe gestured control HMI, and most Qoros vehicles are equipped with the “QorosQloud,” a cutting-edge telematics and cloud-based entertainment and services system that delivers a variety of free (e.g., cloud-enhanced navigation, car care, and social sharing) and premium (e.g., real-time traffic, parking information, cloud-enabled map update, and safe drive monitoring) connectivity features. Qoros believes that the features and the services provided by the QorosQloud integrates Qoros’ vehicle into the driver’s lifestyle, by virtually connecting the vehicle, the driver and the driver’s digital world. In addition, in 2016, Qoros intends to launch a customer relationship management initiative to further engage Qoros drivers by creating a direct web-based communication channel between Qoros and its drivers to enable aftersales, improve customer relations and develop a loyalty program to enhance customer lifetime management.

Flexible platform and scalable manufacturing footprint—Qoros’ vehicle platform reflects the results of Qoros’ intensive research and collaboration with industry experts, enabling Qoros to efficiently deliver new model variants.

Qoros has developed core competencies within key selected areas (e.g., safety, styling, multimedia, etc.) and outsources many of its non-core operations through relationships that it has developed with various external engineers and suppliers with technical centers located throughout Europe and China. Outsourcing non-core functions allows Qoros to access technology and service suppliers as needed, without incurring the costs associated with maintaining such research and development capacity or capacity expansion on a full-time basis. For example, Qoros has engaged Magna Steyr, a company engaged in automobile design and engineering, in the design and development of Qoros’ vehicle platform, and of its individual vehicle models. Qoros also collaborates and sub-contracts with several other engineering firms for its product development activities. Qoros sources the component parts necessary for its vehicle models from over 100 global suppliers, which are typically European-based, with manufacturing facilities in China. Qoros aims to establish long-term relationships with its suppliers as a means of building loyalty, achieving competitive pricing, and achieving component quality and timeliness of delivery. Qoros’ strategic relationships and outsourcing permits it to maintain a lean and relatively flat organizational structure.

Additionally, Qoros’ vehicle platform has been designed to support the development and production of each of Qoros’ planned C-segment models and can be modified into a D-segment platform with relatively minor adjustments. Qoros constructed its state-of-the-art manufacturing facility in Changshu, China, which it also designed in consultation with various international consultants with extensive experience in the development of automobile production facilities in China and globally. Qoros’ manufacturing facility has a technical capacity of 150 thousand units per annum, which can be increased to approximately 220 thousand units per annum through the utilization of different shift models (and further increased through additional shift optimizations and improvements in workday efficiency) and can, subject to Qoros’ receipt of government approval, be further increased to up to approximately 440 thousand units per annum through a second stage plant expansion together with an optimized work shift model.

International management team with significant industry experience—Qoros is managed by a highly experienced global management team with decades of experience in leading global businesses within the automotive and high-tech industries and Qoros’ management team is critical to its success. Qoros believes that its management team’s experience contributes to Qoros’ ability to effectively execute Qoros’ current development plan.

Qoros' Strategies

Establish the Qoros brand—Qoros has deployed an integrated marketing campaign to establish and increase customers' awareness of the Qoros brand, including participation in auto shows and similar events, the use of online, and pay-per-click ads, and the use of traditional advertising, such as television and print ads. In August 2015, Qoros held a Qoros Brand Day at its Changshu plant with approximately 120 media personnel and 100 car owners and Key Opinion Leaders. The Qoros Brand Day event served as the kick-off for a series of Qoros marketing campaigns focusing on its brand positioning and product line updates. Qoros believes its marketing efforts have increased its brand awareness in China. For example, Qoros has received numerous awards throughout 2015, including a 5+ star safety rating in the China—New Car Assessment Program (C-NCAP)'s 2015 crash test (representing the highest score ever in its 9-year history) and the “Model of the Year” and “Beauty of the Year” awards by Automotive Observer for the performance in manufacturing quality, safety features, and appearance design of the Qoros 3 Sedan. Qoros intends to continue its brand development efforts, seeking to generate demand for Qoros' vehicles and increasing leads to Qoros' dealerships and sales teams.

Successfully ramp up Qoros' commercial sales and expand Qoros' dealer network—Qoros' commercial launch included the launch of Qoros' C-segment models, the Qoros 3 Sedan, the Qoros 3 Hatch and the Qoros 3 City SUV. Qoros has also launched the 2016 model year versions of the Qoros 3 Sedan, the Qoros 3 Hatch and the Qoros 3 City SUV. In March 2016, Qoros entered the C-segment SUV market with the Qoros 5 SUV. Qoros sold approximately 14,250 vehicles in 2015, as compared to approximately 7,000 in 2014, and Qoros intends to continue to expand its dealer network, and build-up of its sales and service infrastructure to further ramp up its sales.

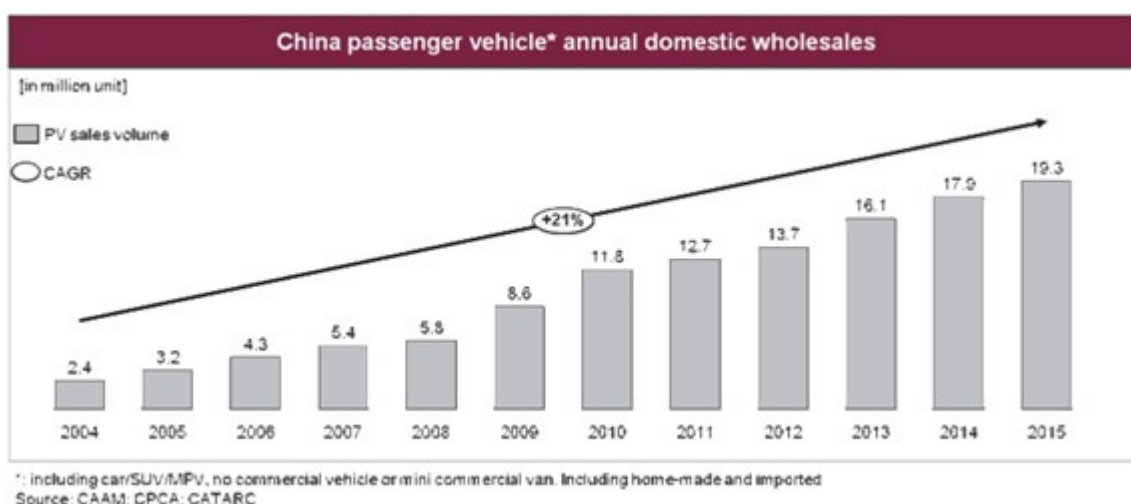
Qoros is continuing to focus on the sales of the Qoros models that have been launched, and as well as on its customer awareness and outreach efforts. Qoros is also continuing to develop its dealer network, targeting those regions and cities that have been identified by Qoros' extensive research as having high sales potential within the C-segment. Qoros intends to increase the size of its dealer network by creating incentives for its high-performing dealers to open additional points of sales. Each of Qoros' dealerships is constructed in accordance with a distinctive, Qoros-branded corporate identity, designed to result in consistent appearance and service standards. Qoros' dealers are required to complete rigorous training with respect to Qoros' vehicle models, features and accessories. The construction and operation of Qoros' dealerships are financed by Qoros' dealers themselves, with partial reimbursements received from Qoros, resulting in the financial commitment of dealers to the commercial success of Qoros' vehicle models. As of December 31, 2015, Qoros' dealerships included 86 fully operational points of sales, 7 additional points of sales under construction and Memorandums of Understanding with respect to the potential development of 3 additional points of sales.

The development of Qoros' sales and service infrastructure includes Qoros' development of an information technology infrastructure connecting Qoros with its dealers and enabling coordination regarding the sales and aftermarket support of Qoros' vehicles. Qoros is also continuing to establish service and provide diagnostic tools and service manuals across its dealer network and to train technicians to conduct repairs and to provide other after-market support at its various dealer locations.

Leverage platform to grow Qoros' business and expand its product offerings—Qoros' long-term strategy contemplates the expansion of Qoros' vehicle portfolio through the introduction of additional vehicle models using Qoros' existing platform. By using its existing scalable platform, Qoros can develop new models in an efficient manner, as its platform permits Qoros to develop new models with varying and distinctive features, while making only minor adjustments. The Qoros platform, for example, has been used to develop the Qoros 3 Sedan, the Qoros 3 Hatch, the Qoros 3 City SUV, and the Qoros 5 SUV. Furthermore, in January 2016, Qoros created an NEV business division, which will focus on the development of efficient, cost-effective electric cars, and in the future, Qoros may develop and sell NEVs pending the receipt of further investment. Qoros also intends to offer additional services, parts and accessories for its vehicles, including value added services based upon its connectivity platform.

Overview of the Chinese Passenger Vehicle Market

Qoros is currently focused on the Chinese passenger vehicle market, which has experienced rapid growth in recent years driven by significant expansion of the Chinese economy. Today, China is the largest and fastest growing passenger vehicle market in the world in terms of units sold. Based upon information sourced from CAAM and CPCA, the domestic sales volume of passenger vehicles grew from approximately 2.4 million vehicles (including imports) in 2004 to 19.3 million vehicles (including imports) in 2015, representing a CAGR of 21%, and is expected to continue to grow.



Factors Driving Growth in the Chinese Passenger Vehicle Industry

Qoros believes the following factors have contributed to the growth of the Chinese passenger vehicle industry:

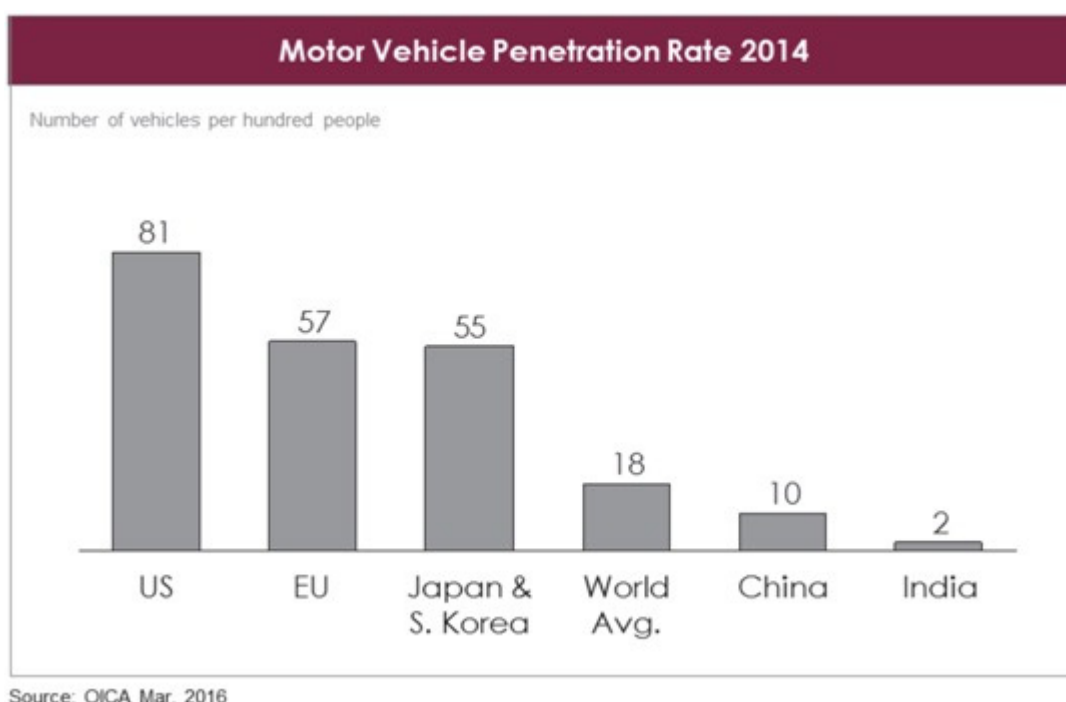
Rapid Economic and Purchasing Power Growth

High GDP growth in China over the past decade has resulted in increased personal wealth and purchasing power. According to the NBSC, China's nominal GDP increased from RMB13,582 billion in 2003 to RMB67,671 billion in 2015. According to the NBSC, the annual disposable income per capita in Chinese urban households increased from RMB24,565 in 2012 to RMB31,195 in 2015, representing an increase of 27%. If the Chinese economy continues to grow, corresponding personal wealth generation will support greater demand for passenger vehicles, which will accelerate the expansion of China's passenger vehicle industry.

In 2015, China's GDP grew at its lowest rate since 1990, according to the NBSC. For information on the risks related to China's economic growth, see "*Item 3D. Risk Factors—Risks Related to Our Interest in Qoros —The economic, political and social conditions in China could have a material adverse effect on Qoros.*"

Low Penetration Rate Implies Long-Term Growth Potential

Although China's passenger vehicle market is the largest in the world by country (in terms of units sold), China's penetration rate of vehicles as a proportion of its population is still relatively low, at approximately 10% at the end of 2014. According to OICA, the penetration rate of more mature economies, by comparison, typically ranges from 55% (in the case of Japan and Korea) to 81% (in the case of the United States), which indicates significant growth potential for the passenger vehicle market in China.



Increased Urbanization

Urbanization within China has created significant opportunities for the passenger vehicle industry as urban residents have shown a tendency for greater mobility. China has become increasingly urbanized over the years. According to the World Bank, from 2003 to 2014, China's urbanization rate has increased from approximately 40% to approximately 54%, with an urban resident population of approximately 742 million in 2014. Pursuant to the National New Urbanization Plan (2014-2020) issued in March 2014, the Chinese government set a target of raising the urbanization rate (as measured by urban resident population) to approximately 60% by 2020. Going forward, small and medium-size cities and towns in the central and western areas of China are projected to grow at a faster rate than the national average.

Increased Investment in Transportation Infrastructure

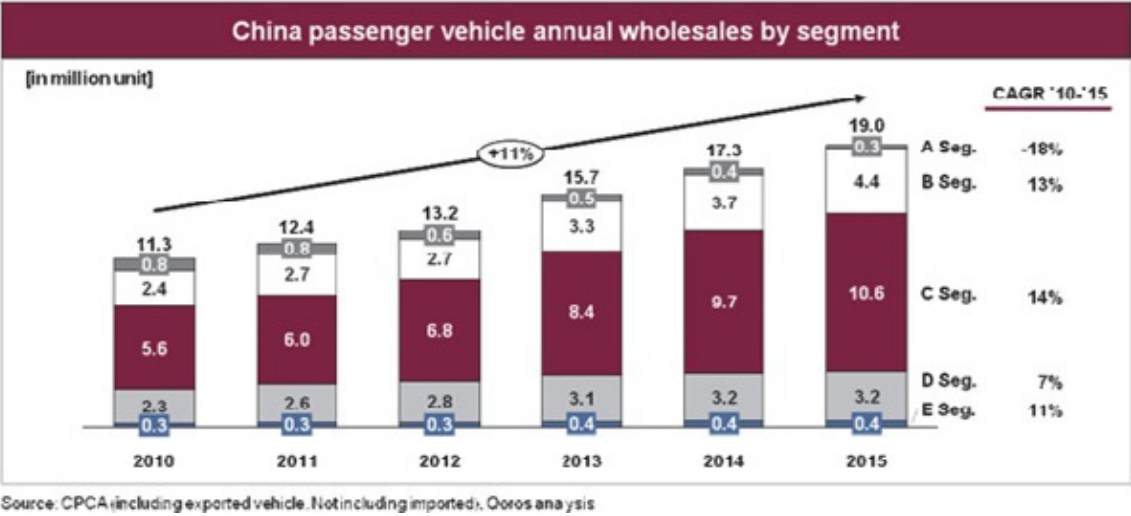
China's substantial investment in the construction of transportation infrastructure has fueled demand for passenger automobiles. According to the NBSC, from 2003 to 2014, the total length of China's highways has grown from approximately 1,810,000 kilometers to 4,464,000 kilometers, representing a CAGR of 8.6%. Further highway extensions are expected to promote increased use of automobiles. The increase in the length of highways further facilitates inter-city travel, which in turn has boosted automobile sales as the use of passenger vehicles has increased accordingly.

Market Segmentation of the Chinese Passenger Vehicle Industry

The Chinese passenger vehicle market, in line with international markets, can be separated into the following segments: large-size and mid- to large-size (E-segment), mid-size (D-segment), compact (C-segment), small-size (B-segment) and mini (A-segment) models based on the size of the vehicles and their typical engine displacement. The following table sets forth the major categories of passenger vehicles and key features.

Category	Vehicle category	Wheel base (millimeter)	Length of vehicles (millimeter)	Engine displacement (liter) (excluding turbo)
Mini	A	2,000 – 2,300	Below 4,000	Below 1.0
Small-size	B	2,300 – 2,500	4,000 – 4,300	1.0 – 1.5
Compact	C	2,500 – 2,700	4,200 – 4,600	1.6 – 2.0
Mid-size	D	2,700 – 2,900	4,500 – 4,900	1.8 – 2.4
Mid- to large-size	E	2,800 – 3,000	4,800 – 5,000	Above 2.4
Large-size	E	Above 3,000	Above 5,000	Above 3.0

With 10.6 million vehicles (including exports and excluding imports) sold in 2015, China’s C-segment market, which Qoros is initially targeting, is one of the largest C-segment markets in the world and represents, by far, the largest segment within the Chinese automotive market. The C-segment has also been one of China’s fastest growing segment over the past decade, with a CAGR of 14% from 2010 to 2015 according to CPCA. Qoros believes that the C-segment’s primary attractiveness in China results from its delivery of the combination of value for money with sufficient comfort and space for families.



Within the C-segment, Chinese consumers have shown a strong consumer preference for sedans, which, according to CPCA, represented approximately 56% of all C-segment sales in 2015 (including exports and excluding imports), differing strongly from the preferences of European consumers, who have a strong preference for hatchbacks. An important trend over recent years has been the high growth in SUV demand which, according to CPCA, represented approximately 34% of C-segment sales in China in 2015 (including exports and excluding imports), as compared to approximately 23% in 2013. In response to consumer demand for SUVs, over 30 new SUV models were introduced in China last year. Sales of SUVs increased by 53% in 2015 and it is expected that the SUV continue to capture market share.

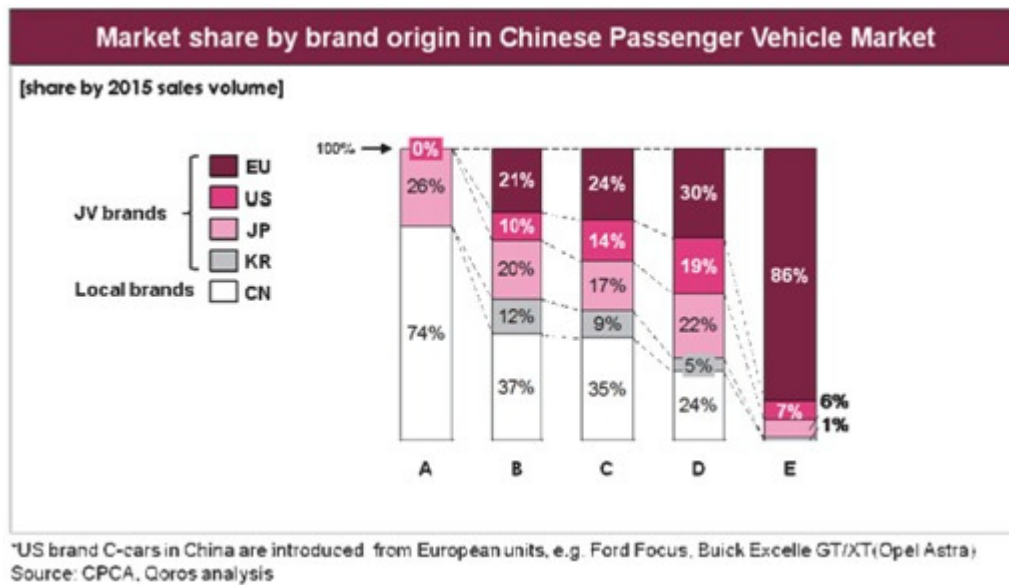


The Chinese passenger vehicle market is typically further divided into categories, as set forth below:

Segment	Examples of Brands
Joint venture Brands	
Premium	Mercedes Benz, BMW, Audi, Cadillac
Mid- to High-end	Volkswagen, Nissan, Buick, Toyota, Honda, Hyundai
Economy	Suzuki
Local Chinese Brands	
Mid- to High-end	Roewe, Senova, MG
Economy	BYD, Geely, Great Wall

The role of joint venture brands is particular to the Chinese automotive market, as foreign automotive OEMs are only allowed to establish local production through joint ventures with local manufacturers. Joint venture brands participate in the larger and more expensive market segments of the Chinese passenger vehicle market, and a significant portion of the sales within these segments are generated from foreign joint venture brands. Chinese consumers have indicated a preference for foreign joint venture brands as a result of their perceived higher quality and technology, as well as their higher prestige. Local brands participate primarily in the economy price range, with demand mainly driven by first-time car buyers, often located in tier 3 (those with populations ranging from 4-10 million, including subsidiary counties and towns) and tier 4 (those with populations ranging from 2-6 million, including subsidiary counties and towns) cities, which typically have lower vehicle penetration rates than the larger tier 1 and tier 2 cities.

The following table sets forth estimated market share in the Chinese automotive market by vehicle segment for joint ventures and local brands:



New Energy Vehicle Market in China

The Chinese central government has stated that the new energy vehicle, or NEV, market is critical for the development of the Chinese automobile industry and China’s economic growth, and has implemented a number of policies to promote the growth of the market. Sales of NEV cars (which includes plug-in and battery electric vehicles) increased from 59,000 units in 2014 to 177,000 units in 2015, representing a growth rate much higher than that of the internal combustion engine car.

Most NEVs are sold in NEV “demo cities”, which are mid- to large-sized cities where the government has implemented policies to promote the growth of the NEV market. Policies to promote NEV sales include lowering purchase prices and decreasing the running costs for private customers through purchase subsidies from central and local governments, tax cuts, free license plates in cities which have quotas or extra costs for new car registration, exclusive license plates for NEVs, charging facility subsidies and exclusive parking access, among others.

Industry analysts expect that additional policies to encourage the growth of NEVs will be instituted, as many local governments are under pressure to reduce CO₂ emissions, urban gridlock and haze. In the near- to mid-term, NEVs may be given traffic privileges and exempted from driving day restrictions.

Meanwhile, OEMs are expected to invest in manufacturing NEVs to meet mandatory fuel economy regulations on corporate average fuel consumption. In October 2015, the Chinese central government indicated that it needed to improve infrastructure and increase the prevalence of charging facilities to accelerate the development of the NEV market. According to a release from the National Development and Reform Commission, China expects to construct 4.8 million charging points by 2020. Industry analysts expect that improving infrastructure and access to charging facilities will also improve the market’s acceptance of NEVs.

Chinese Passenger Vehicle Market Update

Following years of rapid growth, the Chinese passenger vehicle market experienced reduced growth rates in 2015. According to CPCA, cumulative passenger vehicle wholesales in 2015 increased by 9%, as compared to 11% and 17% in 2014 and 2013, respectively. SUV sales increased by approximately 50% in 2015 compared to 2014 and by 55% in January and February 2016 from the same period in 2015, while sedan sales in January and February 2016 decreased 12%, according to the CAAM. The decline in the industry's overall growth rate that occurred in 2015 in connection with volatility in the Chinese financial markets and a slowdown in the Chinese economy resulted in increased competition in China's automotive market through price reductions.

Towards the end of 2015, dealers and OEMs offered customers a variety of inducements for customers to purchase vehicles, including price reductions. In line with many of its competitors, Qoros announced suggested retail price reductions on all its vehicle models. It is expected that dealers and OEMs will continue to reduce prices and offer further inducements to purchase vehicles in 2016. Furthermore, in the third quarter of 2015, China's central government initiated a tax policy to incentivize domestic vehicle sales by reducing invoice prices by approximately 4.25%. From October 1, 2015 to December 31, 2016, passenger vehicles with engines that are 1.6L or smaller, which includes all Qoros vehicles, will be eligible for this tax incentive.

Qoros' Description of Operations

Qoros designs, engineers and manufactures a new brand of automobiles manufactured in China, designed to deliver international standards of quality and safety, as well as innovative features. In 2015, Qoros sold approximately 14,250 cars, as compared to approximately 7,000 cars in 2014.

Models

Qoros has launched and commenced commercial sales of its C-segment models—the Qoros 3 Sedan, the Qoros 3 Hatch and the Qoros 3 City SUV. Qoros has also launched the 2016 model year versions of the Qoros 3 Sedan, the Qoros 3 Hatch and the Qoros 3 City SUV. In March 2016, Qoros entered the C-segment SUV market with the Qoros 5 SUV. Qoros' platform has been designed to enable the efficient introduction of new models in the C- and D-segments. Qoros intends to introduce new vehicle models over time, as it expands its commercial operation in line with demand for its vehicles.

Qoros developed its vehicles in accordance with international standards of quality and safety, as well as innovative features, working in conjunction with global entities from both automotive (e.g., Magna Steyr, Bosch, Getrag, Valeo) and non-automotive (e.g., Frog Design, Microsoft, China Unicom) industries. The Qoros 3 Sedan's vehicle performance is competitive in its segment, particularly with respect to fuel economy, acoustics, aerodynamics, climatic comfort, and braking performance. For example, the Qoros 3 Sedan has a powertrain optimized for efficient fuel consumption and engine performance, resulting in competitive highway and city fuel consumptions of 4.9 liter/100 km and 8.3 liter/100 km, respectively. Additionally, the Qoros 3 Sedan demonstrates competitive braking performance according to Auto Motor and Sports' standards. The Qoros 3 Sedan also received a 5+ star safety rating in the China—New Car Assessment Program (C-NCAP)'s 2015 crash test, becoming the first car ever to achieve the 5+ rating against the demanding 2015 assessment protocol. The Qoros 3 Sedan also received the 2015 Annual Safety Car Award in Compact Category by World Auto.

The Qoros 3 Sedan's design provides one of the most spacious interiors in the segment. In particular, the large shoulder room and rear leg room reflect important Chinese C-segment consumer preferences. The Qoros 3 Sedan is also one of the widest vehicles in its segment. In 2015, Qoros 3 Sedan Excite received two awards from 2015 10th China Car Annual Selection, including Car of Year Award and Annual Best Design Award.

QorosQloud

All of Qoros' vehicles are equipped with a MMH, including a user friendly 8-inch capacitive touch screen with swipe gestured control HMI. Most of Qoros vehicles are equipped with the "QorosQloud," a cutting-edge telematics and cloud-based entertainment and services system that delivers a variety of free (e.g., cloud-enhanced navigation, car care, and social sharing) and premium (e.g., real-time traffic, parking information, cloud-enabled map update, and safe drive monitoring) connectivity features. Qoros believes the features and the services provided by the QorosQloud integrates Qoros' vehicle into the driver's lifestyle, by virtually connecting the vehicle, the driver and the driver's digital world. QorosQloud creates a digital ecosystem that, among other features, provides the driver with the following free features:

- *guiding services*, offering trip planning, navigation services which, after parking, can continue to provide the user with directions via the use of mobile devices, and smart points of interest. The QorosQloud has recently began to include the “Pick Me Up” feature, which provides navigation services to Qoros drivers who have offered rides to their friends on the WeChat messaging and calling app;
- *car care services*, offering car status monitoring, booking of appointments for service maintenance, real-time monitoring of service maintenance status from a mobile device, driving behavior monitoring, which may help drivers in connection with their insurance, and monitoring of fuel efficiency. Qoros recently developed a web-based customer communication platform, which enables Qoros to leverage vehicle usage data to provide targeted messages to Qoros drivers; and
- *share services*, offering check-in, shared trips and other social networking features. The QorosQloud is integrated with the WeChat messaging and calling app, allowing Qoros drivers to access QorosQloud functions through their WeChat account.

The QorosQloud also provides drivers with remote access to their vehicle, providing key information with respect to the vehicle’s location, owner’s manual, warranty information, and vehicle diagnostics and maintenance, as well as, for an additional fee, enabling drivers to access real-time information such as traffic and surrounding points of interest from the vehicle.

Drivers of Qoros’ vehicles may also purchase premium connectivity features, such as access to dynamic, real-time parking and traffic information and live map updates, representing an additional source of revenue for Qoros.

New Models and Models under Development

Qoros launched the Qoros 5 SUV in March 2016, marking Qoros’ entry into the C-segment SUV market. The Qoros 5 SUV is a dynamic mid-sized SUV, designed and produced with international standards of quality, safety and performance. Qoros debuted the Qoros 5 SUV at the Guangzhou Auto Show in November 2015. In November 2015, the Qoros 5 SUV was named “The Most Anticipated Compact SUV” at the 14th Auto Industry Oscar Awards. The Qoros 5 SUV also received the Most Anticipated SUV Award from a selection team consisting of mainstream automotive media members.

Qoros is also developing a sedan crossover model, which it expects to launch in 2017.

Information Technology

Qoros has designed a comprehensive IT infrastructure to support its operating model, including product processes, customer order processes, sales & service processes, and enterprise management and support processes. Qoros has implemented all business-critical systems, including its engineering, purchasing, and production control systems. Additionally, to support its commercial sales, Qoros has also launched its marketing and sales systems, including its dealer management system, dealer portal, customer relation management system, and spare part and warranty systems.

Qoros’ Manufacturing: Property, Plants and Equipment

Qoros conducts its vehicle manufacturing and assembly operations at its 150 thousand unit per annum, 790,000 square meter factory by land size in Changshu, China, for which it has a land use right until March 4, 2062. Qoros’ western-standard manufacturing facility incorporates comprehensive, flexible capabilities, including body assembly, state-of-the-art paint shop, final vehicle assembly and end-of-line testing. Qoros’ newly constructed paint shop uses cutting edge painting processes, such as TecTalis, a nanoceramic conversion coating process for metals, and the B1B2 compressed painting process, in which two layers of wet-to-wet basecoats are applied instead of the traditional application of a basecoat layer and a primer coating, to achieve production efficiency, improve painting quality, and minimize environmental impact. Qoros’ paint shop also utilizes state-of-the-art equipment and robots, to contribute to the overall effectiveness and efficiency of Qoros’ painting operations.

Qoros plans to continue to ramp up its production of the Qoros 3 Sedan, the Qoros 3 Hatch and the recently-launched Qoros 3 City SUV, subject to demand, as it continues to seek to deploy its full-scale commercial sales model. Qoros will adjust the manufacturing capacity of its manufacturing facility in accordance with the demand for its vehicles. Currently, the base installed volume of vehicles that can be manufactured, or the “technical capacity”, of Qoros’ manufacturing facility is 150 thousand units per annum. Through alterations of operating parameters, such as the utilization of different shift models, the volume of vehicles manufactured can be increased to approximately 220 thousand units per annum (and further increased through additional shift optimizations and improvements in workday efficiency). This represents the manufacturing facility’s “shift capacity.” Subject to approval from the relevant Chinese government authorities and additional investments in phase two

of the manufacturing facility, the production capacity of Qoros' manufacturing facility can subject to Qoros' receipt of government approval, be further increased to up to approximately 440 thousand units per annum through a second stage plant expansion together with an optimized work shift model.

Qoros' Sourcing and Suppliers

Qoros sources the component parts necessary for its vehicle models from over 100 global suppliers. A majority of Qoros' suppliers are European-based, with manufacturing facilities in China. Qoros aims to establish long-term relationships with its suppliers as a means of building loyalty, achieving competitive pricing, and achieving component quality and prompt delivery. Qoros has implemented enterprise resource planning and management software to automate its procurement and inventory processes and to integrate them with its financial accounting system. This resource management system allows Qoros to reduce and control costs by maintaining minimal inventories of the components and parts needed to conduct its manufacturing operations.

In 2009, Qoros entered into an agreement with Magna Steyr, a company engaged in automobile design and engineering, for the purposes of engaging Magna Steyr in the design and development of Qoros' vehicle platform. Qoros has entered into additional contracts with Magna Steyr for the engineering and styling of its individual vehicle models, including the Qoros 3 Sedan, the Qoros 3 Hatch, the Qoros 3 City SUV and the Qoros 5 SUV. Qoros also collaborates and sub-contracts with several other engineering firms for its product development activities.

Qoros utilizes a "managed outsourcing" model for the development of its vehicle models, which Qoros believes increases its operational effectiveness and efficiency. Under its "managed outsourcing" model, Qoros utilizes the knowledge it has acquired from its extensive customer research to develop its vehicles, including defining corresponding vehicle and (sub-) system level performance targets, formulating detailed design verification/testing plans, and managing vehicle development programs. The detailed implementation work necessary to develop Qoros' vehicles is then carried out by engineering service providers and/or related suppliers in accordance with Qoros' requirements. For information on Qoros' relationship with, and the risks related to, Qoros' suppliers, see "*Item 3.D Risk Factors—Risks Related to Our Interest in Qoros—Qoros is dependent upon its suppliers.*" For information on claims brought by certain of Qoros' suppliers, see "*—Qoros' Legal Proceedings—Claims by Suppliers.*"

Qoros' Commercial Agreements with Chery

Although Qoros is under no obligation to do so, Qoros sources its engines and certain spare parts from Chery in the ordinary course of Qoros' business. Additionally, Qoros entered into a platform sharing agreement with Chery, pursuant to which Qoros provides Chery with the right to use Qoros' platform in exchange for a fee. Qoros may also enter into additional commercial arrangements and agreements with Chery, or parties related to it, in the future.

For further information on Qoros' commercial arrangements with Chery, see Note 29 to Qoros' consolidated financial statements, included in this annual report. For further information on the risks related to Qoros' commercial agreements with Chery, see "*Item 3.D Risk Factors—Risks Related to Our Interest in Qoros—Qoros has entered into certain arrangements and agreements with Chery.*"

Qoros' Patents and Licenses

Qoros owns the intellectual property rights related to motor vehicles that it has independently developed (including HMI, electric powered motor vehicles and relevant motor vehicles platforms, parts, components and accessories for motor vehicles) and also owns any and all brands, trade names, trademarks, or emblems developed in connection with, or with respect to, any of its vehicles.

Qoros has filed trademark applications for Qoros major trademarks (e.g., QOROS, Qoros logos) and other trademark related to Qoros business in Asia (including Australia/New Zealand), Europe, Middle East, North America, South America, Africa, etc. "QOROS," "Qoros Auto" and the Qoros logo have been registered throughout Europe and Asia.

For information on the risks related to Qoros' ownership of its intellectual property, including the risks relating to Qoros' pledging of its rights in certain of its patents, see "*Item 3.D Risk Factors—Risks Related to Our Interest in Qoros—Qoros' success depends, in part, upon its ability to protect, and maintain ownership of, its intellectual property.*"

Qoros' Marketing Channels

Qoros has implemented an integrated product, marketing and communication strategy, based upon extensive customer research. Since its inception, Qoros has commissioned more than 100 primary marketing studies focusing upon key vehicle

features, purchasing factors and consumer needs. Qoros' centralized, in-house marketing team aims to utilize its market research and:

- generate demand for Qoros' vehicles and drive leads to Qoros' dealerships and sales teams;
- build long-term brand awareness and develop and manage Qoros' reputation;
- employ effective marketing strategies in a cost-efficient manner; and
- use Qoros' web-based customer communication platform as part of its customer relationship management initiative.

On August 19, 2015, Qoros held a Qoros Brand Day in its Changshu plant with approximately 120 media personnel, 100 car owners and Key Opinion Leaders, and 33 dealers in attendance. The Qoros Brand Day event served as the kick-off for a series of Qoros marketing campaigns focusing on its brand positioning and product line updates. Furthermore, Qoros was the title sponsor of the 2015 World Table Tennis Championships, which gave Qoros publicity through a ten-city promotional tour, a table tennis game series in 108 cities throughout China, a partnership with the International Table Tennis Federation and live broadcast time. Qoros was also the title sponsor of the 2015 Car Challenge Performance—X (Domestic Division).

Qoros continued to participate in major auto shows in 2015. In November 2015, Qoros debuted its Qoros 5 SUV model at the Guangzhou Auto Show. Qoros also participated in the Shanghai and Chengdu Auto Shows in 2015.

Qoros' Dealers

Qoros markets its vehicles in China through a network of independent authorized retail dealers, with whom Qoros enters into non-exclusive relationships. As of December 31, 2015, Qoros had 62 4S dealer stores, providing Qoros' customers with dealers and authorized salesmen, showrooms, and service and parts, under one roof; the remaining portion of Qoros' dealership network comprises only showrooms. Locations of Qoros' dealerships have been identified in Qoros' extensive research, with a view to optimizing and increasing Qoros' market coverage. As of December 31, 2015, Qoros' dealerships included 86 fully operational points of sales, 7 additional points of sales under construction and Memorandums of Understanding with respect to the potential development of 3 additional points of sales. As part of its strategy to increase its sales, Qoros intends to increase the size of its dealer network by creating incentives for its high-performing dealers to open additional points of sales.

Qoros enters into a contract with each authorized dealer, agreeing to sell to the dealer all specified vehicle lines at wholesale prices and granting to the dealer the right to sell those vehicles to retail customers from an approved location. It is expected that Qoros' dealers will offer the full vehicle model lineup offered by Qoros. Authorized Qoros dealers also offer parts, accessories, service and repairs for Qoros' vehicles, using genuine Qoros parts and accessories obtained directly from Qoros. Qoros' dealers are authorized to service Qoros' vehicles under Qoros' limited warranty program, and those repairs are required to be made only with Qoros' parts. In addition, most of Qoros' dealers also provide their customers access to retail financing, vehicle insurance and warranty packages. The dealership facilities are based on Qoros' branded construction plans, to ensure consistency and quality, and are constructed by the dealer using its own capital resources, with partial reimbursements received from Qoros.

Because dealers maintain the primary sales and service interface with the end consumer of Qoros' products, the quality of Qoros' dealerships and its relationship with its distributors are critical to its success. Qoros conducts rigorous training for dealers with respect to its vehicle models and ancillary and aftersales products, most of which are required to be completed prior to the opening of a dealer's operations. Qoros' training program for dealers includes (i) a step-by-step course plan, which includes an initial launch training, (ii) a three leveled core curriculum with a final certification test, and (iii) subject-specific training when appropriate (e.g. the launch of a new product, a QorosQloud upgrade, etc.). Dealers are also expected to undergo subject-specific trainings throughout subsequent years. Pursuant to the terms of its standard dealer arrangement, Qoros' dealers are required to periodically participate in ongoing training and educational sessions regarding Qoros, its vehicle models, and the servicing of its vehicles.

For information on the risks related to Qoros' relationship with its dealers, see "*Item 3.D Risk Factors—Risks Related to Our Interest in Qoros—Qoros depends upon a network of independent dealers to sell its automobiles.*"

Aftersales and Services

Qoros is continuing to ramp up the aftersales and services it offers for its vehicle models through its network of authorized dealers. Qoros drivers can utilize their QorosQloud to respond to service invitations, make and secure appointments, and report issues on their vehicle in advance of any servicing appointments. Aftersales and services are provided pursuant to warranties and for a fee where warranty coverage is not available.

Qoros recently developed a web-based customer communication platform, which enables Qoros to leverage vehicle usage data to provide Qoros drivers with targeted messages via various channels, including e-mail and SMS, in-app and in-car MMH messaging. Qoros intends to use its customer communication platform as part of its customer relationship management initiative.

Qoros' Customers

Qoros' intended target audience consists of Chinese consumers.

Target purchasers of the Qoros 3 Sedan are generally urban residents between the ages of 25 and 35, with an average-to-high level of income, while target purchasers of the Qoros 3 Hatch are generally female customers with higher-than-average education and income.

Qoros is also targeting a diverse group of fleet-sale customers, including car rental companies (including those serving Chinese government agencies), corporate entities, and other large groups.

Retail Financing Program

Customer financing is available through dealers and financing packages are also offered by Chery Motor Finance Service, Co. Ltd., a Wuhu Chery affiliate. Qoros does not provide direct financing to customers at this time.

Warranty Program

Qoros provides a 36-month or 100,000 km limited warranty with every Qoros vehicle model and also provides 36 months of free, twenty-four hour, 365 days roadside assistance. Qoros' limited warranty, which is similar to those offered by other international OEMs, is subject to certain limitations, exclusions or separate warranties, including certain wear items, such as tires, brake pads, paint and general appearance, and battery performance, and is intended to cover parts and labor to repair defects in material or workmanship in the body, chassis, suspension, interior, electronic systems, battery, powertrain and brake system.

Qoros' Competition

The passenger vehicle market in China is highly competitive, with competition from many of the largest global manufacturers (acting through joint ventures), including European, U.S., Korean and Japanese automakers, and established domestic manufacturers. As the size of the Chinese automotive market continues to increase, Qoros anticipates that additional competitors, both international and domestic, may seek to enter the Chinese automotive market and that market participants will act to maintain or increase their market share. For information on the risks related to Qoros' competition, see "*Item 3.D Risk Factors—Risks Related to Our Interest in Qoros—Qoros' business is subject to intense competition.*"

Qoros' Seasonality

In general, demand for new cars in the Chinese automobile industry peaks during three periods: March—April, September—October, and December—January. The Chinese automobile industry generally experiences reduction in demand during February, July and August.

Qoros' Joint Venture Agreement

We are party to a Joint Venture Agreement, entered into on February 16, 2007 (which has been amended, supplemented or otherwise modified since then) that sets forth certain rights and obligations of each of Quantum, the wholly-owned subsidiary through which we own our equity interest in Qoros, and Wuhu Chery with respect to Qoros, or the Joint Venture Agreement. The Joint Venture Agreement is governed by Chinese law. Pursuant to the terms of the Joint Venture Agreement, each of Kenon, through Quantum, and Wuhu Chery is required to invest pro rata amounts into Qoros at various and specified intervals. The Joint Venture Agreement also contains provisions regarding (i) the joint approval of "substantial matters" (e.g., changes to Qoros' articles of association; the merger, amalgamation, split or public offering of Qoros) via

unanimous approval from Qoros' board of directors; (ii) the selection of Qoros' Board of Directors and senior management; (iii) a prohibition against the sale/assignment/transfer/pledge of either party's interest in Qoros, subject to certain exceptions, and (iv) indemnification, confidentiality, non-competition, and liquidation processes.

Pursuant to the terms of our Joint Venture Agreement, we have the right to appoint three of Qoros' six directors and Wuhu Chery has the right to appoint the remaining three of Qoros' six directors. We also have the right to, together with Wuhu Chery, jointly nominate Qoros' Chief Executive Officer and Chief Financial Officer. The joint nomination of Qoros' Chief Executive Officer and Chief Financial Officer are each subject to the approval of Qoros' board of directors by a simple majority vote.

Additionally, Wuhu Chery may, in the event of the termination of the Joint Venture Agreement, purchase our interest in Qoros at an agreed upon price or at the price determined by an independent appraiser selected or appointed as applicable, pursuant to the valuation procedure set forth in the Joint Venture Agreement. The nationalization or confiscation, in whole or in substantial part, of Qoros' assets, or Qoros' bankruptcy, for example, are all termination events that may trigger Wuhu Chery's purchase rights. Furthermore, the Joint Venture Agreement also contains provisions relating to the transfer and pledge of Qoros' shares, the appointment of executive officers and directors, and the approval of "substantial matters," which may prevent us from causing Qoros to take actions that we deem desirable.

Each of Kenon and Chery had committed to provide Qoros with RMB3.74 billion of capital contributions. Kenon and Chery have satisfied their individual committed capital contributions (assuming the conversion of certain convertible shareholder loans), having invested RMB5.2 billion and RMB5.1 billion, respectively, in Qoros as of the date of this annual report via capital contributions and/or convertible or non-convertible shareholder loans.

Kenon and Chery have also guaranteed the full performance and observance by Quantum and Wuhu Chery, respectively, of, and compliance with, all covenants, agreements, obligations and liabilities applicable to Quantum or Chery, as applicable, under and in accordance with the terms and conditions of the Joint Venture Agreement. As a result, Kenon and Chery are effectively subject to the terms of the Joint Venture Agreement.

The Joint Venture Agreement will expire in December 2032 and either we or Chery may terminate the Joint Venture Agreement prior to this date, under certain circumstances, and subject to certain conditions. For further information on the risks related to the Joint Venture Agreement, including the risks related to Chery's status as a state controlled holding enterprise, see "*Item 3.D Risk Factors—Risks Related to Our Interest in Qoros—Qoros is a joint venture in which our interest is only 50%.*"

Qoros' Board and Executive Management

Qoros has recently made a number of personnel changes at the executive management level and in the senior management structure. For example, Qoros' board of directors recently appointed a new interim Chief Executive Officer. Qoros' interim Chief Executive Officer also serves as the chairman of Qoros' board of directors.

Qoros' Legal Proceedings

Claims by Suppliers

During 2015, Qoros was subject to various claims brought by certain of its suppliers claiming unpaid amounts. As of the date of this annual report, the total amounts claimed are approximately RMB87 million. Qoros is defending itself against each of these claims. For further information on the risks related to Qoros' relationship with its suppliers, see "*Item 3.D Risk Factors—Risks Related to Our Interest in Qoros—Qoros is dependent upon its suppliers.*"

Eisenmann Proceedings

In February 2016, Eisenmann SE, or Eisenmann, brought a claim against Geico Taikisha and Qoros before the Suzhou Intermediate People's Court of Jiangsu Province, alleging that Geico Taikisha and Qoros infringed upon Eisenmann's patents through Qoros' use of J-Flex equipment which it purchased from Geico Taikisha. Geico Taikisha and Qoros are contesting this action, and will file an invalidation petition of the Eisenmann patent before the State Intellectual Property Office of the People's Republic of China. Should the court rule in favor of Eisenmann, Qoros could be required to cease its use of the J-Flex equipment, which Qoros uses to dip and transport vehicle bodies on the pre-treatment and paint lines of its manufacturing facility. Qoros may also be required to pay monetary damages, but Qoros believes that Geico Taikisha would be required to indemnify it for any such damage award and the associated legal costs. For further information on the risks associated with Qoros' dependence on systems, components and parts to conduct its manufacturing operations, see "*Item 3.D Risk Factors—Risks Related to Our Interest in Qoros—Qoros is dependent upon its suppliers.*"

Qoros' Regulatory, Environmental and Compliance Matters

Qoros is subject to regulation, including environmental regulations, in China and the Jiangsu Province. Such regulations are becoming increasingly stringent and focus upon the reduction of emissions, the mitigation of remediation expenses related to environmental liabilities, the improvement of fuel efficiency, and the monitoring and enhancement of the safety features of Chinese vehicles. For example, the Beijing VI emissions standards, which are expected to be implemented in December 2017, will impose stricter emissions regulations on Chinese car manufacturers. In order to comply with these new emissions regulations, Qoros will need to upgrade its engines and is expected to incur significant costs in doing so. Qoros' facility, activities and operations are also subject to continued monitoring and inspection by the relevant Chinese authorities. Qoros believes that it is in compliance with applicable Chinese government regulations.

Additionally, certain of Qoros' corporate activities are subject to the regulation and approval of the competent authorities in China. Such activities include capital increases by loans to, or investments in Qoros, changes in the structure of Qoros' ownership, increases in the production capacity, construction of Qoros' production facilities, registration and ownership of trademarks, relocation of Qoros' head office, the formation of subsidiaries, and the inclusion of Qoros' products in the national catalogue for purposes of selling them throughout China.

Furthermore, in January 2016, Qoros created an NEV business division, which will focus on the development of efficient, cost-effective electric cars. Should Qoros proceed with developing and selling electric vehicles, Qoros will be subject to a new regulatory regime, including regulations regarding battery safety and testing, limitations on electrolyte spillage, battery retention, avoidance of electric shock following specified crash tests, energy efficiency testing and electric car labeling requirements. For further information on Qoros' regulatory, environmental and compliance risks, see *"Item 3.D Risk Factors—Risks Related to Our Interest in Qoros—Qoros is subject to Chinese regulation and its business or profitability may be affected by changes in China's regulatory environment."*

ZIM

We have a 32% stake in ZIM, an international shipping company in which IC held an approximately 99.7% equity interest prior to ZIM's restructuring on July 16, 2014, which reduced ZIM's outstanding indebtedness and liabilities (face value, including future off-balance sheet commitments in respect of operational leases and with respect to those parties participating in the restructuring) from approximately \$3.4 billion to a remaining balance of approximately \$2 billion. As a result of the completion of ZIM's restructuring in July 2014, IC's equity interest in ZIM was reduced from 99.7% to 32% and ZIM is reflected as a discontinued operation in our results of operations for all periods prior to June 30, 2014. ZIM's results of operations for the six month period ended December 31, 2014, and all periods subsequent thereto, are reflected in our share in income (losses) of associated companies, net of tax.

ZIM is a global container liner company that operates in select and niche markets. ZIM was founded in Israel in 1945, and has over 70 years of experience in the shipping industry providing customers with seaborne transportation and logistics services and solutions. As of December 31, 2015, ZIM operated 85 vessels (of which 7 were owned and 78 were chartered) with a total shipping capacity of 369,549 TEUs. As of December 31, 2015, ZIM chartered 91% of its capacity, and approximately half of its charter leases by capacity have durations of less than one year.

As of December 31, 2015, ZIM operated a global network of approximately 65 weekly lines, calling at approximately 170 ports in approximately 70 countries. ZIM's network includes strategically located hubs and regional feeder lines to increase geographical coverage. ZIM has cooperation agreements with other leading container liner companies and alliances, allowing ZIM to increase its fleet utilization by sharing capacity, expand its service offering and benefit from cost savings. ZIM's vessels have capacities ranging from less than 1,000 TEUs to approximately 10,000 TEUs, allowing ZIM to match the markets' dynamics and ensure high utilization. Within ZIM's global network, ZIM offers a variety of services, including land transportation and logistical services, as well as specialized shipping solutions, such as the transportation of out-of-gauge cargo, refrigerated cargo and hazardous cargo.

Pursuant to ZIM's articles of association, Kenon currently has the right to appoint up to 2 directors to ZIM's board of directors (even if our interest in ZIM's share capital otherwise entitles us to appoint more than 2 directors to ZIM's board of directors). This right will expire if ZIM's board of directors is comprised of more than 9 directors, in which case Kenon will be entitled (alone or together with others) to appoint a number of directors that corresponds to our equity interest in ZIM.

ZIM's Industry Update

The shipping industry continued to experience low margins during 2015, and industry conditions remain challenging due to the historically large supply-demand gap created by the global financial crisis and subdued trade growth since then

along with the rapid increase of capacity. The oversupply of vessel capacity within the container shipping industry is expected to continue in the near future as the global fleet continues to increase. In 2015, 62 vessels of over 10,000 TEUs were delivered, and their total scheduled deliveries amounted to 1.7 million TEUs out of 19.9 million TEUs delivered, representing an 8.5% increase in total TEUs delivered as compared to 2014.

The dramatic decrease in bunker prices of approximately 50% since December 2014 year over year has had both negative and positive impacts on industry supply and demand trends. On the one hand, the shipping industry, which is currently characterized by oversupply, suffers, as low bunker prices result in additional downward pressures on freight rates, as customers put pressure on shipping companies to reduce their freight rates. On the other hand, low bunker prices positively impact shipping companies' cost structures and support household spending that increases private consumption, which, in turn, results in higher demand for goods.

As a result of the challenging supply-demand balance and the deterioration of bunker prices, freight rates reached their lowest level since 2009. As a result of market oversupply and low demand, the number of idle vessels has increased and the container charter market continues to experience a sharp decrease in charter rates, mainly for 4,000 to 6,000 TEU vessels, which experienced approximately between a 40% and 60% decrease in charter rates in 2015.

According to the Panama Canal Authority, the upgraded Panama Canal is scheduled to be completed in 2016. This may lead to a change in method of operation within the shipping industry, as the Panama Canal's widened locks will be capable of handling 13,000 TEU vessels, as opposed to only 5,000 TEU vessels which the Panama Canal currently handles. Carriers began to serve Trans-Pacific trade through the Suez Canal in order to gradually increase capacity until the completion of the Panama Canal expansion. The method of operation may change during 2016 and pose new challenges for the deployment of the Panamax 5,000 TEU vessels, as they become too small for the Trans-Pacific trade zone and too large for some of the intra trade zones.

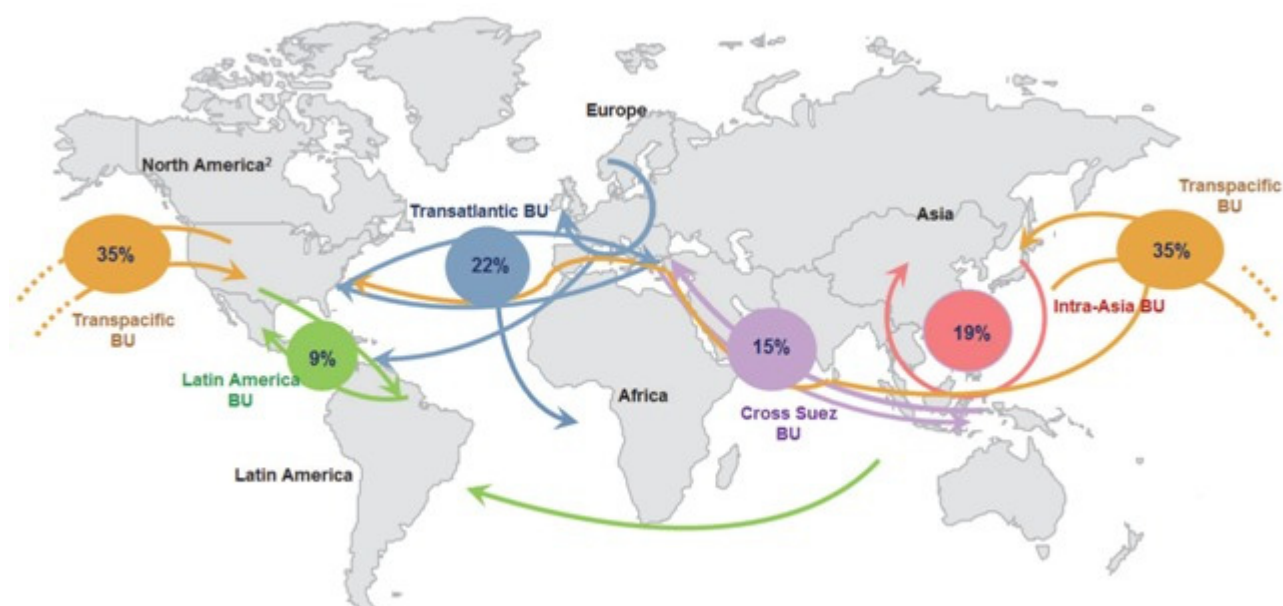
ZIM's Description of Operations

ZIM operates in the liner shipping sector and provides container space/allocation in connection with its operation of regular routes between fixed destinations, within and between trade zones, according to set schedules and anchoring at ports in accordance with a predetermined schedule and according to either pre-determined or spot rates. ZIM operates globally, although its key operational activities are conducted in the Trans-Pacific trade zone, the Asia (including Indian Sub-Continent)-Black Sea/ East Mediterranean Sea trade zones and the Intra-Asia trade zone. In 2015, these trade zones accounted for approximately 70% of ZIM's total carried volume (measured in TEUs).

ZIM competes with other liner shipping companies to provide transport services to customers worldwide. The market is significantly concentrated with the top three carriers (A.P. Moller-Maersk Group, Mediterranean Shipping Company, and CMA CGM S.A.) accounting for approximately 37% of the global capacity, and the remaining top 20 carriers each controlling less than 5% of the capacity as of December 2015. ZIM controls approximately 2% of the global container shipping capacity and is ranked nineteenth among shipping carriers globally as of December 2015 (in terms of TEU capacity).

To compete in an oversupplied market and to minimize costs, the main containership operators have created, and are continuing to create and enter into alliances of cooperative operational arrangements. These alliances enable rationalization of the activities of the carriers, realization of economies of scale in the operation of vessels and utilization of port facilities, promotion of technical and economic progress and greater, more efficient utilization of container and vessel capacity. ZIM is not a member of an alliance. However, ZIM is party to a wide range of operational partnerships, including vessel sharing agreements, swap agreements, and slot purchase agreements with other carriers in most of the trade zones in which it operates. For further information on the risks related to competition within the shipping industry and ZIM's participation in cooperative operational agreements, see "*Item 3.D Risk Factors—Risks Related to Our Other Businesses—Risks Related to Our Interests in ZIM—ZIM does not benefit from the efficiencies of participating in strategic alliances and the ability to enter into such alliances and the participation in operational partnerships in the shipping industry may be limited, which may adversely affect ZIM's business.*" In light of such industry dynamics, ZIM continues to monitor its operational costs and strives to implement additional cost reduction practices in order to position itself as a more efficient and profitable carrier.

The map below illustrates ZIM's trade zones of operation, as of December 31, 2015, and the percentage of TEUs transported by zone:



The following table sets forth, a description of the major trade zones or sub-trade zones in which ZIM operates, and the distribution of TEUs transported by ZIM within each zone, for each of 2015, 2014 and 2013:

Business Unit	Description of Business Unit	2015 TEU Transported (%)	2014 TEU Transported (%)	2013 TEU Transported (%)
Pacific	The Pacific BU consists of the Trans-Pacific trade zone, which covers trade between Asia (mainly China) and the east coast and west coast of the U.S., Canada, Central America and the Caribbean	34.7	31.0	28.4
Cross Suez	The Cross Suez BU consists of the Asia-Europe trade zone, which covers trade between Asia and Europe through the Suez Canal, primarily through the Asia-Black Sea/Mediterranean Sea sub-trade zone	15.4	21.6	26.8
Intra-Asia	The Intra-Asia BU consists primarily of the Intra-Asia trade zone, which covers trade within regional ports in Asia, as well as trade between Asia and Africa	18.5	18.4	18.7
Atlantic	The Atlantic BU consists of the Trans-Atlantic trade zone, which covers the trade between the Mediterranean to US east and west coasts and the Caribbean, as well as Intra trades which include the East Mediterranean, West Mediterranean and North Europe and the Mediterranean to West Africa trade	22.4	21.7	19.9
Latin America	The Latin America BU consists of the Intra-America trade zone, which covers trade within regional ports in the Americas as well as trade between South American east coast and Asia and the Mediterranean to South America east coast via the Atlantic Ocean	9.0	7.3	6.2
Total		<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

ZIM's Description of Fleet

ZIM operates in the liner shipping sector and generates revenue from fees paid to it in exchange for transportation services provided by it (through deployment of its fleet of vessels it owns or charters to ZIM's customers). As of December 31, 2015, ZIM's fleet included 85 vessels (84 container vessels and 1 vehicle transport vessel), of which 7 vessels were indirectly

owned by ZIM (through subsidiaries established for vessel-holding purposes only) and 78 vessels were chartered (5 of these are defined as financial leases). As of the date of this annual report, ZIM had re-delivery dates ranging from 2016 to 2026. As of December 31, 2015, the total capacity of ZIM's fleet of vessels (both owned and chartered) was 369,549 TEUs (compared to 346,156 TEUs as of December 31, 2014).

The following table sets forth summary information relating to ZIM's vessels as of December 31, 2015, differentiating between owned and chartered vessels, and the remaining period of the charter:

	Container Vessels		Other Vessels	Total
	Number	Capacity (TEU)		
Vessels owned by ZIM	7	32,023	0	7
Vessels chartered from parties related to ZIM				
Periods up to 1 year (from December 31, 2015)	2	8,500	0	2
Periods between 1 to 5 years (from December 31, 2015)	3	14,850	0	3
Periods over 5 years (from December 31, 2015)	2	8,442	0	2
Vessels chartered from third parties				
Periods up to 1 year (from December 31, 2015)	47	168,296	1 ¹	48
Periods between 1 to 5 years (from December 31, 2015)	15	79,314	0	15
Periods over 5 years (from December 31, 2015)	8	58,125	0	8
Total	84	369,549	1¹	85

1. Vehicle transport vessels.

Industry analysts expect shipping companies' deployments of larger vessels to increase and, in particular, to increase in certain of the key trade zones in which ZIM operates and intends to increase its operations. The recent Panama Canal expansion is illustrative of the industry trend towards larger vessels. To remain competitive within these trade zones, ZIM may seek to alter its fleet composition accordingly.

Chartered Vessels

ZIM charters vessels under charter agreements for varying periods. With the exception of those vessels whose rates were set in connection with ZIM's 2014 debt restructuring, ZIM's charter rates were fixed at the time of entry into the charter, and depend upon market conditions existing at that time. As of December 31, 2015, of the 78 vessels chartered by ZIM under lease arrangements:

- 72 vessels were chartered under a "time charter," which consists of chartering the vessel capacity for a given period of time against a daily charter fee, with the crewing and technical operation of the vessel handled by its owner, including 7 vessels chartered under a time charter from parties related to ZIM;
- 1 vessel was chartered under a "bareboat charter," which consists of the chartering of a vessel for a given period of time against a charter fee, with the operation of the vessel handled by the charterer; and
- 5 vessels were chartered under financial lease agreements.

Subject to any restrictions in the applicable lease arrangement, the charterer determines the type and quantity of cargo to be carried as well as the ports of loading and discharging. ZIM's vessels operate worldwide within the trading limits imposed by its insurance terms. The technical operation and navigation of ZIM's vessels remain, at all times, the responsibility of the vessel owner, who is generally responsible for the vessel's operating expenses, including the cost of crewing, insuring, repairing and maintaining the vessel, costs of spares and consumable stores, tonnage taxes and other miscellaneous expenses.

Fleet Management

ZIM provides its own operational and technical management services for each of the vessels that it owns.

ZIM operates vessels in accordance with the ISM Code and the International Ship and Port Facilities Security Code, or ISPS Code, in addition, developing, implementing and maintaining a safety management system in accordance with the ISM Code.

Non-Fleet Equipment

In addition to the vessels that ZIM owns and charters, ZIM owns and charters a significant number of shipping containers. As of December 31, 2015, ZIM held 328,512 container units with a total capacity of 527,920 TEUs, of which approximately 60% were owned by ZIM (including under finance leases) and approximately 40% were chartered.

Utilization Rate

ZIM's utilization of its carrying capacity, its utilization rate, varies from time to time and generally ranges between approximately 70% and 93% of total active vessels operating on its voyages to western countries (i.e., the dominant leg), with the utilization rates of its voyages in the opposite direction (i.e., the counter-dominant leg) being much lower.

ZIM's Customers

In 2015, ZIM had more than 26,000 customers. ZIM's customers are divided into "end users", including exporters and importers, and "forwarders," these being non-vessel operating common carriers (i.e., entities engaged in assembling cargos from various customers and the forwarding thereof through a shipping company). In 2015, 42% of ZIM's customers (in terms of transported volume) were "end" customers, while the remainder were "forwarders," e.g., entities dealing with consolidation cargo from various clients and shipping the cargo by various shipping companies. ZIM does not depend upon any single customer.

ZIM's Seasonality

Activity in the marine container shipping industry is affected by various seasonality factors. Generally, the first quarter of the calendar year is marked by a decrease in demand for shipping, primarily due to a decrease in demand from Asia as a result of the Chinese New Year. In the third and fourth quarters, demand for cargo shipping generally increases, primarily due to the holiday periods in the United States. The third quarter is generally the strongest quarter with respect to shipping demand.

Recently, as a result of the continuing crisis within the shipping industry, the seasonality factors have not been as apparent as they have been in the past. The marine shipping market is dynamic and volatile by its very nature and has been marked in recent years by relative instability. As global trends that affect the shipping market have been changing rapidly in recent years, it remains difficult to predict these trends and the shipping industry's activities.

ZIM's Legal Proceedings

Derivative Action Concerning ZIM Restructuring

On August 5, 2014, a petition was submitted to the District Court in Tel Aviv, to approve the submission of a derivative action against IC, ZIM, certain of IC's independent directors comprising a special committee of the IC board established to consider ZIM's restructuring, Millenium Investments Elad Ltd., or Millenium, which owned approximately 46.9% of IC, and Mr. Idan Ofer. The petitioner alleges that (i) IC's execution of a related party transaction in connection with the completion of ZIM's restructuring deviated from the approval of IC's general assembly, (ii) a condition precedent to such transaction relating to the transferability of IC's equity interest in ZIM was not fulfilled, and (iii) as a result, IC has incurred damages of approximately \$27 million. The petitioner requests that the defendants (excluding IC and ZIM) hold a shareholder meeting to approve IC's execution of such related party transaction or the defendants (excluding IC) compensate IC (in an amount not less than \$27.4 million), as a result of the lower value of ZIM shares that were issued to IC in connection with the restructuring. Additionally, the petitioner alleges that the defendants wrongfully enriched breached their statutory duties, exceeded their authorization, and/or breached their duty of care and fiduciary duties. The petitioner further claims that the defendants, Millenium and Mr. Idan Ofer, as controlling shareholders of IC, acted to convene additional shareholder meetings. At this stage, ZIM is unable to estimate the probability of an adverse outcome or the effect of an adverse outcome on its business, if any.

European Commission Antitrust Investigation

On November 22, 2013, the European Commission published an announcement in respect of the commencement of investigation procedures against several liner shipping companies due to a suspicion of them acting in concert. According to

the announcement, the European Commission intends to investigate whether public notices of the shipping companies in respect of the future price increase, which were published on the carriers' internet websites, in the press and elsewhere, caused or may have caused any restriction on competition and customers' trading in the liner shipping market to and from the European Union and the European Economic Area.

On November 21, 2013, an official notice was submitted to ZIM, in which it was clarified that the investigation proceedings involve a substantial number of liner shipping companies operating from and to the European Economic Area, including ZIM and that the initiation of proceedings does not imply that the European Commission has made a definitive finding of an infringement, but only that it intends to give priority to the matter. At this stage, all of the carriers involved in the proceedings, including ZIM, are engaged in advanced constructive negotiation of commitments with the European Commission.

ZIM's Regulatory, Environmental and Compliance Matters

Government and international regulation significantly affects the ownership and operation of vessels. ZIM is subject to many legal provisions relating to the protection of the environment, including with respect to the emissions of hazardous substances, SOx and NOx gas exhaust emissions, the operation of vessels while at anchor by means of generators, and the use of low-sulfur fuel. ZIM could be exposed to high costs in respect of environmental damages (to the extent that the costs are not covered by its insurance policies), criminal charges, and substantive harm to its operations and goodwill, if and to the extent that environmental damages are caused by its operations. ZIM instructs the crews of its vessels on the environmental regulatory requirements and operates in accordance with procedures that ensure its compliance with such regulatory requirements. ZIM also insures its activities, where effective for it to do so, in order to hedge its environmental risks. ZIM's vessels are also subject to the standards imposed by the International Maritime Organization, the United Nations specialized agency with responsibility for the safety and security of shipping and the prevention of marine pollution by ships.

ZIM is also subject to extensive regulation that changes from time to time and that applies in the jurisdictions in which shipping companies are incorporated, the jurisdictions in which vessels are registered (flag states), the jurisdictions governing the ports at which the vessels anchor, as well as regulations by virtue of international treaties and membership in international associations. Changes and/or amendments to the regulatory provisions applying to ZIM (e.g., the U.S.'s recent policy requiring the scanning of all cargo en route to the United States) could have a significant adverse effect on ZIM's results of operations. Additionally, the non-compliance of a port with any of the regulations applicable to it may also adversely impact ZIM's results of operations, by increasing ZIM's operating expenses.

Additionally, ZIM is subject to competition regulations worldwide. For example, in the European Union, ZIM is subject to articles 101 and 102 of the Consolidated Version of the Treaty on the Functioning of the European Union. ZIM's transport activities serving the U.S. ports are subject to the Shipping Act of 1984, as modified by the Ocean Shipping Reform Act of 1998. With respect to Israel, ZIM is subject to the general competition law established in the Israel Antitrust Law, 1988. Immunity from antitrust laws to certain agreements between ocean carriers that operate in the aforementioned jurisdictions, such as slot exchange agreements and other operational partnerships, are in effect. ZIM is party to certain operational and commercial partnerships with other carriers in the industry and each of those arrangements, as well as any future arrangements it becomes party to, must comply with the applicable antitrust regulations in order to remain protected and enforceable.

ZIM is also subject to Israeli regulation regarding, among other things, national security and the mandatory provision of ZIM's fleet, environmental and sea pollution, and the Israeli Shipping Law (Seamen) of 1973, which regulates matters concerning seamen, and the terms of their eligibility and work procedures.

Finally, ZIM is subject, in the framework of its international activities, to laws, directives, decisions and orders in various countries around the world that prohibit or restrict trade with certain countries, individuals and entities.

For further information on ZIM's regulatory risks, see "*Item 3.D Risk Factors—Risks Related to Our Other Businesses—Risks Related to Our Interest in ZIM—ZIM is subject to environmental regulation and failure to comply with such regulation could have a material adverse effect on ZIM's business*" and "*Item 3.D Risk Factors—Risks Related to Our Other Businesses—Risks Related to Our Interest in ZIM—The shipping industry is subject to extensive government regulation and standards, international treaties and trade prohibitions and sanctions.*"

ZIM's Special State Share

In connection with the 2004 sale of the holdings of the State of Israel in ZIM to IC, ZIM ceased to be a "mixed company" (as defined in the Government Companies Law of Israel) and issued a Special State Share to the State of Israel. The objectives underlying the Special State Share are to (i) safeguard ZIM's existence as an Israeli company, (ii) ensure ZIM's

operating ability and transport capacity, so as to enable the State of Israel to effectively access a minimal fleet in an emergency crisis, or for security purposes and (iii) prevent elements hostile to the State of Israel or elements liable to harm the State of Israel's vital interests or its foreign or security interest or Israel's shipping relations with foreign countries from having influence on ZIM's management. In connection with the completion of ZIM's restructuring plan, certain transferability restrictions imposed by the terms of the Special State Share were revised. Prior to the consummation of ZIM's restructuring plan, the Israeli Supreme Court validated ZIM's articles of association, including the revised terms of the Special State Share. The key terms and conditions of the revised Special State Share include the following requirements:

- ZIM must be, at all times, a company incorporated and registered in Israel, whose headquarters and registered main office are domiciled in Israel;
- at least a majority of the members of ZIM's board of directors, including the Chairman of the board, as well as the Chief Executive Officer or the person serving as its Chief Business Officer, whatever his/her title may be, must be Israeli citizens;
- any transfer of vessels shall be invalid vis-à-vis ZIM, its shareholders and any third party if, as a result thereof, the minimum fleet target mandated by the State of Israel will not be maintained and the holder of the Special State Share has not given prior written consent thereto;
- any holding and/or transfer of shares and/or allocation that confers possession of shares in ZIM at 35% or more of its issued share capital, or that vests the holder thereof with control over ZIM, including as a result of a voting agreement, shall be invalid vis-à-vis ZIM, its shareholders and any third party, if the holder of the Special State Share has not given prior written consent thereto; and
- any transfer of shares granting the owner a holding exceeding 24% but not exceeding 35%, shall require prior notice to the State of Israel, including full information regarding the transferor and the transferee, the percentage of the shares held by the transferee after the transaction will be completed, and the relevant information about the transaction, including voting agreements and agreements for the appointment of directors (if applicable). In any case, if the State of Israel determines that a transfer of such shares shall constitute potential harm to the State of Israel's security, or any of its vital interests, or that it has not received the relevant information in order to make a decision, the State of Israel shall be entitled to notify the parties within 30 days that it opposes the transaction, and will be obligated to justify its opposition. In such a situation, the requestor of the transaction shall be entitled to transfer this matter to the competent court, which shall hear and rule on the subject in question.

Any change, including an amendment or cancellation of the rights afforded to the State of Israel by the Special State Share shall be invalid with respect to ZIM, its shareholders and any third party, unless it is approved in advance and in writing by the State of Israel.

Kenon's ownership of ZIM shares is subject to the terms and conditions of the Special State Share, which restricts Kenon's ability to transfer its equity interest in ZIM to third parties. The terms of the State of Israel's consent of Kenon's and Idan Ofer's status, individually and collectively, as a "Permitted Holder" of ZIM's shares, stipulates, among other things, that Kenon's transfer of the means of control of ZIM is limited if the recipient is required to obtain the State of Israel's consent, or is required to notify the State of Israel of its holding of ZIM shares pursuant to the terms of the Special State Share, unless such consent was obtained by the recipient or the State of Israel did not object to the notice provided by the recipient. In addition, the terms of the consent provide that, if Idan Ofer's ownership interest in Kenon is less than 36% or Idan Ofer ceases to be the controlling shareholder, or sole controlling shareholder of Kenon, then Kenon's rights with respect to its shares in ZIM will be limited to the rights applicable to an ownership of 24% of ZIM, until or unless the State of Israel provides its consent, or does not object to, this decrease in Idan Ofer's ownership or control. Therefore, if Mr. Ofer sells a portion of his interest in Kenon and owns less than 36% of Kenon, or ceases to be Kenon's controlling shareholder, then Kenon's right to vote and receive dividends in respect of its ZIM shares, for example, will be limited to those available to a holder of 24% of ZIM's shares (even if Kenon holds a greater percentage of ZIM's shares). "Control", for the purposes of this consent, is as defined in the State of Israel's consent, with respect to certain provisions. Additionally, the State of Israel may revoke Kenon's permit if there is a material change in the facts upon which the State of Israel's consent was based, or upon a breach of the provisions of the Special State Share by Kenon, Mr. Ofer, or ZIM. For information on the risks related to the State of Israel's ownership of the Special State Share, including with respect to IC's transfer of its interest in ZIM to us, see *"Item 3.D Risk Factors—Risks Related to Our Other Businesses—Risks Related to Our Interest in ZIM—Israel holds a Special State Share in ZIM, which imposes certain restrictions on ZIM's operations and our equity interest in ZIM."*

Tower

Tower is a pure-play independent specialty foundry dedicated to the manufacture of semiconductors. Typically, pure-play foundries do not offer products of their own, but focus on producing integrated circuits, or ICs, based on the design specifications of their customers. Tower manufactures semiconductors for its customers primarily based on third-party designs. Tower currently offers the manufacture of ICs with geometries ranging from 1.0 to 45-nanometers. Tower also provides design support and complementary technical services. ICs manufactured by Tower are incorporated into a wide range of products in diverse markets, including consumer electronics, personal computers, communications, automotive, industrial and medical device products.

On July 23, 2015, consistent with our strategy to realize value for our shareholders by, among other things, distributing our interests in our non-primary businesses to our shareholders rationally and expeditiously, we completed the pro rata distribution in specie of 18,030,041 ordinary shares of Tower, representing 23% of the then currently outstanding Tower shares and substantially all of our interest in Tower, to holders of our ordinary shares. As a result of this distribution, we recognized a \$210 million gain in the year ended December 21, 2015, which reflects the difference between the fair market value of the Tower ordinary shares held by us on the distribution date (\$255 million based upon the closing price of the Tower shares on NASDAQ on the date of our distribution of such shares to our shareholders) and the carrying amount of Tower's shares at the time of the distribution (\$45 million). As of the date of this annual report, our interest in Tower comprises (i) 2,668 options to purchase 2,668 ordinary shares of Tower and (ii) 1,669,795 Series 9 Warrants to purchase 1,669,795 ordinary shares of Tower, which represents an aggregate of approximately 2% of Tower's outstanding shares.

Tower's results of operations are reflected in our share in income (losses) of associated companies, net of tax, for all periods prior to June 30, 2015. For further information on Tower and its operations, see "*Information Regarding Tower.*"

Remaining Businesses

We have a 91% equity interest in **Primus**, an innovative developer and owner of a proprietary natural gas-to-liquid technology process.

We also own a 70% equity interest in **HelioFocus**, which previously developed dish technologies for solar thermal power fields, but currently has minimal operations and is currently in the process of being wound-up.

Additionally, until December 24, 2014, we owned a 69% equity interest in **Petrotec**, a European producer of biodiesel generated from used cooking oil, or UCO, whose securities are listed on the Frankfurt Stock Exchange. On December 24, 2014, REG, a NASDAQ-listed advanced biofuels producer and developer of renewable chemicals, purchased Kenon's holdings in Petrotec. As consideration for REG's purchase of Petrotec's shares, Kenon received approximately \$20.9 million, which was paid in the form of newly-issued shares of REG. Kenon has sold its interest in REG.

Primus

Primus' Description of Operations

Primus is an innovative developer of a proprietary liquid fuels technology, the STG+ process, which is designed to produce liquid hydrocarbons from synthesis gas, or syngas, derived from natural gas (including synthetic natural gas) and other feedstocks (e.g., ethane). Primus' STG+ process converts syngas into methanol and high-octane gasoline. As a result of the availability of large shale gas reserves in the U.S. and the low cost of natural gas in relation to the cost of gasoline, Primus intends to primarily utilize domestically produced natural gas in its STG+ process.

Primus' business consists of three primary activities:

- **Methanol Production.** Primus intends to own, operate and develop, or license the technology for the operation and development of, methanol production plants across North America to service local users of methanol who are located far from larger-scale methanol plants.
- **Gasoline Production.** Primus intends to provide its STG+ process to convert natural gas into high octane gasoline for industrial and chemical plant owners who have spare syngas capacity.
- **Gas Flaring Solutions.** Primus offers gas flaring solutions to convert natural gas that would otherwise be flared into gasoline. Primus intends to provide technology licenses and collect gasoline production royalties from operators seeking to remain in compliance with strict anti-flaring regulations and monetize natural gas that would otherwise be flared.

Primus seeks to operate as a technology development company and may take equity interests in the plants which it develops. Primus seeks to generate revenues from construction management and engineering fees, technology licensing fees and production royalties, and, from plants in which Primus will have an equity interest, operating revenue from the sale of methanol and gasoline. Where Primus develop a plant for a customer, Primus intends to pass through the costs of developing the plant to the customer.

Primus' STG+ process improves upon existing gas-to-liquid technologies by integrating all reactors into a single-loop process, thereby reducing capital and operating costs while increasing reliability and yield. Primus expects the STG+ process to operate on a smaller scale than the competing methanol-to-gasoline process utilized by other, non-traditional gasoline producers. Primus expects its customers to be able to distribute, store and pump its gasoline using existing fuel infrastructures and expects that the gasoline produced may be utilized in unmodified, conventional vehicles.

Between 2011 and 2013, Primus operated a pilot scale test facility at its headquarters in Hillsborough, New Jersey. Primus' pilot plant consisted of two major units, the first being a wood pellet gasifier that produced syngas, and the second being the STG+ process. The STG+ process has been successfully validated at the pilot scale. Primus used the data obtained from such operations to optimize the design of its demonstration plant, which was completed in August 2013. Primus' demonstration plant generates syngas from natural gas, and converts the syngas into high-octane gasoline. The demonstration plant has a nameplate production capacity of 12.7 gallons per hour, or 100,000 gallons per year, and was designed to replicate the key scale parameters of a larger plant, so as to minimize potential scale-up risks. Between 2013 and 2015, Primus successfully operated the demonstration plant for over 7,600 hours.

In the year ended December 31, 2015, Primus did not generate material revenues from its operations. As of December 31, 2015, we have invested approximately \$76 million (which includes amounts invested by IC prior to the spin-off) into Primus' operations.

In connection with Primus' further development and our efforts to maximize its value, we may provide additional capital to Primus, in the form of debt or equity financing, if deemed appropriate to facilitate Primus' operational and development capital requirements. In October 2014, we entered into an investment agreement with Primus pursuant to which we, through our wholly-owned subsidiary IC Green, may lend Primus, at our discretion, up to \$25 million via a series of convertible notes through December 31, 2015. As of December 31, 2015, through this investment agreement, we have invested in Primus an aggregate of \$16.5 million through convertible notes issued to Kenon.

We own 91% of Primus and the remaining 9% is primarily held by Primus' founders; on a fully diluted basis, giving effect to management share options, Kenon's ownership interest in Primus is approximately 83%.

Primus' Principal Markets; Customers

Primus intends to own, operate and develop, or license the technology for the operation and development of, methanol production plants in North America. The intended off-takers of Primus' methanol will primarily consist of local users of methanol who are located far from large-scale methanol production plants. In the United States, methanol is generally produced in the Gulf Coast and is transported to off-takers throughout the country. Due to transportation costs, methanol customers in the Northeast and Midwest pay a substantially higher price than customers around the Gulf Coast. Primus intends to construct and own plants in such regions to capture the price spread resulting from the transportation costs.

The main customers and commercial partners for Primus' gasoline production services are underutilized chemical and industrial plants. Specifically, Primus aims to partner with industrial and chemical plant owners who have spare syngas generation capacity to produce gasoline. Primus also intends to provide gasoline production services to customers and partners in regions that have limited gasoline refining abilities and infrastructure.

Finally, Primus intends to provide its gas flaring solutions to customers throughout the world, particularly those in regions with strict gas flaring regulations. The production of oil results in the "flaring" of natural gas—a method disposing of, rather than utilizing, any excess natural gas. Such flaring has become a concern in certain countries as a result of the associated emissions in greenhouse gases and the subsequent decrease in the availability of natural gas. As Primus' STG+ process converts syngas into high-octane gasoline, Primus provides its customers with the technological tools to transform the natural gas associated with oil production and flaring into gasoline.

Potential customers of the gasoline and methanol produced by Primus' technology include existing refiners of crude oil, industrial and chemical users, purchasers of oil-based fuels, and blenders of transportation fuels and direct end-users, such as retailers.

Decreases in the costs associated with traditional sources of fuel or electricity, such as prices for commodities like crude oil, coal, fuel oil and natural gas, have, and could further, reduce the demand for the solutions provided by Primus. For further information on the risks related to the demand of Primus' products and services in light of the fluctuating costs of traditional sources of fuel, see "*Item 3.D Risk Factors—Risks Related to Our Other Businesses—Risks Related to Our Other Businesses—The decrease in the cost of fuel or electricity generated by traditional sources may cause the demand for the services provided by Primus to decline.*"

Primus' Project Pipeline

Primus is currently engaged in discussions with potential customers and joint venture partners with respect to a range of project types, including for the construction of methanol plants in North America, the conversion of syngas into gasoline and the provision of gas flaring solutions. Should Primus secure these potential projects, which may be located throughout the world, Primus would be compensated through a mix of revenues from sales to off-takers, construction management and engineering fees, technology licensing fees and production royalties. A number of these projects also give Primus the opportunity to own equity in the project.

Primus' Collaboration Agreement with Jereh

In October 2015, Primus launched a global market collaboration with Yantai Jereh Oilfield Services Group, Co., or Jereh, an international integrated oil and gas company specializing in Oil and Gas EPC services, oilfield technology services and equipment manufacturing. Pursuant to this collaboration, Primus and Jereh will jointly market and deploy a range of gas-to-liquids, or GTL, systems, including gas-to-gasoline and gas-to-methanol systems, that use Primus' STG+ process to produce liquid products from natural gas.

Primus' Raw Materials and Suppliers

In connection with the operation of Primus' demonstration plant in the year ended December 31, 2015, a single supplier provided Primus with its natural gas requirements, representing an immaterial amount of Primus' operating expenses in the year ended December 31, 2015.

Primus' Competition

Primus seeks to operate as a technology development company and may, in the long-term, operate as a producer of alternative liquid fuels. Its competitors in both spaces include other gas-to-liquids companies and companies using other feedstocks to produce syngas, such as ExxonMobil MTG, Haldor Topsøe TIGAS or other newly-established ventures, that provide a different technological approach to the production of syngas. Primus also competes with traditional producers of gasoline (e.g., oil refineries utilizing crude oil) and methanol (e.g., state-owned enterprises). As Primus' STG+ process is further developed to produce gasoline and methanol, Primus also expects to compete with the traditional and alternative producers of these fuels. Primus believes that its (i) direct synthesis of the desired fuel product, (ii) high yield and cost-effective results; and (iii) selective process allows it to remain competitive with its competitors in both areas.

Primus' Patents, Licenses, Etc.

Primus' intellectual property portfolio includes: two issued U.S. patents on its core technology, the "Single Loop Process", to produce liquid fuels from syngas; two issued U.S. patents on its first commercial product, specifically the "Fuel Composition"; and several additional patent applications and trade secrets that are generally categorized into the following areas: liquid fuel synthesis, liquid fuel composition, incremental improvements and customization, and biomass gasification.

Primus has also filed corresponding patent applications under the Patent Cooperation Treaty and has filed national phase applications in multiple countries for its base process patent. Primus actively evaluates its intellectual property portfolio so as to optimize its intellectual property strategy and to protect the authenticity and commercial value of its STG+ process.

Primus' Property, Plants and Equipment

Primus' fully operational 300 gallon-per-day integrated industrial demonstration plant located in Hillsborough, New Jersey, was successfully constructed in August 2013. The demonstration plant converts natural gas feedstock into syngas which is, in turn, converted into high-octane gasoline and methanol. The demonstration plant has a nameplate production capacity for

gasoline of 12.7 gallons per hour, or 100,000 gallons per year and for methanol of 32.4 gallons per hour or 255,000 gallons per year. Primus expects this demonstration plant to provide the performance data necessary for the design and development of other plants.

Primus’ Regulatory, Environmental and Compliance Matters

Primus’ operations are affected by various local and foreign laws, rules, regulations and authorities. As a result, changes in various types of regulations could affect Primus’ business adversely. For example, the implementation of new safety, environmental or legal requirements could impact Primus’ ability to produce gasoline and methanol, or use the STG+ process. Furthermore, changes to the various regulations governing gas flaring could impact Primus’ ability to provide gas flaring solutions. The impact of these changes in regulation could adversely affect Primus’ business, financial condition and results of operations even where the specific regulations do not directly apply to Primus or to its technologies, products or services.

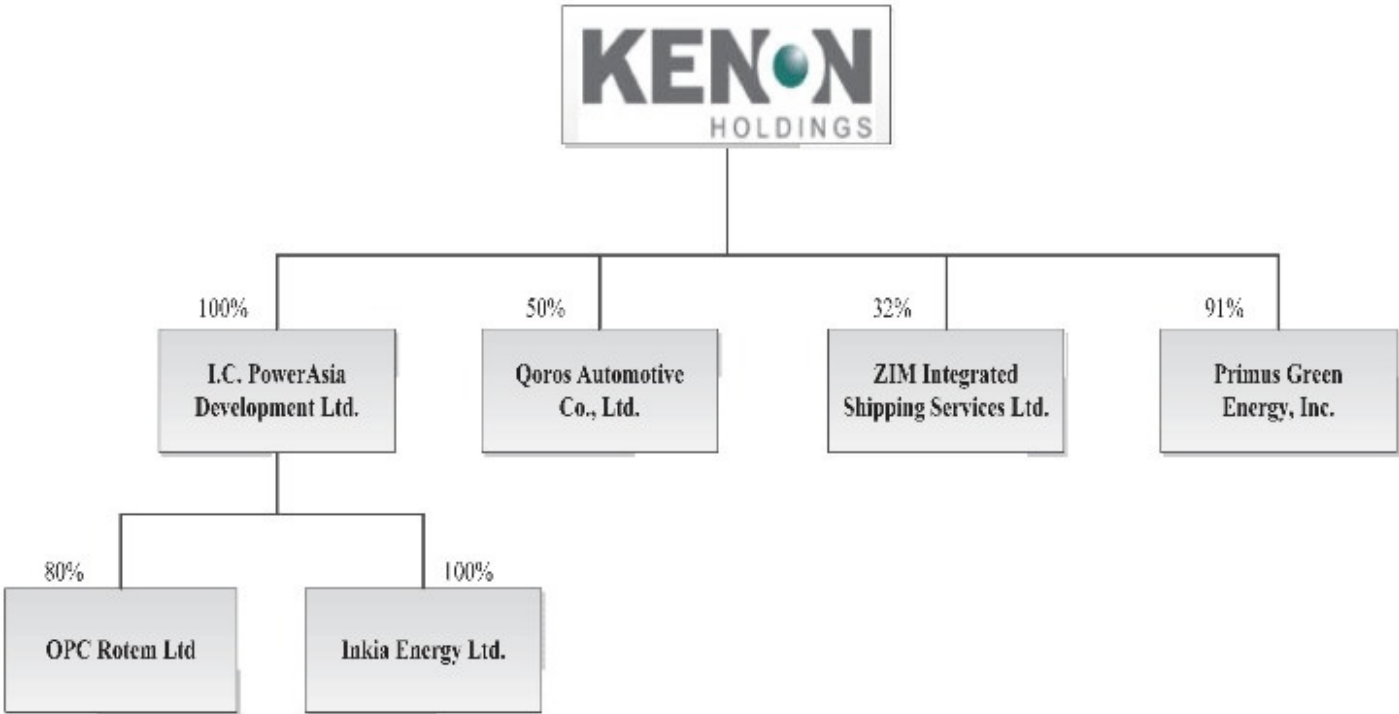
Petrotec

Petrotec, in which we held a 69% interest until December 2014, is a European producer of biodiesel generated from UCO and other waste. Petrotec, based in Germany, produces biodiesels via the processing of UCOs and other waste oils and fats (primarily to large European—in particular, German—oil distributors), and also operates its own UCO collection business and blending facility.

On December 24, 2014, REG, a NASDAQ-listed advanced biofuels producer and developer of renewable chemicals, purchased Kenon’s holdings in Petrotec. As consideration, Kenon received approximately \$20.9 million, which was paid in the form of newly-issued shares of REG. Kenon has sold its interest in REG.

C. Organizational Structure

The chart below represents a summary of our organizational structure, excluding intermediate holding companies. This chart should be read in conjunction with the explanation of our ownership and organizational structure above.



D. Property, Plants and Equipment

For information on our property, plants and equipment, see “Item 4.B Business Overview.”

ITEM 4A. Unresolved Staff Comments

Not Applicable.

ITEM 5. Operating and Financial Review and Prospects

This section should be read in conjunction with our audited combined carve-out (for all periods as of and prior to December 31, 2014) and consolidated (for all periods subsequent to December 31, 2014) financial statements, and the related notes thereto, as of December 31, 2015 and 2014, and for the years ended December 31, 2015, 2014 and 2013, and the related notes thereto, included elsewhere in this annual report. Our financial statements have been prepared in accordance with IFRS as issued by the IASB. The financial information below also includes certain non-IFRS measures used by us to evaluate our economic and financial performance. These measures are not identified as accounting measures under IFRS and therefore should not be considered as an alternative measure to evaluate our performance. In addition, all financial information below relating to Tower has been derived from financial statements that were prepared in accordance with U.S. GAAP.

The discussion and analysis relating to our results of operations for periods as of and prior to December 31, 2014 have been prepared assuming that Kenon operated as a separate entity prior to the consummation of the spin-off on January 7, 2015. Therefore, references in this discussion to the historical results of our businesses refer to businesses that had not been, but were expected to be, contributed to us in connection with the spin-off. The historical financial statements for the periods under review have been carved out of the consolidated financial statements of IC, which held each of our businesses during the periods under review. References in this discussion to our historical results of operations prior to the spin-off therefore refer to the carved-out historical results of IC's operations. The financial position, results of operations and cash flows reflected in our combined carve-out financial statements for all periods as of and prior to December 31, 2014 include all expenses attributable to our business and each of our businesses, but may not be indicative of those that would have been achieved had we operated as a separate public entity for all periods presented, or of our future results.

Certain information included in this discussion and analysis includes forward-looking statements that are subject to risks and uncertainties, and which may cause actual results to differ materially from those expressed or implied by such forward-looking statements. For further information on important factors that could cause our actual results to differ materially from the results described in the forward-looking statements contained in this discussion and analysis, see "Special Note Regarding Forward-Looking Statements" and "Item 3.D Risk Factors."

Business Overview

We are a holding company that operates dynamic, primarily growth-oriented, businesses. The companies we own, in whole or in part, are at various stages of development, ranging from established, cash generating businesses to early stage development companies.

We were established in connection with a spin-off of our businesses from IC to promote the growth and development of our primary businesses, and we are primarily engaged in the operation of the following businesses: (i) IC Power, a wholly-owned power generation and distribution company that has experienced profitable growth in its revenues and generation capacity since its inception in 2007, and (ii) Qoros, a China-based automotive company in which we have a 50% equity interest, that is seeking to deliver international standards of quality, safety, and innovative features to the large and fast-growing Chinese automotive market and commenced commercial sales at the end of 2013.

In the case of IC Power, we intend to continue to invest in projects that IC Power expects to generate attractive, risk-adjusted returns, using operating cash flows, project or other financing at the IC Power level, as well as proceeds resulting from IC Power's selective dispositions of assets. As part of our business development strategy, we will seek to provide investors with direct access to IC Power when we believe it is in the best interests of IC Power's development and our shareholders to do so. For example, IC Power Singapore, the entity through which Kenon holds its interests in IC Power, has filed a registration statement with the SEC in connection with its plan for an initial public offering of its equity. The completion of this IPO is subject to business and market conditions and other relevant factors.

In the case of Qoros, we have used a significant portion of our liquidity and capital resources that we received in connection with our spin-off from IC to support Qoros through shareholder loans and guarantees in respect of Qoros' debt, and we have no obligation to provide further funding to Qoros. In April 2016, Ansonia, which owns approximately 46% of the outstanding shares of Kenon, entered into an agreement to provide loans in an aggregate amount of up to \$50 million to Quantum to support Qoros' ordinary course working capital requirements, subject to Wuhu Chery's provision of loans to Qoros in the same amount and on similar conditions. In light of the investments made by Kenon in Qoros, including guarantees of Qoros' indebtedness, and Kenon's strategy to refrain from material "cross-allocation" (i.e., investing returns from one business into another), Kenon will not make any loans or other investments in Qoros as part of this transaction. Instead, and to support Qoros in light of Qoros' financing needs, Kenon has worked with its major shareholder, Ansonia, to facilitate Ansonia's provision of loans to Qoros.

Qoros will require additional financing, including the renewal or refinancing of its working capital facilities, to continue to operate and meet its operating expenses and debt service requirements. If Qoros is not able to raise additional financing as required, it may be unable to continue operations.

We also hold interests in:

- **ZIM**—A large provider of global container shipping services, which, as of December 31, 2015 operated 85 (owned and chartered) vessels with a total container capacity of 369,549 TEUs, and in which we have a 32% equity interest; and
- **Primus**, an innovative developer and owner of a proprietary natural gas-to-liquid technology process.

Overview of Financial Information Presented

As a holding company, Kenon's results of operations are impacted by the financial results of each of its businesses. To effectively assess our results of operations, we supply detailed information on the financial results of our individual businesses and the impact such results have had on our consolidated results of operations. The analysis of each business' impact on our results of operations for the year ended December 31, 2015 depends upon the method of accounting applicable to it as set forth in the following table:

As of December 31, 2015			
	Ownership Percentage	Method of Accounting	Treatment in Consolidated Financial Statements
IC Power	100%	Consolidated ¹	Consolidated
Qoros	50%	Equity	Share in losses of associated companies, net of tax
ZIM²	32%	Equity	Share in income of associated companies, net of tax
Other			
<i>Primus</i>	91%	Consolidated	Consolidated

1. IC Power's consolidated results of operations include income/loss from associated companies relating to IC Power's non-controlling interests in Pedregal, which IC Power accounts for pursuant to the equity method of accounting.

The analysis of each business' impact on our results of operations for the year ended December 31, 2014 depends upon the method of accounting applicable to it, as set forth in the following table:

	Six Months Ended December 31, 2014			All Periods Prior to June 30, 2014		
	Ownership Percentage	Method of Accounting	Treatment in Combined Carve-Out Financial Statements	Ownership Percentage	Method of Accounting	Treatment in Combined Carve-Out Financial Statements
IC Power	100%	Consolidated ¹	Consolidated	100%	Consolidated ¹	Consolidated
Qoros	50%	Equity	Share in losses of associated companies, net of tax	50%	Equity	Share in losses of associated companies, net of tax
ZIM²	32%	Equity	Share in losses of associated companies, net of tax ³	99.7% ²	Consolidated—Discontinued Operations	Income (loss) for the year from discontinued operations (after taxes)
Tower	29%	Equity	Share in income of associated companies, net of tax	29%	Equity	Share in losses of associated companies, net of tax ⁴
Other						
<i>Primus</i>	91%	Consolidated	Consolidated	91%	Consolidated	Consolidated
<i>Petrotec</i>	— ³	Equity—Discontinued Operations	Income (loss) for the year from discontinued operations (after taxes)	69%	Consolidated—Discontinued Operations	Income (loss) for the year from discontinued operations (after taxes)
<i>HelioFocus</i>	70%	Consolidated	Consolidated	70% ⁴	Equity	Share in losses of associated companies, net of tax

1. IC Power's consolidated results of operations for the year ended December 31, 2014, as reported by Kenon, included income/loss from IC Power's associated companies (Generandes and Pedregal), which were accounted for pursuant to the equity method of accounting.
2. On July 16, 2014, ZIM completed the restructuring of its outstanding indebtedness, which resulted in IC, and consequently, Kenon, owning 32% of the restructured ZIM as compared to IC's previous interest in ZIM of approximately 99.7%. As a result of the restructuring, ZIM's results of operations for all periods prior to June 30, 2014 are reflected as discontinued in Kenon's results of operations. ZIM's results of operations for all periods subsequent to June 30, 2014 are reflected in Kenon's share in losses of associated companies, net of tax.

3. For further information on Kenon's December 2014 sale of its equity interest in Petrotec, see "*Item 4B. Business Overview—Our Businesses—Remaining Businesses—Petrotec.*"
4. Notwithstanding our majority equity interest in HelioFocus, as a result of veto rights held by HelioFocus' other major shareholder until May 31, 2014, we did not consolidate HelioFocus' results with our own until June 30, 2014.

The following tables set forth selected financial data for Kenon's reportable segments for the periods presented:

	Year Ended December 31, 2015				Consolidated Results
	IC Power	Qoros ¹ <i>(in millions of USD, unless otherwise indicated)</i>	Other ²	Adjustments ³	
Sales	\$ 1,294	\$ —	\$ —	\$ (5)	\$ 1,289
Depreciation and amortization	(119)	—	(1)	—	(120)
Asset impairment	—	—	(7)	—	(7)
Financing income	10	—	3	—	13
Financing expenses	(115)	—	(9)	—	(124)
Share in (losses) income of associated companies	—	(196)	9	—	(187)
Gain from distribution of dividend in kind	—	—	210	—	210
Income (loss) before taxes	\$ 149	\$(196)	\$ 205	\$ —	\$ 158
Income taxes	(62)	—	—	—	(62)
Income (loss) from continuing operations	\$ 87⁴	\$(196)	\$ 205	\$ —	\$ 96
Attributable to:					
Kenon's shareholders	63	(196)	206	—	73
Non-controlling interests	24	—	(1)	—	23
Segment assets ⁵	\$ 4,069	\$ —	\$ 45 ⁶	\$ —	\$ 4,114
Investments in associated companies	9	159	201	—	369
Segment liabilities	3,063	—	156 ⁷	—	3,219
Capital expenditure	533 ⁸	—	—	—	533
Adjusted EBITDA	\$ 372 ^{4,9}	\$ —	\$ 1 ¹⁰	\$ —	\$ 373
Percentage of consolidated revenues	100%	—	—	—	100%
Percentage of consolidated assets	91%	4%	5%	—	100%
Percentage of consolidated assets excluding associated companies	99%	—	1%	—	100%
Percentage of consolidated Adjusted EBITDA	100%	—	—	—	100%

1. Associated company.
2. Includes the results of Primus and HelioFocus; the results of ZIM and Tower (up to June 30, 2015), as associated companies; as well as Kenon's and IC Green's holding company and general and administrative expenses.
3. "Adjustments" includes inter-segment sales.
4. IC Power's net income and Adjusted EBITDA, as reported by Kenon, for the year ended December 31, 2015, differ from the amounts reported by IC Power for the same period as a result of the adjustment of certain provisions at IC Power, which were adjusted in IC Power's 2014 financial statements, but were adjusted in 2015 for Kenon. For further information, see "Item 5. Operating and Financial Review and Prospects—Material Factors Affecting Results of Operations—IC Power—Decisions by the EA Regarding System Management Charges."
5. Excludes investments in associates.
6. Includes Kenon's and IC Green's assets.
7. Includes Kenon's and IC Green's liabilities.
8. Includes the additions of PP&E and intangibles based on an accrual basis.
9. For a reconciliation of IC Power's net income, as reported by Kenon, to its Adjusted EBITDA, as reported by Kenon, for the year ended December 31, 2015, see "Item 3.A Selected Financial Data."
10. For a reconciliation of our "Other" reporting segment's income (loss) to its Adjusted EBITDA, see "Item 3.A Selected Financial Data."

	Year Ended December 31, 2014 ¹				Combined Carve-Out Results
	IC Power	Qoros ² <i>(in millions of USD, unless otherwise indicated)</i>	Other ³	Adjustments ⁴	
Sales	\$ 1,358	\$ —	\$ —	\$ 14	\$ 1,372
Depreciation and amortization	(108)	—	—	—	(108)
Financing income	9	—	39	(32)	16
Financing expenses	(132)	—	(10)	32	(110)
Share in (losses) income of associated companies	14	(175)	(10)	—	(171)
Asset impairment	(35)	—	(13)	—	(48)
Gain from disposal of investee	157	—	—	—	157
Gain from bargain purchase	68	—	—	—	68
Income (loss) before taxes	\$ 321	(175)	\$ (37)	\$ —	\$ 109
Income taxes	(99)	—	(4)	—	(103)
Income (loss) from continuing operations	\$ 222⁵	\$(175)	\$ (41)	\$ —	\$ 6
Attributable to:					
Kenon's shareholders	197	(175)	(34)	—	(12)
Non-controlling interests	25	—	(7)	—	18
Segment assets ⁶	\$ 3,832	\$ —	\$ 837 ⁷	\$ (785)	\$ 3,884
Investments in associated companies	10	221	205	—	436
Segment liabilities	2,860	—	806 ⁸	(785)	2,881
Capital expenditure ⁹	593	—	12	—	605
Adjusted EBITDA	\$ 348 ^{5,10}	\$ —	\$ (43) ¹¹	\$ —	\$ 305
Percentage of combined revenues	99%	—	—	1%	100%
Percentage of combined assets	89%	—	23%	(12)%	100%
Percentage of combined assets excluding associated companies	99%	—	21%	(20)%	100%
Percentage of combined Adjusted EBITDA	114%	—	(14)%	—	100%

1. During 2015, an immaterial error was identified with respect to the deferred tax calculation relating to the effect of foreign exchange rate on non-monetary assets in previous years in IC Power. Kenon's and IC Power's financial information for 2014, 2013 and 2012 has been revised to correct this immaterial error.
2. Associated company.
3. Includes financing income from former parent company loans to Kenon's subsidiaries; the results of Primus, HelioFocus (from June 30, 2014) and ZIM (up to June 30, 2014); the results of ZIM (from June 30, 2014), Tower and HelioFocus (up to June 30, 2014), as associated companies; as well as Kenon's and IC Green's holding company and general and administrative expenses.
4. "Adjustments" includes inter-segment sales, and the consolidation entries. For the purposes of calculating the "percentage of combined assets" and the "percentage of combined assets excluding associated companies," "Adjustments" has been combined with "Other."
5. IC Power's net income and Adjusted EBITDA, as reported by Kenon, for the year ended December 31, 2014, differ from the amounts reported by IC Power for the same period as a result of the adjustment of certain provisions at IC Power, which were adjusted in IC Power's 2014 financial statements, but were adjusted in 2015 for Kenon. For further information, see "Item 5. Operating and Financial Review and Prospects—Material Factors Affecting Results of Operations—IC Power—Decisions by the EA Regarding System Management Charges."
6. Excludes investments in associates.
7. Includes Kenon's and IC Green's assets.
8. Includes Kenon's and IC Green's liabilities.
9. Includes the additions of PP&E and intangibles based on an accrual basis.
10. For a reconciliation of IC Power's net income, as reported by Kenon, to its Adjusted EBITDA, as reported by Kenon, for the year ended December 31, 2014, see "Item 3.A Selected Financial Data."
11. For a reconciliation of our "Other" reporting segment's income (loss) to its Adjusted EBITDA, see "Item 3.A Selected Financial Data."

	Year Ended December 31, 2013 ^{1,2}				Combined Carve-Out Results
	IC Power	Qoros ³ <i>(in millions of USD, unless otherwise indicated)</i>	Other ⁴	Adjustments ⁵	
Sales	\$ 866	\$ —	\$ —	\$ 7	\$ 873
Depreciation and amortization	(75)	—	(5)	—	(80)
Financing income	5	—	32	(32)	5
Financing expenses	(86)	—	(15)	32	(69)
Share in (losses) income of associated companies	32	(127)	(32)	—	(127)
Income (loss) before taxes	\$ 123	(127)	\$ (50)	\$ —	\$ (54)
Taxes on income	49	—	—	—	49
Income (loss) from continuing operations	\$ 74	\$(127)	\$ (50)	\$ —	\$ (103)
Attributable to:					
Kenon's shareholders	61	(127)	(48)	—	(114)
Non-controlling interests	13	—	(2)	—	11
Segment assets ⁶	\$ 2,749	\$ —	\$3,832 ⁷	\$ (1,136)	\$ 5,444
Investments in associated companies	286	226	28	—	540
Segment liabilities	2,237	—	3,933 ⁸	(1,136)	5,033
Capital expenditure	351 ⁹	—	—	—	351
Adjusted EBITDA	\$ 247 ¹⁰	\$ —	\$ (30) ¹¹	\$ —	\$ 217
Percentage of combined revenues	99%	—	—	1%	100%
Percentage of combined assets	51%	—	65%	(16)%	100%
Percentage of combined assets excluding associated companies	50%	—	70%	(21)%	100%
Percentage of combined Adjusted EBITDA	114%	—	(14)%	—	100%

- During 2015, an immaterial error was identified with respect to the deferred tax calculation relating to the effect of foreign exchange rate on non-monetary assets in previous years in IC Power. Kenon's and IC Power's financial information for 2014, 2013 and 2012 has been revised to correct this immaterial error.
- Results during the period have been reclassified to reflect the discontinued operations of ZIM and Petrotec. For further information, see Note 27 to our financial statements included in this annual report.
- Associated company.
- Includes financing income from former parent company loans to Kenon's subsidiaries; the results of Primus and ZIM; the results of Tower and HelioFocus, as associated companies; as well as Kenon's and IC Green's holding company and general and administrative expenses.
- "Adjustments" includes inter-segment sales and the consolidation entries. For the purposes of calculating the "percentage of combined assets" and the "percentage of combined assets excluding associated companies," "Adjustments" has been combined with "Other."
- Excludes investments in associates.
- Includes Kenon's, IC Green's and ZIM's assets.
- Includes Kenon's, IC Green's and ZIM's liabilities.
- Includes the additions of PP&E and intangibles based on an accrual basis.
- For a reconciliation of IC Power's net income to, as reported by IC Power, its Adjusted EBITDA, as reported by IC Power, see "Item 3.A Selected Financial Data—Information on Business Segments—IC Power."
- For a reconciliation of our "Other" reporting segment's income (loss) to its Adjusted EBITDA, see "Item 3.A Selected Financial Data."

The following tables set forth summary information regarding each of our equity-method accounting businesses for the periods presented.

	Year Ended December 31, 2015			
	Qoros	ZIM (in millions of USD)	Tower ¹	Total
Income (loss) (100% of results)	\$(392)	\$ 2	\$ (1)	\$(391)
Share of Income (loss) from Associates	(196)	10	(1)	(181)
Book Value	159	201	—	360

1. Reflects Tower's results of operations up to June 30, 2015. As a result of our distribution in specie of substantially all of our interest in Tower, representing 23% of the then currently outstanding Tower shares on July 23, 2015, Tower's results of operations for all periods subsequent to June 30, 2015 are not reflected in our consolidated financial statements.

	Year Ended December 31, 2014			
	Qoros	ZIM ¹ (in millions of USD)	Tower	Total
Income (loss) (100% of results)	\$(350)	\$ (73)	\$ 25	\$(400)
Share of Income (loss) from Associates	(175)	(13)	18	(170)
Book Value	221	191	14	426
Market Capitalization	—	—	\$ 774 ²	774
Kenon Share of Market Capitalization	—	—	\$ 224	224

1. On July 16, 2014, ZIM completed the restructuring of its outstanding indebtedness, which resulted in IC, and consequently, Kenon, owning 32% of the restructured ZIM as compared to IC's previous interest in ZIM of approximately 99.7%. As a result of the restructuring, ZIM is only reflected as an associated company in Kenon's results of operations for the six months ended December 31, 2014.
2. Market capitalization is based upon 58,033,049 shares outstanding, as of December 31, 2014, at \$13.33 per share, the closing price of Tower's shares on NASDAQ on December 31, 2014.

	Year Ended December 31, 2013			
	Qoros	Tower (in millions of USD)	Generandes ¹	Total
Income (loss) (100% of results)	\$(255)	\$(109)	\$ 86	\$(278)
Share of Income (loss) from Associates	(127)	(31)	30	(118)
Book Value	226	— ²	276	502
Market Capitalization	—	280 ³	—	280
Kenon Share of Market Capitalization	—	103	—	103

1. Kenon's indirect interest in Generandes was sold in September 2014, in connection with IC Power's sale of its interest in Edegel.
2. To the extent the cumulative net loss equals the total investment, as was the case for Tower as of the year ended December 31, 2013, the book value of our investment will be reduced to zero. Losses beyond the cumulative investment will not be reflected and the book value will only change with positive net income received in connection with an investment that is higher than the previously accumulated net losses. In 2013, a \$6 million loss in Tower's results of operations was not reflected in Kenon's combined carve-out statement of profit and loss.
3. Market capitalization is based upon 47,869,150 shares outstanding, as of December 31, 2013, at \$5.84 per share, the closing price of Tower's shares on NASDAQ on December 31, 2013.

Qoros

We have a 50% equity interest in Qoros. As a result, we account for Qoros pursuant to the equity method of accounting and discuss Qoros' results of operations in our discussion of our share in losses of associated companies, net of tax. Additional detail on Qoros' historical financial performance can be found in Qoros' separate financial statements for the years ended December 31, 2015, 2014 and 2013, which are included in this annual report.

ZIM

On July 16, 2014, ZIM completed the restructuring of its outstanding indebtedness, which resulted in IC, and consequently, Kenon, owning 32% of the restructured ZIM as compared to IC's previous interest in ZIM of approximately 99.7%. As a result of the restructuring, ZIM's results of operations for all periods prior to June 30, 2014 are reflected as discontinued in Kenon's results of operations and ZIM's results of operations for the six months ended December 31, 2014 and the year ended December 31, 2015 are reflected in Kenon's share in losses of associated companies, net of tax.

Set forth below are our results attributable to ZIM for the six months ended June 30, 2014 and the years ended December 31, 2013 and 2012, during which ZIM's results of operations were reflected in our financial statements as discontinued operations:

	Six Months Ended June 30, 2014	Year Ended December 31,	
		2013	2012
	<i>(in millions of USD)</i>		
Sales	\$ 1,741	\$ 3,682	\$ 3,960
Cost of sales	(1,681)	(3,770)	(4,053)
Gross profit (loss)	60	(88)	(93)
Operating loss	(18)	(191)	(206)
Loss before taxes on income	(119)	(497)	(393)
Taxes on income	(10)	(23)	(19)
Loss after taxes on income	(129)	(519)	(412)
Income from realization of discontinued operations	609	—	—
Income (loss) for the period from discontinued operations	\$ 480	\$ (519)	\$ (412)

Tower

For information on Tower's results of operations, see "Information Regarding Tower."

Material Factors Affecting Results of Operations

Kenon

Certain Singapore Tax Implications for Kenon

As a Singapore-resident company, Kenon would be subject to income tax in Singapore on its income accruing in or derived from Singapore, and foreign-sourced income received in Singapore from outside Singapore unless otherwise exempt. The corporate tax rate in Singapore is currently 17%, unless reduced under an applicable concession or incentive, and is chargeable on income less allowable deductions and allowances. However, as each of the businesses that were transferred to Kenon in connection with the spin-off intends to continue to conduct its operations outside of Singapore, Kenon does not expect to be subject to tax in Singapore on any income generated by such businesses. Pursuant to Singapore's one-tier corporate tax system, the tax on corporate profits is final and dividends paid by a Singapore-resident company to its shareholders, regardless of their legal form or tax residence, would be exempt from tax in Singapore. No withholding tax would be payable on such dividends.

Foreign-sourced income in the form of dividends, branch profits and service income received or deemed to be received in Singapore by Kenon (as a Singapore tax-resident company) would also be exempt from tax in Singapore, provided certain conditions, including the following, are satisfied:

- such income is subject to tax of a similar character to income tax under the law of the jurisdiction from which such income is received; and
- at the time the income is received in Singapore, the highest rate of tax of a similar character to income tax (by whatever name called) levied under the law of the territory from which the income is received on any gains or profits from any trade or business carried on by any company in that territory at that time is not less than 15%.

Certain concessions and clarifications have also been announced by the Inland Revenue Authority of Singapore, or IRAS, with respect to the above conditions.

To the extent that the conditions set out above are fulfilled in relation to foreign-sourced dividends and branch profits received in Singapore by Kenon, Kenon should not be subject to Singapore tax on such income.

As a result, Kenon does not expect to pay any taxes in Singapore on its foreign-sourced income, as such income (i) is expected to be exempt from tax when remitted into Singapore (based upon the conditions outlined above), (ii) may be maintained outside of Singapore and utilized by Kenon to make dividend payments to shareholders outside of Singapore or (iii) may be maintained outside of Singapore and utilized by Kenon to make further investments outside of Singapore. No material Singapore corporate taxes have therefore been accounted for, or are expected to be accounted for, in Kenon's financial statements.

Singapore does not impose taxes on disposal gains, which are considered to be capital in nature, but imposes tax on income and gains of a trading nature. As such, whenever a gain is realized on the disposal of an asset, the practice of the IRAS is to rely upon a set of commonly-applied rules in determining the question of capital (not taxable) or revenue (taxable). Under Singapore tax laws, any gains derived by a divesting company from its disposal of ordinary shares in an investee company between June 1, 2012 and May 31, 2022 are generally not taxable if, immediately prior to the date of such disposal, the divesting company has held at least 20% of the ordinary shares in the investee company for a continuous period of at least 24 months.

IC Power

Set forth below is a discussion of the material factors affecting the results of operations of IC Power for the periods under review.

Capacity Growth

IC Power's capacity, excluding the capacity attributable to its assets in advanced stages of construction, was 2,665 MW as of December 31, 2015, representing a 108% growth in capacity since January 1, 2012. IC Power's proportionate capacity, excluding the capacity attributable to its assets in advanced stages of construction, was 2,170 MW as of December 31, 2015.

Entity ¹	Country	Energy Used to Operate Power Station	Completion of Development/Date of Acquisition/Date of Transfer	Installed Capacity (MW) ²	Proportionate Capacity ³
Capacity at January 1, 2012				1,280	979
Kallpa	Peru	Natural gas	Operation of Combined Cycle Commenced—August 2012	292	219
Total increase in capacity during 2012				292	219
Capacity at January 1, 2013				1,572	1,198
OPC	Israel	Natural gas and diesel	Operations Commenced—July 2013	440	352
Colmito	Chile	Natural gas and diesel	Acquired—October 2013	58	58
Total increase in capacity during 2013				498	410
Capacity at January 1, 2014				2,070	1,608
Corinto	Nicaragua	HFO	Acquired—March 2014	71	46
Tipitapa Power	Nicaragua	HFO	Acquired—March 2014	51	33
Amayo I	Nicaragua	Wind	Acquired—March 2014	40	24
Amayo II	Nicaragua	Wind	Acquired—March 2014	23	14
Surpetroil	Colombia	Natural gas	Acquired—March 2014	20	12
Kallpa—Las Flores	Peru	Natural gas	Acquired—April 2014	193	145
JPPC ⁴	Jamaica	HFO	Acquired Remaining Interest—May 2014	—	50
Puerto Quetzal ⁵	Guatemala	HFO	Acquired—September 2014	179	179
Total increase in capacity during 2014				577	503
Capacity at December 31, 2014				2,647	2,170
Nejapa ⁶	El Salvador	HFO	Acquired Remaining Interest—January 2015	—	41

<u>Entity¹</u>	<u>Country</u>	<u>Energy Used to Operate Power Station</u>	<u>Completion of Development/Date of Acquisition/Date of Transfer</u>	<u>Installed Capacity (MW)²</u>	<u>Proportionate Capacity³</u>
AIE ⁷	Israel	Steam	Acquired—August 2015	18	18
Total increase in capacity during 2015				18	59
Capacity at December 31, 2015				2,665	2,170

1. As a result of IC Power's sale of its indirect interest in Edegel in September 2014, the capacity growth summary does not include Edegel's 1,540 MW of installed capacity during the periods in which IC Power held its indirect interest in Edegel.
2. Reflects 100% of the capacity of each of IC Power's assets, regardless of the ownership interest in the entity that owns each such asset.
3. Reflects the proportionate capacity of each of IC Power's assets, as determined by the ownership interest in the entity that owns each such asset.
4. In May 2014, IC Power increased equity ownership in JPPC from 16% to 100%.
5. In November 2014, Puerto Quetzal transferred a 55 MW power barge to Kanan, reducing Puerto Quetzal's capacity from 234 MW to 179 MW.
6. In January 2015, IC Power increased its equity ownership in Nejapa from 71% to 100%.
7. AIE also holds a conditional license for the construction of a cogeneration power station in Israel. This station will be developed as a greenfield project (at an expected cost of \$250 million, including the acquisition price of AIE), based upon a plant with 135 MW of capacity. Construction is expected to commence in mid-2016 and COD is expected in the second half of 2018.

As a result of its capacity expansion, IC Power's consolidated revenues, operating income, finance expenses and net income during the periods discussed in this section substantially increased. IC Power expects to further increase its installed capacity by 45% to 3,867 MW (3,095 MW on a proportionate basis), upon the completion of its assets in advanced stages of construction: CDA's 510 MW hydroelectric project located in Peru (expected COD in the second half of 2016), Samay I's 600 MW cold-reserve thermoelectric project located in Peru (expected COD in the second quarter of 2016) and Kanan's 92 MW thermal generation project in Panama (expected COD in the first half of 2016).

Macroeconomic Conditions in the Countries in which IC Power Operates

Macroeconomic conditions may impact the gross domestic production of the countries in which IC Power operates which may, in turn, affect the consumption of electricity by industrial and individual consumers in those countries. For instance, countries experiencing sustained economic growth generally experience an increase in their consumption of electricity. Additionally, macroeconomic conditions are also likely to affect foreign exchange rates, domestic interest rates and inflation, which each has an effect on IC Power's financial and operating costs. Fluctuations in the exchange rates between local currencies in the countries in which IC Power operates and the U.S. dollar, which is IC Power's functional currency, will generate either gains or losses on monetary assets and liabilities denominated in these local currencies and can therefore affect its profitability. Fluctuations in inflation rates may also increase labor costs and other local expenses of IC Power's operations, and it may be unable to pass such increases on to its customers (e.g., to customers who purchase energy or capacity from IC Power pursuant to long-term PPAs, which are not linked to local inflation rates).

For further information on the risks associated with currency fluctuations, see "*Item 3.D Risk Factors—Risks Related to Our Diversified Strategy and Operations—Foreign exchange rate fluctuations and controls could have a material adverse effect on IC Power's earnings and the strength of its balance sheet.*"

The following table sets forth the percentage growth in GDP, the currency appreciation / depreciation (relative to the U.S. Dollar), and the annual inflation rate for each of the countries in which IC Power operates, according to segment.

Country	2014			2013		
	Inflation Rate	GDP Growth	Currency Appreciation (Depreciation) (%)	Inflation Rate	GDP Growth	Currency Appreciation (Depreciation)
Peru	3.2	2.4	(11)	2.8	5.8	(4)
Israel	(0.2)	2.6	(12)	1.5	3.3	7
Central America						
Nicaragua	6.4	4.0	(5)	5.7	4.6	(4)
Guatemala	3.4	4.0	4	4.3	3.7	(1)
El Salvador	0.5	1.8	—	0.8	1.7	—
Panama	2.1	6.2	—	5.9	8.4	—
Other						
Bolivia	5.2	5.2	—	5.7	6.8	—
Chile	4.6	1.8	(23)	1.8	4.3	(2)
Dominican Republic	3.0	7.3	(6)	4.8	4.8	(6)
Jamaica	6.4	(0.5)	(10)	9.5	0.2	(13)
Colombia	3.7	4.6	(7)	1.9	4.9	(4)

For further information on the macroeconomic conditions of the key countries in which IC Power operates or in which it may operate in the future, see “Item 4.B Business Overview—IC Power—IC Power’s Industry Overview.”

For further information on the sensitivity of our net income to changes in the CPI and certain exchange rates, see Note 30 to our financial statements included in this annual report.

Availability and Dispatch

The regulatory frameworks in each of the countries in which IC Power currently operates, other than Israel and Jamaica, establish marginal cost systems, and the relevant regulatory agencies determine which generation units are to be dispatched, so as to minimize the cost of energy supplied.

The availability of a power generation asset refers to the percentage of time that a plant is available to generate energy. For example, even though they generally maintain the highest place in the dispatch merit order due to their efficiency and low generation costs, hydroelectric plants are unavailable when they are removed from operation to conserve water in the associated reservoirs or river basins or for maintenance, or when there are unscheduled outages. Thermal plants, which are lower in the dispatch merit order than hydroelectric plants, are unavailable for dispatch when they are removed from operation for maintenance or when there are unscheduled outages. Each of the relevant regulatory agencies considers the average availability of generation plants when it allocates firm capacity, which is the amount of capacity that, pursuant to applicable regulations, an energy sector regulator recognizes and remunerates to each power generation unit for being available to cover the demand in peak hours.

IEC, which is owned by the State of Israel and was the sole large-scale provider of energy in Israel prior to the commencement of OPC’s operations in July 2013, is the System Operator of Israel’s electricity system and determines the dispatch order of Israel’s generation units. Pursuant to OPC’s PPA with IEC, which covers OPC’s entire firm capacity, OPC has informed IEC of the exclusion of OPC’s entire capacity, so as to sell such capacity directly to private customers. As a result, OPC’s entire capacity has been allocated to private customers in Israel since July 2013.

The following table sets forth the weighted average availability of IC Power’s generation plants in each of the countries in which IC Power operates for the periods presented, according to segment:

	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013
Peru	97%	97%	94%
Israel	97%	90%	96% ¹

	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013
Central America			
Nicaragua	90%	95%	—
Guatemala	94%	97%	—
El Salvador	96%	97%	95%
Panama	94%	93%	92%
Other			
Bolivia	89%	91%	96%
Chile	97%	96%	96%
Dominican Republic	81%	89%	87%
Jamaica	86%	85%	88%
Colombia	96%	84%	—

1. Reflects average availability of OPC since its COD in July 2013.

A substantial portion of the capacity in each of the countries in which IC Power currently operates, other than Israel, Nicaragua and Jamaica, is comprised of hydroelectric plants. The marginal cost of production by these plants is almost nil. As a result, these plants are generally the first to be dispatched, when available. However, the availability of these plants is subject to annual and seasonal variations based on the hydrology of the reservoirs and river basins that provide the water to operate these plants. For example, COBEE's hydroelectric plants are among the first generation units to be dispatched in Bolivia as a result of the low variable costs associated with these units, and we expect that following its commissioning in 2016, CDA's plant will be among the first generation units dispatched in Peru. IC Power seeks to ensure that our hydroelectric units are available to be dispatched when necessary, as such availability is important to our ability to capture the benefits of marginal cost dispatch and the maximization of our margins.

When hydroelectric plants are unavailable or have been fully dispatched, other generation plants are generally dispatched on the basis of cost, with lower cost units, such as thermal gas plants, generally dispatched first. The Kallpa facility units, for example, are among the first generation units to be dispatched in Peru after the hydroelectric plants, since the Kallpa plants are among the lowest-cost thermal generation plants in Peru. Generally, the order in which regulatory agencies will dispatch plants which are neither hydroelectric or gas-powered are: (1) wind-powered; (2) coal-powered; (3) HFO-powered; followed by (4) diesel-powered. As many of the countries in which IC Power operates are seeking to incentivize the production of wind and renewable energy plants, which typically have relatively low operating costs, these countries often dispatch wind-powered plants, such as Amayo I and Amayo II, on a priority basis. Similar to hydroelectric plants, however, the availability of wind-powered plants to be dispatched is limited by the availability of the resource (*i.e.*, whether the wind is blowing).

If IC Power's generation plants are available for dispatch and are not dispatched, or are partially dispatched, by the relevant System Operator and if IC Power's obligations to deliver energy under its PPAs exceed the energy dispatched from IC Power's own generation units at any particular time, IC Power purchases energy in the spot market to satisfy these obligations, and there is a risk that the price of such energy may be higher than the price for energy that it receives under its PPAs.

Similarly, if IC Power's generation plants are not allocated sufficient firm capacity to satisfy its obligations under its PPAs, IC Power purchases capacity in the spot market to satisfy these obligations, and there is a risk that the price of such capacity may be higher than the price for capacity that it receives under its PPAs.

The following table sets forth the amount of energy sold under IC Power's PPAs and in the spot market, and the amount of energy generated and purchased during the years presented by each of the operating companies IC Power owned as of December 31, 2015, according to segment¹:

Segment	Period	Sales under PPAs (GWh)	Sales in Spot Market	Net Energy Generated ²	Energy Purchased
Peru	Kallpa:				
	Year Ended December 31, 2015	6,327	106	5,027	1,406
	Year Ended December 31, 2014	6,324	235	5,698	861
	Year Ended December 31, 2013	6,268	84	5,265	1,087
	Year Ended December 31, 2012	4,321	162	4,133	350
Israel	OPC and AIE:				
	Year Ended December 31, 2015	3,976	—	3,759	217
	Year Ended December 31, 2014	3,973	—	3,400	573
	Year Ended December 31, 2013 (since July 2013)	1,813	—	1,331	482

Segment	Period	Sales under PPAs (GWh)	Sales in Spot Market	Net Energy Generated ²	Energy Purchased
Central Americaz	ICPNH:				
	Year Ended December 31, 2015	1,062	28	1,054	36
	Year Ended December 31, 2014	1,063	22	1,058	27
	Year Ended December 31, 2013	1,045	44	1,042	47
	Year Ended December 31, 2012	1,123	20	1,119	24
	Puerto Quetzal:				
	Year Ended December 31, 2015	594	368	641	321
	Year Ended December 31, 2014	1,005	53	465	593
	Year Ended December 31, 2013	1,304	24	489	840
	Year Ended December 31, 2012	1,369	82	547	904
	Nejapa:				
	Year Ended December 31, 2015	794	53	436	411
	Year Ended December 31, 2014	626	93	373	346
	Year Ended December 31, 2013	535	171	457	249
	Year Ended December 31, 2012	448	244	559	133
Other	COBEE:				
	Year Ended December 31, 2015	270	769	1,039	—
	Year Ended December 31, 2014	268	762	1,030	—
	Year Ended December 31, 2013	276	827	1,103	—
	Year Ended December 31, 2012	277	826	1,103	—
	Central Cardones:				
	Year Ended December 31, 2015	—	4	3	1
	Year Ended December 31, 2014	—	—	—	—
	Year Ended December 31, 2013	—	—	—	—
	Year Ended December 31, 2012	3	1	—	4
	Colmito:				
	Year Ended December 31, 2015	255	26	26	255
	Year Ended December 31, 2014	250	—	5	245
	Year Ended December 31, 2013	—	46	45	1
	Year Ended December 31, 2012	—	—	—	—
	CEPP:				
	Year Ended December 31, 2015	—	291	291	—
	Year Ended December 31, 2014	253	54	236	71
	Year Ended December 31, 2013	325	53	332	46
	Year Ended December 31, 2012	316	14	330	—
	JPPC:				
	Year Ended December 31, 2015	427	—	427	—
	Year Ended December 31, 2014	410	—	410	—
	Year Ended December 31, 2013	432	—	432	—
	Year Ended December 31, 2012	422	—	422	—
	Surpetroil:				
	Year Ended December 31, 2015	43	—	43	—
	Year Ended December 31, 2014	45	—	23	—
	Year Ended December 31, 2013	45	—	22	—
	Year Ended December 31, 2012	45	—	22	—
	Pedregal:				
	Year Ended December 31, 2015	280	102	343	39
	Year Ended December 31, 2014	269	136	391	14
	Year Ended December 31, 2013	200	205	405	—
	Year Ended December 31, 2012	120	251	371	—
Total (excluding Pedregal)					
Year Ended December 31, 2015		13,748	1,645	12,746	2,647
Year Ended December 31, 2014		14,217	1,219	12,698	2,716
Year Ended December 31, 2013		12,043	1,249	10,518	2,752
Year Ended December 31, 2012		8,324	1,349	8,235	1,415

1. The information included within the table reflects 100% of the energy sold under PPAs, sold in the spot market, generated, and purchased by IC Power's assets, regardless of its ownership interest in the entity that owns each such asset, and also contains information for certain of IC Power's assets from periods prior to the acquisition of such asset. For further information on acquisition of assets during the periods within the table, see "*Material Factors Affecting Results of Operations—IC Power—Capacity Growth*."
2. Net energy generated is defined as energy delivered at the interconnection to the system.

Cost of Sales

IC Power's principal costs of sales are natural gas, HFO, lubricants, purchases of capacity and energy on the spot market, transmission costs, personnel, third-party services and maintenance costs.

IC Power's costs for natural gas, which include transportation costs, vary primarily based on the quantity of natural gas consumed, the variation of market prices of HFO, to which IC Power's natural gas prices are indexed, and whether IC Power consumes all of the natural gas that it is obligated to purchase under its natural gas supply contracts. Kallpa's long-term gas supply contract with the Camisea Consortium, which is also used to supply gas to Las Flores, hedges Kallpa against fluctuations in the price of natural gas; however, Kallpa's agreement with the Camisea Consortium will expire in June 2022, unless renewed by the parties. Once expired, Kallpa and Las Flores may be required to purchase their natural gas on spot markets at prices that may be greater than the prices they previously paid for such commodities and could therefore face increased volatility in their earnings and cash flows.

The price at which OPC purchases its natural gas from its sole natural gas supplier, the Tamar Group, is predominantly indexed (in excess of 70%) to changes in the EA's generation component tariff, pursuant to the price formula set forth in OPC's supply agreement with the Tamar Group. As a result, increases or decreases in this tariff have a related effect on OPC's cost of sales and margins. Additionally, the natural gas price formula in OPC's supply agreement is subject to a floor mechanism. EA generation component tariffs were lower in 2015 as compared to 2012-2014. Additionally, on September 8, 2015, the EA published a final decision, which became effective on September 13, 2015, and which further reduced the EA generation component tariff by approximately 12%. As a result of previous declines in the EA generation component tariff, OPC began to pay the ultimate floor price in November 2015. Therefore, the September 2015 decline and any further declines in the EA generation component tariff, will not result in a corresponding decline in OPC's natural gas expenses, and will lead to a greater decline in OPC's margins.

IC Power's costs for HFO, which include transportation costs, vary primarily based on the quantity of HFO consumed and the variation of market prices of HFO. For example, IC Power generates electricity using HFO in each of the countries comprising its Central America segment, as well as in the Dominican Republic. The price adjustment mechanisms in IC Power's PPAs in these countries generally limit its exposure to the price of HFO.

As fuel is a significant cost for most of IC Power's operating companies, the price of various fuels (*e.g.*, gas, diesel, or HFO) has a significant effect on its costs. However, as prices in the spot market tend to reflect current fuel prices and, as the majority of IC Power's PPAs contain a fuel price adjustment mechanism to reflect increases or decreases in the price of fuel, changes in fuel prices generally result in corresponding changes in revenues as a result of these pass-through mechanisms and do not substantially affect IC Power's operating margins. Accordingly, while the decline in global oil prices, which occurred during 2014 and 2015, has resulted, in part, in a decline in IC Power's revenues for the year ended December 31, 2015, such decline in global oil prices did not have a commensurate effect on IC Power's operating margins or Adjusted EBITDA for that year. In some cases, however, the fuel price adjustment mechanisms in IC Power's PPAs may not adjust to reflect the full increase or decrease in fuel prices, or may reflect such adjustments on a lagging basis as a result of the indexation mechanisms of its PPAs (which update only periodically and have minimum thresholds) and the indexations of IC Power's long-term supply agreements.

IC Power's costs for transmission vary primarily according to the quantity of energy that IC Power sells and the locations of the specific nodes to which its plants are connected in the national interconnected electrical systems of the various countries in which IC Power operates. Under its PPAs and the regulatory regimes under which IC Power sells energy in the spot market, most transmission costs are passed on to IC Power's customers.

IC Power incurs personnel and third-party services costs in the operation of its plants. These costs are usually independent of the volumes of energy produced by IC Power's plants. IC Power incurs maintenance costs in connection with the ongoing and periodic maintenance of its generation plants. These costs are usually correlated to the volumes of energy produced and the number of running hours of IC Power's plants.

Results from IC Power's Associated Company

IC Power's net income, cash flows from operations and statements of financial condition are affected by the results of Pedregal, in which it holds a 21% indirect equity interest. IC Power recognizes its proportional share in the net income of Pedregal, currently its only associated company, in the statement of income as share in profit in associates. IC Power's share in profit in associated companies was \$274 thousand, \$2 million and \$2 million during the years ended December 31, 2015, 2014 and 2013, respectively. IC Power records dividends received from Pedregal as cash inflows from operating activities in IC Power's statement of cash flows. During the years ended December 31, 2015, 2014 and 2013, IC Power received dividends from Pedregal in the aggregate amount of \$1 million, \$2 million and \$5 million, respectively. The carrying value that IC Power recognizes for Pedregal in its statement of financial position is adjusted to reflect IC Power's proportional share in the net income of Pedregal and the dividends received from Pedregal, which is adjusted to reflect the cumulative translation adjustment to the value of IC Power's investment.

Prior to September 2014, IC Power held a 21% indirect equity interest in Edegel, the largest generator of electricity in Peru. IC Power owned this interest via Inkia's wholly-owned subsidiary Southern Cone, which had a 39% equity interest in Generandes, an entity that, in turn, had a 54% equity interest in the outstanding shares of Edegel. In September 2014, IC Power completed the sale of its indirect equity interest in Edegel. The results of operations of Generandes (the entity through which IC Power held its indirect equity interest in Edegel) for the years ended December 31, 2014 and 2013 are reflected as discontinued operations in IC Power's financial statements. The results of operations of Generandes for the years ended December 31, 2014 and 2013 are reflected as share in income of associates in Kenon's financial statements.

As a result of Generandes' significance to Kenon's results of operations for certain periods prior to IC Power's disposition of Generandes, this annual report incorporates by reference the (i) unaudited consolidated financial statements of Generandes as of December 31, 2014 and 2013 and for the years ended December 31, 2014 and 2013 and (ii) audited consolidated financial statements of Generandes as of December 31, 2013, 2012 and 2011 and for the years ended December 31, 2013 and 2012, and the related independent auditors' report thereon, as required by Rule 3-09 of Regulation S-X. These financial statements have been audited according to U.S. Generally Accepted Auditing Standards, except for the financial statements as of and for the year ended December 31, 2014, which are not required to be audited by Rule 3-09 of Regulation S-X because Generandes is not considered a "significant subsidiary" pursuant to Rule 1-02(w) of Regulation S-X for the year ended December 31, 2014.

Effects of Outstanding Indebtedness, including Financial Leases

IC Power's total outstanding consolidated indebtedness was \$2,565 million as of December 31, 2015. IC Power had no outstanding loans and notes owed to Kenon as of such dates.

IC Power financed its acquisition of the Kallpa I, II and III turbines and the Las Flores power plant through financial leases. As a result, it has recognized these turbines and power plant as property, plant and equipment and has recognized the related lease obligations as loans from banks and others, but does not recognize any cash flow from financing activities upon its entry into these financing agreements. Payments under these leases are recognized in IC Power's statement of cash flows as cash flows from financing activities at the time that these payments are made.

Additionally, IC Power is committed to expanding its operations by developing greenfield assets in accordance with three fundamental principles, one of which includes securing long-term project financing agreements to finance its development efforts. These financing agreements are generally stand alone, secured, project-specific, and with no or limited recourse. IC Power expects that the commitment to its operational expansion will result in the incurrence of additional indebtedness, which may, in turn, result in an increase in its outstanding consolidated indebtedness.

Furthermore, as IC Power continues to develop its assets by (1) drawing down on its existing credit facilities with third parties or (2) securing additional third-party financing, as discussed above, to fund its capital expenditures with respect to new assets or projects, it may experience an increase in interest costs. Many of IC Power's debt agreements have floating interest rates (*e.g.*, many of the debt instruments bear interest rates based on LIBOR) and, notwithstanding any interest rate swaps which IC Power has entered, or may enter, into to address this risk, a continued increase in interest rates could increase its interest expenses and the cost of the capital required to continue to fund its development and expansion efforts. Other than OPC's, ICPI's, Surpetroil's, and certain of COBEE's indebtedness, which represented an aggregate of \$557 million of IC Power's outstanding indebtedness as of December 31, 2015, IC Power's outstanding indebtedness is either denominated in, indexed to, or is the subject of interest rate swaps tied to, the U.S. Dollar. For further information on IC Power's outstanding indebtedness, including the interest rate and currency applicable to the indebtedness, see "*Item 5.B Liquidity and Capital Resources—IC Power's Liquidity and Capital Resources—IC Power's Material Indebtedness.*"

Bargain Purchase Gains

IC Power's development strategy contemplates the acquisition of energy assets in attractive markets, from time to time, in connection with its capacity expansion efforts. Based upon the difference between the amount paid, which IC Power records in connection with its acquisition of such assets, and the net asset fair value, it may recognize a gain on bargain purchase at the purchase date.

For the year ended December 31, 2015, IC Power did not recognize a gain on bargain purchases. For the year ended December 31, 2014, IC Power recognized gains on bargain purchases of \$24 million, \$24 million and \$20 million in connection with its acquisitions of ICPNH in March 2014, JPPC in May 2014 and Puerto Quetzal in September 2014, respectively.

Income Taxes

IC Power operates through various subsidiaries in several countries and, as a result, is subject to income tax in various jurisdictions. The following table sets forth the corporate income tax rates applicable as of December 31, 2015, 2014 and 2013 in each of the countries in which IC Power operates:

	Year Ended December 31,		
	2015	2014	2013
	(%)		
Peru¹	28%	30%	30%
Israel²	26.5%	26.5%	25%
Central America			
Nicaragua ³	25%	25%	25%
Guatemala	25%	28%	31%
El Salvador	30%	30%	30%
Panama	25%	25%	25%
Other			
Bolivia	25%	25%	25%
Chile ⁴	22.5%	21%	20%
Dominican Republic	27%	28%	29%
Jamaica ⁵	33.33%	33.3%	33.3%
Colombia ⁶	39%	34%	34%

1. The corporate income tax rate decreased to 28% in 2015 and is scheduled to decrease to 27% in 2017 and 2018 and 26% in 2019. The dividend tax rate has increased to 4.1% in 2015 and is scheduled to increase to 8% in 2017 and 9.3% in 2019. Distributions of profits for 2014 are subject to a tax rate of 4.1%. Kallpa, CDA and Samay I have signed legal stability agreements with the relevant tax authority in Peru pursuant to which, during the term of the corresponding agreement, Kallpa, CDA and Samay I, respectively, will be subject to the income tax regime in place at the time each such agreement was entered into, which stipulates a 30% income tax rate, and not the general income tax regime applicable to other firms in Peru. These stability agreements expire in 2020, 2022 and 2024, respectively. Only after these tax agreements expire, or if Kallpa, CDA and Samay I terminate the corresponding agreement, will they be subject to the general income tax regime of Peru and receive the benefit of the changes in the Peruvian income tax rates described above.
2. From 2016, the corporate income tax rate in Israel will be reduced to 25%.
3. The statutory rate in Nicaragua in 2012-2015 is 25%. However, Empresa Energética Corinto Ltd, or Corinto, and Tipitapa Power Company Ltd, or Tipitapa Power, are subject to 25% income tax, based on a Foreign Investment Agreement signed in June 2000, which protects them from any unfavorable changes in the tax law. In addition, Amayo I and Amayo II are tax exempt from income tax payments, in accordance with Law No.532 for Electric Power Generation with Renewable Sources Incentive, up to a period of seven years since their CODs.
4. The corporate income tax rate increased to 22.5% in 2015 and is scheduled to increase to 24% in 2016 and 25% in 2017 for shareholders on the attribution method or 22.5% in 2017 for shareholders on the cash-basis method. The corporate income tax rate is scheduled to increase to 27% in 2018 for shareholders on the cash-basis method.
5. 33.3% is the rate applied to regulated companies in Jamaica, including the companies regulated by Office of Utilities Regulation.
6. The aggregate income tax rate of 34% in Colombia is composed of a base corporate income tax rate of 25% plus the "income tax for equality," or CREE, tax at a rate of 9%. Beginning in 2015, a surcharge to the CREE tax rate of 5% on income in excess of 800 million Colombian pesos (approximately \$272 million) would effectively increase the aggregate income tax rate to approximately 39%. The surcharge on the CREE tax is expected to increase to 6% in 2016, 8% in 2017 and 9% in 2018, effectively increasing the aggregate income tax rate to approximately 40%, 42% and 43% in 2016, 2017 and 2018, respectively, before being eliminated.

For further information on the tax rates, including withholding tax rates, applicable to IC Power's operating companies, see Note 25 to our financial statements included in this annual report.

Factors Affecting Comparability of Operating and Financial Results

IC Power's operational and financial results for the year ended December 31, 2015 have been affected by its acquisitions of various operating businesses, which must be understood in order to assess the comparability of IC Power's operating and financial results in the period to period financial analysis set forth below.

As set forth in "*—Material Factors Affecting Results of Operations—IC Power—Capacity Growth,*" during the year ended December 31, 2015, IC Power successfully completed the acquisition of AIE, which provided IC Power with 18 MW in Israel and an additional 23 GWh of power generated in the year ended December 31, 2015. Additionally, during the year ended December 31, 2014, excluding Las Flores (whose results of operations are consolidated with Kallpa's), IC Power successfully completed the acquisition of six generation assets, including the consolidation of JPPC, which collectively provided IC Power with 439 MW in four countries in Latin America and the Caribbean and an additional 2,037 GWh of power generated in the year ended December 31, 2014. Although IC Power's financial results reflect the results of each of its acquired assets for the periods subsequent to IC Power's acquisition of such assets, the IC Power's year-end generation figures reflected throughout this annual report reflect 100% of the generation figures of its consolidated companies at year-end, and therefore include the full-year generation figures of its acquired companies, regardless of the date of acquisition of such companies. As a result, IC Power's increase in GWh for the years ended December 31, 2015 and 2014 reflects the contribution of its acquired companies, and also includes certain amounts generated by these companies prior to acquisition of these companies by IC Power. However, as IC Power's financial results for the years ended December 31, 2015 and 2014, such as sales and cost of sales, reflect the financial results of these acquisitions from the date of consolidation, IC Power's operating results for the years ended December 31, 2015 and 2014 may not be comparable to the financial results for the period to the extent of businesses acquired in the period.

As IC Power seeks to invest in additional assets through the acquisition of controlling interests in new operating assets, these factors may also affect the comparability of its operating and historical financial results in future periods.

EA Tariffs Affect IC Power's Results in Israel Segment

In Israel, sales of IPPs are generally made on the basis of PPAs for the sale of energy to customers, with prices predominantly linked to the tariff issued by the EA and denominated in New Israeli Shekels.

The EA operates a Time of Use tariff, which provides different energy rates for different seasons (e.g., summer and winter) and different periods of time during the day. Within Israel, the price of energy varies by season and demand period. For further information on Israel's seasonality and the related EA tariffs, see "*Item 4.B Business Overview—Our Businesses—IC Power—IC Power's Industry Overview—Israel.*"

The EA's rates have affected IC Power's revenues and income in the periods under review. EA tariffs in the period 2012 to 2014 were incrementally higher to reflect higher fuel prices in 2012, which the EA determined would be reflected in higher tariffs in 2012-2014. The revenues in IC Power's Israel segment in 2015 were affected by the lower EA tariffs in 2015, as discussed further below. Additionally, on September 8, 2015, the EA published a final decision, which became effective on September 13, 2015, which further reduced the EA generation component tariff by approximately 12%. Average prices in 2015 were 21% lower than in 2014.

As a result of previous declines in the EA generation component tariff, OPC began to pay the ultimate floor price set forth in its supply agreement in November 2015. Therefore, the September 2015 decline and any further declines in the EA generation component tariff will not result in a corresponding decline in OPC's natural gas expenses, and will lead to a greater decline in the sales price of OPC's energy, revenues and, therefore, margins. For further information on the EA and the EA tariffs, see "*Item 4.B Business Overview—Our Businesses—IC Power—Regulatory, Environmental and Compliance Matters—Regulation of the Israeli Electricity Sector—EA.*"

Decisions by the EA Regarding System Management Charges

Kenon's and IC Power's financial statements as of December 31, 2014 and March 31, 2015 previously authorized for issuance included provisions (beginning in June 2013) by OPC for system management service charges and diesel surcharges in the aggregate amount of \$70 million as of December 31, 2014 and \$79 million as of March 31, 2015. In August 2015, the EA published a decision detailing the amounts that IPPs in Israel would be obligated to pay system management service charges, retroactively from June 2013.

In accordance with IFRS, Kenon adjusted its provisions as of June 30, 2015, such that the adjusted balance of the provision as of such date in Kenon's financial statements was \$38 million, resulting in a credit of \$52 million to net profit attributable to Kenon's shareholders after tax effect. Kenon was not required to revise its financial statements as of December 31, 2014 or March 31, 2015, as Kenon's financial statements for these periods were already approved at the time of the EA's August 2015 decision and the provisions recorded in those financial statements represented Kenon management's best estimate of the expenditure required to settle the obligation, based on the information available at the time the financial statements were finalized.

Because IC Power reapproved its financial statements in connection with IC Power Singapore's filing of a registration statement on Form F-1 with the SEC, with such reapproval taking place subsequently to the EA's August 2015 publication, IC Power adjusted the previously recorded provisions, such that the adjusted balance of the provision as of December 31, 2014 and December 31, 2015 was \$27 million and \$47 million, respectively. This adjustment resulted in adjustments to IC Power's income statement (a \$46 million decrease in cost of sales, as well as adjustments to tax expenses and net income, in 2014, which resulted in a corresponding increase in IC Power's Adjusted EBITDA in 2014) and in its statement of financial position as of the end of 2014. Accordingly, income statement figures in IC Power's financials for 2014 and 2015 differ from those attributable to IC Power in Kenon's financials for those periods.

The discussion of IC Power's results of operations below is based on IC Power's consolidated financial information which reflects the adjustments to provisions in 2014, and since this adjustment was made by Kenon in 2015, the results for IC Power in 2014 and 2015 for cost of sales differ from amounts set forth in Kenon's consolidated financial statements. For the year ended December 31, 2015, IC Power's cost of sales, as reported by Kenon, was \$863 million, whereas IC Power's cost of sales for the period, as reported by IC Power, was \$909 million. For the year ended December 31, 2014, IC Power's cost of sales, as reported by Kenon, was \$983 million, whereas IC Power's cost of sales for the period, as reported by IC Power, was \$936 million.

In addition, as a result of the above, certain income statement amounts below cost of sales differ from amounts set forth in Kenon's consolidated financial statements.

Fluctuations in Oil Prices and Currency Exchange Rates

As fuel is a significant cost for most of IC Power's operating companies, the prices of the various fuels utilized by its operating companies (e.g., gas, diesel, or HFO) have a significant effect on IC Power's results of operations. Many of IC Power's PPAs, including all of OPC's PPAs, are denominated in the applicable local currency and contain an adjustment mechanism such that prices under its PPAs will be adjusted to reflect (among other things) changes in (i) the price of oil (by reference to oil price indices), (ii) the price of the underlying fuel, (iii) the relevant producer price index and/or (iv) changes in the local currency to U.S. Dollar exchange rate. In addition, for most of IC Power's gas and other fuel supply agreements, the price IC Power pays is subject to adjustment based on changes in oil prices (by reference to oil price indices), the price of the underlying fuel, and currency exchange rates.

These adjustments under IC Power's PPAs and supply agreements are made on a periodic basis (e.g., monthly, quarterly or annually) and may also be subject to minimum deviation thresholds. Accordingly, although changes in oil, or other fuel, prices, inflation rates and foreign exchange rates can affect IC Power's revenues, there is generally not a corresponding effect on its margins.

However, these adjustments do not fully hedge IC Power's margins against changes in fuel prices and such other factors. In addition, IC Power remains subject to variations in oil, or other fuel, prices, inflation and currency exchange rates in the short- to medium-term until such adjustments are made and to the extent of variations below the threshold. Further, while a significant portion of IC Power's sales are made pursuant to PPAs, IC Power does make sales in the spot market and is subject to spot market prices (which are influenced by changes in oil, or other fuel, prices, inflation and exchange rates), and it is also subject to changes in market rates (which are influenced by fuel prices and inflation and exchange rates) when it renews its PPAs. A significant change (even where both fuel costs and PPAs are fully indexed) in the above mentioned factors can result in an increase or decrease in IC Power's margins.

Qoros

Set forth below is a discussion of the material factors affecting the results of operations of Qoros for the periods under review.

Qoros commenced commercial operations at the end of 2013, and, as a result, generated revenues for the first time during the fiscal year ended December 31, 2013. Qoros has incurred losses since its inception, as it invests heavily in product research and development and its commercial operations.

During 2015, Qoros debuted the Qoros 5 SUV at the Guangzhou Auto Show and launched the new 2016 model year versions of the Qoros 3 sedan, the Qoros 3 Hatch and the Qoros 3 City SUV. During 2014, Qoros launched two vehicle models

—the Qoros 3 Hatch and the Qoros 3 City SUV. Qoros has incurred significant expenses, including financing costs, in connection with the launches of its various vehicle models, including expenses relating to the development and marketing of these vehicle models. In the years ended December 31, 2015 and 2014, Qoros incurred net losses of RMB2.5 billion and RMB2.2 billion, respectively. Qoros is continuing to experience losses and negative operating cash flow and expects that this will continue until it achieves significantly higher levels of sales.

Qoros remains subject to risks inherent in the establishment of a new business enterprise, including risks relating to uncertain and unpredictable revenues and possible cost overruns due to cost increases in services and supply materials. For the year ended December 31, 2015, Qoros sold approximately 14,250 cars, as compared to approximately 7,000 cars in 2014. If Qoros is unable to ramp up sales, Qoros' operations will continue to generate net losses. Qoros' ability to generate positive net income and cash flow from its operations will depend upon a variety of factors, many of which Qoros will be unable to control, such as the ability to sell its vehicles within its targeted price range and develop an effective dealer network. If Qoros is unable to substantially increase its sales, Qoros may not be able to generate positive net income or cash flow or achieve or sustain profitability, any of which may result in an inability to continue its commercial operations altogether.

Kenon has used a significant portion of the cash received in connection with its spin-off from IC and available amounts under the IC Credit Facility to provide financing and guarantees to Qoros, and has no obligations to provide further funding to Qoros. Qoros will need to secure additional financing to meet its operating expenses (including accounts payable) and debt service requirements. If Qoros is not able to raise additional financing as required, it may be unable to continue operations, in which case Kenon may lose its entire investment in Qoros and Kenon may be required to make payments under its back-to-back guarantees to Chery in respect of Qoros' bank debt. See "*Item 3.D Risk Factors—Risks Related to Our Diversified Strategy and Operations—Qoros will require additional capital resources to meet its operating expenses.*"

ZIM

On July 16, 2014, ZIM completed its financial restructuring, which resulted in IC, and consequently, Kenon, owning 32% of the restructured ZIM as compared to IC's previous interest in ZIM of approximately 99.7% and reduced ZIM's outstanding indebtedness and liabilities (face value, including future off-balance sheet commitments in respect of operational leases and with respect to those parties participating in the restructuring) from approximately \$3.4 billion to approximately \$2 billion. As a result, Kenon received a 32% equity interest in ZIM upon the consummation of the spin-off.

ZIM's results of operations for all periods prior to June 30, 2014 are reflected as discontinued in Kenon's results of operations and ZIM's results of operations for the six months ended December 31, 2014 and the year ended December 31, 2015 are reflected in Kenon's share in losses of associated companies, net of tax, pursuant to the equity method of accounting.

In addition, bunker prices and freight rates are material factors which affect ZIM's results of operations. For a discussion of bunker prices and freight rates, see "*Item 4.B Business Overview—Our Businesses—ZIM—ZIM's Industry Update.*"

Primus

In the year ended December 31, 2015, Primus did not generate material revenues from its operations.

Primus seeks to operate as a technology development company and may take equity interests in the plants which it develops. Primus seeks to generate revenues from construction management and engineering fees, technology licensing fees and production royalties, and, from plants in which Primus will have an equity interest, operating revenue from the sale of methanol and gasoline. Where Primus develops a plant for a customer, Primus intends to pass through the costs of developing the plant to the customer.

Set forth below is a discussion of the material factors affecting Primus' results of operations for the periods under review.

Supply and Demand Pricing and Trends

The market for the manufacture, marketing and sale of methanol and gasoline and GTL technologies, is highly competitive. Sustained competition could increase the costs associated with feedstock supply, plant construction, raw materials, attracting and retaining qualified engineers, chemists and other key employees, and other operating expenses. Decreasing oil prices, or an increase in feedstock prices that significantly reduces the differential between such feedstock and oil, could also negatively affect demand for alternative fuel technologies. Crude oil prices, for example, fell considerably during 2014 and 2015, and prices have continued to decline in 2016. Reductions in the price of crude oil, which increases the cost-effectiveness

of petrol-fueled machines (e.g., cars, planes, etc.), may adversely impact developers of alternative fuels technologies, such as Primus. Additionally, if production capacity within the industry increases faster than the demand for alternative fuel technologies, the prices for Primus' services or technologies could be depressed, which could negatively affect Primus' business model, credit profile, or results of operations.

Project Development and Operational Capabilities

Primus' financial condition and results of operations depend upon its ability to successfully commercialize its energy and gas monetization technologies. Primus expects to design and develop a number of commercial facilities in the future, if and when requested by third parties. Such developments are expected to present additional challenges to Primus' internal processes, external construction management, working capital management, and financing capabilities, as applicable. Significant project development may result in increased expenses (e.g., financing and operating expenses) which will likely not be offset, in the short-term, by increases in revenues or net income.

Critical Accounting Policies and Significant Estimates

In preparing our financial statements, we make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Our estimates and associated assumptions are reviewed on an ongoing basis and are based upon historical experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. We believe that the estimates, assumptions and judgments involved in the accounting policies described below have the greatest potential impact on our financial statements:

- Impairment analysis;
- Revenue recognition;
- Provisions for legal claims; and
- Useful life of property, plant and equipment.

Set forth below is a discussion of impairment analyses conducted by Kenon and its subsidiaries and associated companies. For further information on the estimates, assumptions and judgments involved in our accounting policies, see Note 2 to Kenon's financial statements included in this annual report.

Impairment Analysis

For each reporting period, Kenon examines whether there have been any events or changes in circumstances which would indicate an impairment of one or more non-monetary assets or cash generating units, or CGUs. Additionally, when there are indications of an impairment, a review is made as to whether the carrying amount of the non-monetary assets or CGUs exceeds the recoverable amount and, if so, an impairment loss is recognized. An assessment of the impairment of the goodwill is performed once a year or when signs of an impairment exist.

Under IFRS, the recoverable amount of the asset or CGU is determined based upon the higher of (i) the fair value less costs of disposal and (ii) the present value of the future cash flows expected from the continued use of the asset or CGU in its present condition, including cash flows expected to be received upon the retirement of the asset from service and the eventual sale of the asset (value in use). The future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time-value of money and the risk specific to the asset or CGU.

The estimates regarding future cash flows are based upon past experience with respect to this asset or similar assets (or CGUs), and on Kenon's businesses best possible assessments regarding the economic conditions that will exist during the remaining useful life of the asset or CGU. Such estimates rely on the particular business' current development plans and forecasts. As the actual cash flows may differ, the recoverable amount determined could change in subsequent periods, such that an additional impairment loss may need to be recognized or a previously recognized impairment loss may need to be reversed.

Impairment Test for IC Power

At the end of each reporting period, IC Power assesses whether there is any indication that any of the CGUs relating to IC Power's assets may be impaired and considers, among other things, whether there are indications of any of the following:

- Significant changes in the technological, economic or legal environment in which the CGUs relating to IC Power operate, taking into account the country in which each CGU operates;
- Increases in interest rates or other market rates of return, which are likely to affect the discount rates used in calculating the CGUs' recoverable amount;
- Evidence of obsolescence or physical damage of the CGUs' assets;
- Actual performance of the CGU that does not meet expected performance indicators (e.g., the budget);
- Declines in tariffs agreed upon in PPAs and/or in current energy prices;
- Increases in fuel and/or gas prices and other power generation costs; and
- New laws and regulations, or changes in existing laws and regulations, that could have an adverse effect on the power generation industry.

As of December 31, 2013, the CGUs relating to IC Power were performing according to budget, were profitable, and none of the aforementioned indications were present, so as to suggest that the CGUs relating to IC Power may be impaired. Therefore, IC Power determined that there was no need to measure the recoverable amount of the CGUs relating to IC Power as of such date.

During 2014, a subsidiary of Inkia updated its five-year budget as a result of a downward trend in its results combined with anticipated impacts of recent political changes in the country in which the subsidiary operates, which affects the power generation business therein, and expectations of an increase in operating costs and unchanged electricity prices, which will lead to a decrease in its profitability. As a result, Inkia considered a potential impairment in this subsidiary and conducted an impairment analysis using the value in use method and a discount rate of 7.6%. Accordingly, Inkia determined that the book value of the subsidiary's assets exceeded its recoverable amount and therefore recorded an impairment loss of \$35 million in the year ended December 31, 2014. At the end of 2015, Inkia performed an impairment test on the long-lived assets of this subsidiary to identify whether the impairment loss should be reversed or whether an additional impairment loss is required. As a result of this assessment, no reversal or additional impairment loss is required as of December 31, 2015. However, due to the sensitivity of the assumptions used, management believes that minor changes in the key assumptions may materially affect the carrying value of this subsidiary in the future.

Impairment Test of HelioFocus

Kenon recorded an impairment charge in the amount of approximately \$13 million in the year ended December 31, 2014 in respect of HelioFocus' assets, as a result of HelioFocus' board of directors' decision to reduce HelioFocus' activities and maintain only a minimum number of personnel. This decision was made by HelioFocus' board of directors in response to HelioFocus' expectation of insufficient financing during the 2015 fiscal year. HelioFocus' assets have been written down to \$0, and HelioFocus is in the process of being wound down.

Impairment Test of Qoros

Qoros' management performed an impairment test of certain of Qoros' assets (primarily its PP&E and intangible assets) as of December 31, 2015, based upon Qoros' 2014 business plan, which was updated in 2015. A discussion of the impairment test of Qoros' assets as of December 31, 2015, including its key assumptions, is set forth below.

For the purposes of IAS 36, Qoros, which develops, manufactures and distributes passenger vehicles, has one CGU, which consists of all of Qoros' assets. The carrying amount of the CGU's assets (adjusted for depreciation and amortization) was approximately RMB9.2 billion as of December 31, 2015.

Qoros estimated its recoverable amount based upon the fair value of Qoros' assets less the costs of disposal and its value in use, using the discounted cash flow method. In developing the estimates of Qoros' future cash flows for the eight years ending December 31, 2023, including terminal value, assumptions were made relating to future sales volume and sale price, utilization capacity of Qoros' manufacturing facility, timing and nature of investments related to the expansion of Qoros' manufacturing facility, timing for launch of new models, inventory volumes, operating expenses, capital expenditures, availability of funding, taxes, the discount rate (based on a WACC that is consistent with WACCs used by other development stage companies in Qoros' industry), and a terminal growth rate, in each case over the course of the remaining eight-year period upon which Qoros' business plan is based. Assumptions in respect of Qoros' funding include assumptions related to Qoros' receipt of certain subsidies from local Chinese governments.

Qoros concluded that the recoverable amount of its CGU was approximately 15% higher than the carrying amount of its CGU (adjusted for depreciation and amortization), based upon the mid-point of the analysis. Therefore, no impairment was recognized in Qoros' December 31, 2015 financial statements in respect of its CGU.

In conducting the impairment test, Qoros made a number of key assumptions which were based upon the assumptions outlined in Qoros' business plan and, Qoros' March 2016 approval of a new budget, including a significant increase in the volumes of cars manufactured and sold by Qoros from current levels. Qoros also assumed sufficient funding being available to it, either from its shareholders or other lenders.

Although Qoros believes the assumptions used to evaluate the potential impairment of its assets are reasonable and appropriate, such assumptions are subjective. There can be no assurance as to future levels of cars produced or sold by Qoros, the availability of funding and the development of Qoros' distribution and dealer network.

The analysis for the impairment test is sensitive to variances in each of the assumptions used and if the assumptions used by Qoros to evaluate the potential impairment of its assets proves incorrect, Qoros may recognize significant impairment charges in its financial statements in the future. Qoros' management has determined that the forecasted volume of sales is the most important element of Qoros' business plan and accordingly is the most sensitive key assumption for which there reasonably could be a possible change that could cause the carrying amount of Qoros' CGU to exceed the recoverable amount.

Impairment Tests of ZIM

In connection with the completion of ZIM's restructuring in July 2014, IC's equity interest in ZIM (which was transferred to Kenon in connection with Kenon's spin-off from IC) was reduced to 32%. In 2015, Kenon performed a valuation of its 32% equity investment in ZIM as of December 31, 2015 in accordance with IAS 36 and IAS 28. Kenon's valuation of its interest in ZIM was based on a variety of valuation multiples that are applicable to ZIM's peers in the container shipping industry, to the extent such multiples are also applicable to ZIM, including:

- an increase to the mid-point analysis from the impairment test of ZIM conducted by Kenon as of December 31, 2014, which was based on a detailed cash flow forecast for 5 years based on ZIM's business plan and other factors, such as bunker prices, freight rates, average TEU chartered rates and long-term growth;
- an EBITDA multiple range of 10.5x to 11.5x to the normalized EBITDA of \$170 million;
- share prices based on comparable quoted shipping companies discounted 9% over the year ended December 31, 2015;
- forward average enterprise value/EBITDA multiples of comparable companies; and
- broker forecasts of the EBITDA margins for comparable peer companies for the year ended December 31, 2015, where ZIM's performance is in the middle of the range and is expected to outperform its peers.

Kenon concluded that, as of December 31, 2015, the recoverable amount of its investment in ZIM exceeded the carrying amount and, therefore, Kenon did not recognize an impairment in its financial statements in respect of its investment in ZIM.

Additionally, as a result of current container shipping market conditions, ZIM conducted an impairment test of its operating assets as of December 31, 2015.

For the purposes of IAS 36, ZIM, which operates integrated network liner activity, has one CGU, which consists of all of ZIM's assets. ZIM estimated its recoverable amount based upon the fair value of its assets less the costs of disposal, using the discounted cash flow method.

ZIM's assumptions were made for a five-year period starting in 2016 and a representative year intended to reflect a long-term, steady state. The key assumptions are set forth below:

- A detailed cash flow forecast for five years based upon ZIM's business plan;
- *Bunker price*: according to the future price curve of fuel;

- *Freight rates*: a compound annual growth rate of 0.8% over the projection period, reflecting a change in cargo mix;
- *Increase in aggregate TEU shipped*: a compound annual growth rate of 4.1% over the projection period, which assumes an increase in the leasing of very large container vessels in ZIM's fleet during 2017;
- *Charter hire rates*: contractual rates in effect as of December 31, 2015, and assuming anticipated market rates for renewals of charters expiring in the projection period;
- *Discount rate* of 10.5%;
- *Long-term nominal growth rate* of 1.5%, which is consistent with the expected industry average;
- *Capital expenditures* that are less than or equal to ZIM's expected vessel depreciation; and
- *Payment of tax* at ZIM's corporate tax rate of 25%; also assumes expected use of tax losses.

ZIM concluded that the recoverable amount of its CGU was higher than the carrying amount of the CGU, and therefore, no impairment was recognized in ZIM's financial statements in respect of its CGU.

Although ZIM believes the assumptions used to evaluate the potential impairment of its assets are reasonable and appropriate, such assumptions are highly subjective. There can be no assurance as to how long bunker prices and freight rates will remain consistent with their current levels or whether they will increase or decrease by any significant degree. Freight rates may remain at depressed levels for some time, which could adversely affect ZIM's revenue and profitability. For further information on recent trends relating to bunker prices and freight rates, see "Item 5.D Trend Information—ZIM."

A change of 100 bps in the following assumptions will result in an increase (decrease) in the fair value of the recoverable amount as follows:

	<u>Increase</u> <u>By 100 bps</u> <u>(US\$ million)</u>	<u>Decrease</u>
Discount rate	(111)	137
Terminal growth rate	100	(80)

Recent Developments

Kenon

Drawdowns under the IC Credit Facility

In January 2016, Kenon drew down \$40 million under its \$200 million IC Credit Facility. In April 2016, Kenon drew down the remaining \$50 million available under the facility. As of the date of this annual report, the aggregate amount outstanding under the IC Credit Facility is \$210 million, including interest and fees.

IC Power Singapore Reorganization

In March 2016, Kenon announced an internal restructuring pursuant to which IC Power Singapore, which was a holding company with no material assets, acquired IC Power. As a result of such transaction, IC Power Singapore is now the parent holding company of Kenon's power generation and distribution businesses. In connection with the reorganization of IC Power Singapore, IC Power Singapore issued notes of \$145 million and \$75 million payable to Kenon.

Kenon had pledged 66% of the IC Power shares to secure the IC Credit Facility. In connection with the internal reorganization, this pledge over IC Power shares was released and the IC Power shares were transferred to IC Power Singapore, which pledged 66% of the transferred IC Power shares to IC. In addition, Kenon also pledged to IC 66% of the shares of IC Power Singapore and the \$145 million note owing from IC Power Singapore to Kenon. The pledge over the shares of IC Power is expected to be released in connection with an IPO of IC Power Singapore. In addition, the pledge over the shares of IC Power Singapore and the \$145 million note can be released upon an IPO of IC Power Singapore, subject to Kenon's meeting of a financial ratio.

IC Power

Completion of Acquisition of Energuate

In January 2016, IC Power acquired Energuate, as well as Guatemel and RECSA, from Deorsa-Deocsa Holdings Ltd., an investment company of Actis LLP, a private equity firm. Energuate consists of two electricity distribution companies in Guatemala that provide services for approximately 1.6 million regulated customers in Guatemala (representing approximately 55% of Guatemala's regulated distribution customers in 2014) and distribute energy approximately 100,000 km² in Guatemala, covering approximately 12 million inhabitants. In the years ended December 31, 2015 and 2014, Energuate sold 2,304 GWh and 2,163 GWh of energy, respectively.

IC Power paid \$265 million for the acquired businesses and assumed its debt of \$289 million. IC Power funded the payment of the acquisition through internally generated funds and a \$120 million loan facility, which it entered into in December 2015.

For further information on Energuate, see “*Item 4B. Business Overview—Our Businesses—IC Power—IC Power’s Description of Operations—Distribution Operations—Energuate.*”

Qoros

Funding of RMB275 million shareholder loans

In January 2016 and February 2016, Kenon contributed RMB275 million to Qoros via shareholder loans. We expect these loans, as well as additional shareholder loans from Kenon, to convert into equity in Qoros upon the satisfaction of certain conditions, including the approval of the relevant Chinese authority. Chery has also made similar shareholder loans to Qoros, which are also expected to be converted to equity.

Launch of New Business Divisions

In January 2016, the board of directors of Qoros announced two new expansion initiatives to address potential opportunities in the NEV market and the application of self-driving technologies in the field of personal transportation. Qoros has created an NEV division, which will focus on the development of efficient, cost-effective electric vehicles, and a Mobility division, which will focus on new mobility platforms and self-driving technologies.

Launch of the Qoros 5 SUV

Qoros launched the Qoros 5 SUV in March 2016, marking Qoros' entry into the C-segment SUV market. The Qoros 5 SUV is a dynamic mid-sized SUV, designed and produced with international standards of quality, safety and performance. Qoros debuted the Qoros 5 SUV at the Guangzhou Auto Show in November 2015.

Executive Management Changes

Qoros has recently made a number of personnel changes at the executive management level and in the senior management structure. For example, Qoros' board of directors recently appointed a new interim Chief Executive Officer. Qoros' interim Chief Executive Officer also serves as the chairman of Qoros' board of directors.

Ansonia's Agreement to Invest in Qoros

On April 22, 2016, Ansonia, which owns approximately 46% of the outstanding shares of Kenon, entered into an agreement to provide loans in an aggregate amount of up to \$50 million to Quantum to support Qoros' ordinary course working capital requirements, subject to Wuhu Chery's provision of loans to Qoros in the same amount and on similar conditions. Ansonia and Wuhu Chery are each expected to initially fund approximately \$25 million of these loans, with remaining amounts expected to be funded subsequently, at the discretion of Ansonia and Wuhu Chery.

The loans from Ansonia will be made directly to Quantum, which will make back-to-back on-loans in an aggregate amount of up to RMB300 million (approximately \$50 million) to Qoros. Ansonia's loans to Quantum are limited recourse to Quantum in that Quantum has no obligation to repay any amounts owed to Ansonia unless, and to the extent that, Quantum receives loan repayments from Qoros or Quantum sells all, or a portion of, its interests in Qoros. Ansonia's loans to Quantum are non-recourse to Kenon.

Additionally, Qoros has agreed to secure Quantum's and Wuhu Chery's loans with a pledge of certain collateral. Quantum has agreed to assign its rights, title and interests in the collateral securing the Quantum loan to Ansonia. Qoros' pledge of this collateral will be released upon a conversion of the shareholder loans into equity (as described below) or upon repayment.

In order to facilitate a potential investment by a third party in Qoros, Ansonia's loans are automatically convertible into equity in Quantum in the event of a third-party financing at Qoros that meets certain conditions, unless Ansonia's loans are to be repaid in connection with such third-party financing. The loans will be convertible into equity of Quantum at a 10% discount to the implied value of Qoros based upon the third-party financing. Upon such conversion, Kenon's indirect interest in Qoros will be diluted. After a conversion of Ansonia's loans into equity in Quantum, and until the third anniversary of such conversion, Ansonia will have the option to convert its equity holdings in Quantum into an equivalent value of equity holdings in Qoros, subject to the receipt of regulatory approvals, Qoros' corporate approvals, and Chery's and Wuhu Chery's approvals. Prior to a conversion of Ansonia's loans into equity in Quantum, the loans can be repaid by Quantum without penalty or premium.

In light of the investments that have been made by Kenon in Qoros, including Kenon's back-to-back guarantees to Chery of Qoros' indebtedness, and Kenon's strategy to refrain from material "cross-allocation" (i.e., investing returns from one business into another), Kenon will not make any loans or other investments in Qoros as part of this transaction. Instead, and to support Qoros in light of Qoros' financing needs, Kenon has worked with its major shareholder, Ansonia, to facilitate Ansonia's provision of loans to Qoros (through Quantum, as described above).

In light of Qoros' financing needs, Kenon believes that the transactions described above, including Ansonia's provision of loans of up to \$50 million to Quantum to facilitate on-loans in an aggregate amount of up to RMB300 million (approximately \$50 million) to Qoros, are in the best interests of Kenon and its shareholders. As Ansonia is a major shareholder in Kenon, this transaction has been reviewed and approved by Kenon in accordance with its related party transaction policy.

The foregoing summary of Ansonia's agreement to invest in Qoros is subject to, and is qualified in its entirety by, the full text of the related Loan Agreement and the Undertaking Agreement, copies of which are filed as Exhibits 4.17 and 4.18 to this annual report.

A. Operating Results

Our consolidated/combined financial statements for the years ended December 31, 2015, 2014 and 2013 are comprised of IC Power, Primus, HelioFocus, and the results of the associated companies (Qoros, ZIM and Tower).

As set forth above, as a result of the completion of ZIM's restructuring in July 2014, IC's equity investment in ZIM was reduced from 99.7% to 32% and ZIM is reflected as a discontinued operation for all periods prior to June 30, 2014. ZIM's results of operations for the six month period ended December 31, 2014, and all periods subsequent thereto, are reflected in our share in losses of associated companies, net of tax for the relevant period. Additionally, Tower's results of operations for all periods prior to June 30, 2015 were accounted for pursuant to the equity method of accounting and were reflected in our share in losses of associated companies, net of tax. As a result of our distribution in specie of substantially all of our interest in Tower on July 23, 2015, Tower's results of operations for all periods subsequent to June 30, 2015 are not reflected in our consolidated/combined financial statements. Finally, as a result of the completion of the sale of Petrotec in December 2014, Petrotec is reflected as a discontinued operation in our results of operations for the years ended December 31, 2014 and 2013.

Our consolidated/combined results of operations for each of the periods presented are largely impacted by IC Power, which generated net income of \$53 million, \$256 million and \$74 million for the years ended December 31, 2015, 2014 and 2013, respectively.

IC Power uses the following segments in its consolidated financial statements: Peru, Israel, Central America (which consists of Nicaragua, Guatemala, El Salvador and Panama) and Other (which consists of Bolivia, Chile, the Dominican Republic, Jamaica, Colombia and IC Power's associated company). These are not segments in Kenon's consolidated financial statements (IC Power is a segment within Kenon's consolidated financial statements). The discussion of IC Power's sales, cost of sales and financing expenses (net) below is based on IC Powers' segments.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Set forth below are our consolidated (for the year ended December 31, 2015) and combined carve-out (for the year ended December 31, 2014) statements of profit and loss information:

	Year Ended December 31, (in millions of USD)		% Change
	2015	2014¹	
Revenues from sale of electricity	\$ 1,289	\$ 1,372	(6)%
Cost of sales and services	(863)	(981)	12%
Depreciation	(111)	(100)	(11)%
Gross profit	\$ 315	\$ 291	8%
Selling, general and administrative expenses	(104)	(131)	21%
Gain from disposal of investees	—	157	*
Asset impairment	(7)	(48)	85%
Dilution gains from reduction in equity interest held in associate	33	—	*
Gain on bargain purchase	—	68	*
Other expenses	(7)	(14)	(50)%
Other income	16	51	(70)%
Gain from distribution of dividend in kind	210	—	*
Operating profit	\$ 456	\$ 374	22%
Financing expenses	(124)	(110)	(11)%
Financing income	13	16	(19)%
Financing expenses, net	\$ (111)	\$ (94)	(18)%
Share in losses of associated companies, net of tax	(187)	(171)	(9)%
Profit before income taxes	\$ 158	\$ 109	45%
Tax expenses	(62)	(103)	40%
Profit for the year from continuing operations	\$ 96	\$ 6	*
Income for the year from discontinued operations (after taxes)	—	471	*
Net Profit for the year	\$ 96	\$ 477	(80)%
Attributable to:			
Kenon's shareholders:	\$ 73	\$ 458	(85)%
Non-controlling interests	\$ 23	\$ 19	21%

- During 2015, an immaterial error was identified with respect to the deferred tax calculation relating to the effect of foreign exchange rate on non-monetary assets in previous years in IC Power. Kenon's and IC Power's financial information for 2014, 2013 and 2012 has been revised to correct this immaterial error.

* Indicates that the percentage change is not meaningful.

The following tables set forth summary information regarding our operating segment results for the years presented.

	Year Ended December 31, 2015				Consolidated Results
	IC Power	Qoros ¹ <i>(in millions of USD, unless otherwise indicated)</i>	Other ²	Adjustments ³	
Sales	\$ 1,294	\$ —	\$ —	\$ (5)	\$ 1,289
Depreciation and amortization	(119)	—	(1)	—	(120)
Asset impairment	—	—	(7)	—	(7)
Financing income	10	—	3	—	13
Financing expenses	(115)	—	(9)	—	(124)
Share in (losses) income of associated companies	—	(196)	9	—	(187)
Gain from distribution of dividend in kind	—	—	210	—	210
Income (loss) before taxes	\$ 149	\$(196)	\$ 205	\$ —	\$ 158
Income taxes	(62)	—	—	—	(62)
Income (loss) from continuing operations	\$ 87⁴	\$(196)	\$ 205	\$ —	\$ 96
Attributable to:					
Kenon's shareholders	63	(196)	206	—	73
Non-controlling interests	24	—	(1)	—	23
Segment assets ⁵	\$ 4,069	\$ —	\$ 45 ⁶	\$ —	\$ 4,114
Investments in associated companies	9	159	201	—	369
Segment liabilities	3,063	—	156 ⁷	—	3,219
Capital expenditure	533 ⁸	—	—	—	533
Adjusted EBITDA	\$ 372 ^{4,9}	\$ —	\$ 1 ¹⁰	\$ —	\$ 373
Percentage of consolidated revenues	100%	—	—	—	100%
Percentage of consolidated assets	91%	4%	5%	—	100%
Percentage of consolidated assets excluding associated companies	99%	—	1%	—	100%
Percentage of consolidated Adjusted EBITDA	100%	—	—	—	100%

1. Associated company.
2. Includes the results of Primus and HelioFocus; the results of ZIM and Tower (up to June 30, 2015), as associated companies; as well as Kenon's and IC Green's holding company and general and administrative expenses.
3. "Adjustments" includes inter-segment sales.
4. IC Power's net income and Adjusted EBITDA, as reported by Kenon, for the year ended December 31, 2015, differ from the amounts reported by IC Power for the same period as a result of the adjustment of certain provisions at IC Power, which were adjusted in IC Power's 2014 financial statements, but were adjusted in 2015 for Kenon. For further information, see "Item 5. Operating and Financial Review and Prospects—Material Factors Affecting Results of Operations—IC Power—Decisions by the EA Regarding System Management Charges."
5. Excludes investments in associates.
6. Includes Kenon's and IC Green's assets.
7. Includes Kenon's and IC Green's liabilities.
8. Includes the additions of PP&E and intangibles based on an accrual basis.
9. For a reconciliation of IC Power's net income, as reported by Kenon, to its Adjusted EBITDA, as reported by Kenon, for the year ended December 31, 2015, see "Item 3.A Selected Financial Data."
10. For a reconciliation of our "Other" reporting segment's income (loss) to its Adjusted EBITDA, see "Item 3.A Selected Financial Data."

	Year Ended December 31, 2014 ¹				Combined Carve-Out Results
	IC Power	Qoros ² (in millions of USD, unless otherwise indicated)	Other ³	Adjustments ⁴	
Sales	\$ 1,358	\$ —	\$ —	\$ 14	\$ 1,372
Depreciation and amortization	(108)	—	—	—	(108)
Financing income	9	—	39	(32)	16
Financing expenses	(132)	—	(10)	32	(110)
Share in (losses) income of associated companies	14	(175)	(10)	—	(171)
Asset impairment	(35)	—	(13)	—	(48)
Gain from disposal of investee	157	—	—	—	157
Gain from bargain purchase	68	—	—	—	68
Income (loss) before taxes	\$ 321	\$ (175)	\$ (37)	\$ —	\$ 109
Income taxes	(99)	—	(4)	—	(103)
Income (loss) from continuing operations	\$ 222⁵	\$ (175)	\$ (41)	\$ —	\$ 6
Attributable to:					
Kenon's shareholders	197	(175)	(34)	—	(12)
Non-controlling interests	25	—	(7)	—	18
Segment assets ⁶	\$ 3,832	\$ —	\$ 837 ⁷	\$ (785)	\$ 3,884
Investments in associated companies	10	221	205	—	436
Segment liabilities	2,860	—	806 ⁸	(785)	2,881
Capital expenditure ⁹	593	—	12	—	605
Adjusted EBITDA	\$ 348 ^{5,10}	\$ —	\$ (43) ¹¹	\$ —	\$ 305
Percentage of combined revenues	99%	—	—	1%	100%
Percentage of combined assets	89%	—	23%	(12)%	100%
Percentage of combined assets excluding associated companies	99%	—	21%	(20)%	100%
Percentage of combined Adjusted EBITDA	114%	—	(14)%	—	100%

1. During 2015, an immaterial error was identified with respect to the deferred tax calculation relating to the effect of foreign exchange rate on non-monetary assets in previous years in IC Power. Kenon's and IC Power's financial information for 2014, 2013 and 2012 has been revised to correct this immaterial error.
2. Associated company.
3. Includes financing income from former parent company loans to Kenon's subsidiaries; the results of Primus, HelioFocus (from June 30, 2014), and ZIM (up to June 30, 2014); the results of ZIM (from June 30, 2014), Tower and HelioFocus (up to June 30, 2014), as associated companies; as well as Kenon's and IC Green's holding company and general and administrative expenses.
4. "Adjustments" includes inter-segment sales, and the consolidation entries. For the purposes of calculating the "percentage of combined assets" and the "percentage of combined assets excluding associated companies," "Adjustments" has been combined with "Other."
5. IC Power's net income and Adjusted EBITDA, as reported by Kenon, for the year ended December 31, 2014, differ from the amounts reported by IC Power for the same period as a result of the adjustment of certain provisions at IC Power, which were adjusted in IC Power's 2014 financial statements, but were adjusted in 2015 for Kenon. For further information, see "Item 5. Operating and Financial Review and Prospects—Material Factors Affecting Results of Operations—IC Power—Decisions by the EA Regarding System Management Charges."
6. Excludes investments in associates.
7. Includes Kenon's and IC Green's assets.
8. Includes Kenon's and IC Green's liabilities.
9. Includes the additions of PP&E and intangibles based on an accrual basis.
10. For a reconciliation of IC Power's net income, as reported by Kenon, to its Adjusted EBITDA, as reported by Kenon, for the year ended December 31, 2014, see "Item 3.A Selected Financial Data."
11. For a reconciliation of our "Other" reporting segment's income (loss) to its Adjusted EBITDA, see "Item 3.A Selected Financial Data."

The following table sets forth summary information regarding the results of operations of our equity-method businesses for the periods presented:

	Year Ended December 31,			Six Months Ended December 31,	Year Ended December 31,		
	2015			2014	2014		
	ZIM	Qoros	Tower ¹	ZIM	Qoros	Tower	Generandes ²
	<i>(in millions of USD)</i>						
Revenues	\$2,991	\$ 232	\$ 462	\$ 1,667	\$ 138	\$ 828	\$ 193
Income/(Loss)	2	(392)	(1)	(72)	(350)	25	30
Other comprehensive income/(loss)	(2)	—	—	2	—	(9)	—
Total comprehensive income/(loss)	\$ —	\$ (392)	\$ (1)	\$ (70)	\$ (350)	\$ 16	\$ 30
Share of Kenon in total comprehensive income/(loss)	\$ —	\$ (196)	\$ —	\$ (23)	\$ (175)	\$ 5	\$ 12
Adjustments	10	—	(1)	10	—	13	—
Share of Kenon in total comprehensive income/(loss) presented in the books	\$ 10	\$ (196)	\$ (1)	\$ (13)	\$ (175)	\$ 18	\$ 12
Dividends received	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 12
Total assets	\$1,912	\$1,665	\$ —	\$ 2,156	\$ 1,810	\$ 874	\$ —
Total liabilities	1,834	1,635	—	(2,077)	(1,670)	(738)	—
Book value of investment	201	159	—	191	221	14	—

1. Reflects Tower's results of operations up to June 30, 2015. As a result of our distribution in specie of substantially all of our interest in Tower, representing 23% of the then currently outstanding Tower shares on July 23, 2015, Tower's results of operations for all periods subsequent to June 30, 2015 are not reflected in our consolidated financial statements.
2. Kenon's indirect equity interest in Generandes was sold in September 2014, in connection with IC Power's sale of its interest in Edegel.

Revenues From Sale of Electricity

Our revenues from sales of electricity decreased by \$83 million, or 6%, to \$1,289 million for the year ended December 31, 2015 from \$1,372 million for the year ended December 31, 2014, as a result of IC Power's decrease in consolidated revenues, as set forth in further detail below by IC Power's segments.

Peru Segment

Sales from IC Power's Peru segment increased by \$11 million, or 3%, to \$448 million for the year ended December 31, 2015 from \$437 million for the year ended December 31, 2014, principally as a result of a \$15 million, or 21%, increase in Kallpa's revenue from ancillary businesses to \$88 million during 2015 from \$73 million during 2014, which primarily resulted from an increase in toll tariffs during 2015. As a result of a 2% increase in the average energy price charged by Kallpa to \$45 per MWh in 2015 from \$44 in 2014, revenues from energy sales in 2015 and 2014 were \$291 million, despite a 2% decrease in the volume of energy sold by Kallpa to 6,433 GWh of energy in 2015 from 6,559 GWh sold in 2014.

These effects were partially offset by a \$4 million decrease in Kallpa's revenue from capacity sales in 2015 to \$69 million in 2015 from \$73 million in 2014, primarily as a result of a 2% decrease in the volume of capacity sales to an average of 913 MW in 2015 from an average of 929 MW in 2014, which resulted from the expiration of an opportunistic short-term PPA in April 2014.

Israel Segment

Sales from IC Power's Israel segment decreased by \$87 million, or 21%, to \$326 million for the year ended December 31, 2015 from \$413 million for the year ended December 31, 2014, as a result of a decrease in OPC's revenue from energy sales. This decrease in sales is largely due to a decline in the EA generation component tariff in 2015, representing an average sales price reduction in 2015 versus 2014 equivalent to 21%, as EA tariffs in the period 2012 to 2014 were incrementally

higher than in previous years, reflecting higher fuel prices in 2012. This tariff forms the basis of OPC's energy prices, so the decline in the tariff in 2015 led to a decline in sales. To a lesser degree, the decline in sales was also the result of the strengthening of the U.S. Dollar against the New Israeli Shekel, OPC's functional currency. As a result of these factors, OPC experienced a 23% decline in the average price of the energy it sold to \$80 per MWh in 2015 from \$104 per MWh in 2014. In addition, the volume of energy sold by OPC in 2015 decreased slightly to 3,951 GWh in 2015 from 3,973 GWh in 2014.

OPC's declines were partially offset by an \$8 million increase in revenues due to the acquisition of AIE in August 2015.

Central America Segment

Sales from IC Power's Central America segment increased by \$29 million, or 9%, to \$337 million for the year ended December 31, 2015 from \$308 million for the year ended December 31, 2014, primarily as a result of IC Power's acquisition of Puerto Quetzal in September 2014 (which generated \$109 million in sales in 2015 compared to \$33 million in sales in 2014 from the date of acquisition by IC Power).

This increase was partially offset by (1) a \$32 million, or 24%, reduction in Nejapa's sales, primarily as a result of a decline in realized energy prices due to a decline in HFO prices; and (2) a \$14 million, or 11%, reduction in ICPNH's sales, primarily as a result of a \$24 million decline in realized energy prices due to a decline in HFO prices, which decline was partially offset by a \$10 million increase in revenues as a result of higher than normal wind levels at Amayo I and II.

Other Segment

Sales from IC Power's Other segment decreased by \$36 million, or 17%, to \$178 million for the year ended December 31, 2015 from \$214 million for the year ended December 31, 2014, primarily as a result of (1) a \$34 million, or 47%, reduction in CEPP's sales, primarily as a result of the expiration of CEPP's PPA in September 2014, and the consequent sale of energy at lower prices in the spot market, which resulted in a decline in sales despite an increase in energy generation; and (2) a \$10 million, or 26%, reduction in Colmito's sales, primarily as a result of a decline in Colmito's energy sales to non-regulated customers due to lower consumption.

Cost of Sales and Services (excluding Depreciation and Amortization)

Our cost of sales (excluding depreciation and amortization) decreased by \$118 million, or 12%, to \$863 million for the year ended December 31, 2015 from \$981 million for the year ended December 31, 2014, as a result of IC Power's decrease in cost of sales.

IC Power's cost of sales, as reported by Kenon, decreased by 12% to \$863 million for the year ended December 31, 2015 from \$983 million for the year ended December 31, 2014. IC Power's cost of sales (excluding depreciation and amortization), as reported by IC Power, decreased by 3% to \$909 million for the year ended December 31, 2015 from \$936 million for the year ended December 31, 2014. See "*Decisions by the EA Regarding System Management Charges*" for an explanation of the difference between IC Power's cost of sales, as reported by Kenon and as reported by IC Power, during these periods.

A description of the decrease in IC Power's cost of sales, as reported by IC Power, is set forth in further detail below by IC Power's segments.

Peru Segment

Cost of sales from IC Power's Peru segment increased by \$9 million, or 3%, to \$279 million for the year ended December 31, 2015 from \$270 million for the year ended December 31, 2014, primarily as a result of:

- a \$9 million increase in transmission charges as a result of an increase in toll tariffs during 2015; and
- a \$5 million increase in intermediation fees as a result of new PPAs signed during 2015 with distribution companies in which the profit of the PPA is shared with the distribution company.

These effects were partially offset by a \$4 million decline in gas expenses as a result of a 12% decline in Kallpa's gross energy generation, the effect of which was partially offset by an increase in the natural gas prices paid by Kallpa.

Israel Segment

Cost of sales from IC Power's Israel segment decreased by \$10 million, or 4%, to \$242 million for the year ended December 31, 2015 from \$252 million for the year ended December 31, 2014, primarily as a result of a \$37 million decline in OPC's energy purchases as a result of a decline in energy purchased from IEC (Israel's system operator), to 215 Gwh in 2015 from 573 Gwh in 2014, and an increase in OPC's net generation from 3,400 Gwh in 2014 to 3,736 Gwh in 2015. The decline in tariffs, which led to a reduction in revenues, did not result in a corresponding decrease in gas prices. For further information on this reduction, see "Item 5. Operating and Financial Review and Prospects—Material Factors Affecting Results of Operations—EA Tariffs Affect IC Power's Results in Israel Segment."

These effects were partially offset by a \$23 million increase in system charges provision during the year ended December 31, 2015 as a result of additional charges implemented during 2015.

Central America Segment

Cost of sales from IC Power's Central America segment increased by \$5 million, or 2%, to \$265 million for the year ended December 31, 2015 from \$260 million for the year ended December 31, 2014, primarily as a result of IC Power's acquisition of Puerto Quetzal in September 2014 (which incurred cost of sales of \$94 million in 2015 as compared to \$29 million in 2014 since the date of acquisition by IC Power).

This increase was partially offset by a \$25 million, or 26%, decline in ICPNH's cost of sales and a \$34 million, or 29%, decline in Nejapa's cost of sales, in each case primarily as a result of a decline in HFO prices.

Other Segment

Cost of sales from IC Power's Other segment decreased by \$31 million, or 20%, to \$123 million for the year ended December 31, 2015 from \$154 million for the year ended December 31, 2014, primarily as a result of (1) a \$25 million, or 45%, decline in CEPP's cost of sales, principally resulting from a decline in the price of fuel purchased by CEPP and (2) an \$11 million, or 31%, decline in Colmito's cost of sales, primarily due to a decline in energy purchased by Colmito in connection with lower energy prices. This decline was partially offset by IC Power's acquisition of JPPC in May 2014 (which incurred cost of sales of \$41 million in 2015 as compared to \$39 million in 2014 since the date of acquisition by IC Power).

Depreciation and Amortization

Our depreciation expenses relate primarily to IC Power.

IC Power's depreciation and amortization expenses increased by \$10 million, or 10%, to \$111 million in 2015 from \$101 million in 2014, primarily as a result of:

- a \$4 million or 9%, increase in IC Power's Peru segment's depreciation expense to \$49 million in 2015 from \$45 million in 2014, primarily as a result of the acquisition of Las Flores in April 2014;
- a \$3 million, or 17%, increase in IC Power's Central America segment's depreciation expense to \$21 million in 2015 from \$18 million in 2014, primarily as a result of IC Power's consolidation of ICPNH and Puerto Quetzal in March and September 2014, respectively; and
- a \$3 million, or 14%, increase in IC Power's Other segment's depreciation expense to \$25 million in 2015 from \$22 million in 2014, primarily as a result of IC Power's consolidation of JPPC in May 2014.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses consist of payroll and related expenses, bad/doubtful debts, depreciation and amortization, and other expenses. Our selling, general and administrative expenses decreased 21% to approximately \$104 million for the year ended December 31, 2015, compared to \$131 million for the year ended December 31, 2014. This decrease was primarily driven by one-time expenses that were incurred in connection with our spin-off from IC and the listing of our ordinary shares in 2014 and one-time expenses related to the adoption and implementation of Kenon's share incentive plans in 2014.

IC Power's general, selling and administrative expenses (excluding depreciation and amortization) increased by \$2 million, or 3%, to \$71 million for the year ended December 31, 2015 from \$69 million for the year ended December 31, 2014, primarily as a result of:

- the consolidation of \$4 million in general, selling and administrative expenses for the year ended December 31, 2015 as a result of IC Power's consolidation of ICPNH, Surpetroil, JPPC and Puerto Quetzal from the dates of their respective acquisitions in March 2014, March 2014, May 2014, and September 2014, respectively; and
- a \$4 million increase in IC Power's general, selling and administrative expenses in connection with its IPO process.

These effects were partially offset by a \$7 million decrease in Inkia's legal fees as a result of the settlement of litigation relating to Crystal Power in December 2014.

Gain from Distribution of Dividend in Kind

On July 23, 2015, we completed the pro rata distribution of substantially all of our interest in Tower. We recognized a \$210 million gain in the year ended December 31, 2015, which reflects the difference between the fair market value of the Tower ordinary shares held by us on the distribution date (\$255 million based upon the closing price of the Tower shares on NASDAQ on the date of our distribution of such shares to our shareholders by way of a capital reduction) and the carrying amount of Tower's shares at the time of the distribution (\$45 million).

Gain from Disposal of Investees

Our gain from disposal of investees is primarily comprised of capital gains recognized from IC Power's sale of its investment in Edegel for \$413 million in the year ended December 31, 2014. We recognized approximately \$110 million of net profit as a result of IC Power's sale of its interest in Edegel (\$157) million of capital gains, which were offset by \$47 million of income tax expenses for the year ended December 31, 2014.

Gain on Bargain Purchase

We did not generate any gain on bargain purchase in 2015.

We generated \$68 million in gain on bargain purchase during the year ended December 31, 2014, reflecting IC Power's acquisition of:

- ICPNH in March 2014, which resulted in IC Power's recognition of a gain of \$24 million;
- the 84% of the outstanding equity of JPPC which IC Power did not previously own, in May 2014, resulting in IC Power's recognition of a gain of \$24 million; and
- Puerto Quetzal in September 2014, which resulted in IC Power's recognition of a gain of \$20 million.

Asset Impairment

Our \$7 million asset impairment in 2015 is primarily due to IC Green writing-off its goodwill in Primus in the amount of \$6 million.

Our \$48 million asset impairment in 2014 is comprised of (i) an approximately \$35 million impairment charge in respect of Inkia's impairment of one of its subsidiaries and (ii) an approximately \$13 million impairment charge in respect of HelioFocus' assets. For further information, see "*Critical Accounting Policies and Significant Estimates—Impairment Analysis—Impairment Test for IC Power*" and "*Critical Accounting Policies and Significant Estimates—Impairment Analysis—Impairment Test of HelioFocus*," respectively.

Other Expenses

Our other expenses decreased to approximately \$7 million for the year ended December 31, 2015, compared to approximately \$14 million for the year ended December 31, 2014.

In 2015, our "other expenses" consisted primarily of:

- \$4 million related to the loss on sale of property, plant and equipment, net; and
- a \$1 million provision for contingencies.

In 2014, our “other expenses” consisted primarily of:

- \$8 million related to the loss on sale of property, plant and equipment, net; and
- \$2 million related to a net loss on sale of spare parts.

Other Income

Our other income decreased significantly to approximately \$16 million for the year ended December 31, 2015, compared to approximately \$51 million for the year ended December 31, 2014.

In 2015, our “other income” consisted primarily of:

- \$7 million related to insurance claims, primarily related to Amayo II’s claims in respect of three wind turbines, which were damaged in December 2014; and
- \$4 million in dividend income from Edegel; and
- \$5 million in other income.

In 2014, our “other income” consisted primarily of:

- \$18 million in dividend income from Edegel;
- \$20 million resulting from changes in Kenon’s interests in Tower as a result of an increase in Tower’s outstanding share capital due to the conversion and exercise of certain of Tower’s outstanding convertible bonds, options and warrants. As a result of Tower’s issuance of shares in connection with such conversions and exercises, our interest in Tower declined from approximately 32% as of December 31, 2013 to approximately 29% as of December 31, 2014, resulting in our recognition of a \$20 million dilution gain, which was determined by calculating the difference between the carrying amounts of our investment in Tower immediately before and after the relevant share issuances; and
- \$7 million related to insurance claims, primarily related to Amayo II’s claims in respect of three wind turbines, which were damaged in December 2014.

Financing Expenses, Net

Our financing expenses, net increased 18% to \$111 million for the year ended December 31, 2015, compared to \$94 million for the year ended December 31, 2014. This increase was primarily driven by IC Power’s financing expenses, net, which declined by \$15 million, or 13%, to \$104 million for 2015 from \$119 million for 2014, as set forth in further detail below by segment.

Peru Segment

Financing expenses, net, from IC Power’s Peru segment increased by \$8 million, or 24%, to \$42 million for the year ended December 31, 2015 from \$34 million for the year ended December 31, 2014, primarily as a result of an \$11 million increase in foreign exchange rate losses as a result of the strengthening of the U.S. dollar against the Peruvian Sol during 2015. This increase was partially offset by a \$3 million decline in interest expense from bank and others primarily as a result of the lower outstanding debt amount during 2015.

Israel Segment

Financing expenses, net, from IC Power’s Israel segment declined by \$7 million, or 23%, to \$23 million for the year ended December 31, 2015 from \$30 million for the year ended December 31, 2014, primarily as a result of a decrease in OPC’s interest expense due to a 0.9% CPI decrease, which was partially offset by the strengthening of the U.S. Dollar against the New Israeli Shekel, OPC’s functional currency.

Central America Segment

Financing expenses, net, from IC Power's Central America segment increased by \$2 million, or 25%, to \$10 million for the year ended December 31, 2015 from \$8 million for the year ended December 31, 2014, as a result of the increase of interest expense of \$2 million resulting from IC Power's acquisitions of ICPNH and Puerto Quetzal in March and September 2014, respectively.

Other Segment

Financing expenses, net, from IC Power's Other segment declined by \$17 million, or 37%, to \$29 million for the year ended December 31, 2015 from \$46 million for the year ended December 31, 2014, primarily as a result of (1) the recognition of \$13 million in finance expenses for the year ended December 31, 2014, as a result of repaying \$95 million of capital notes to IC, reflecting the difference between the nominal value of the capital notes (\$95 million) and the book value of the capital notes (\$82 million) and (2) a \$7 million decrease in interest expense during the year ended December 31, 2015 due to IC Power's repayment of \$263 million of debt owed to IC, our former parent, during May and June 2014. These effects were partially offset by a \$3 million increase in interest expense during the year ended December 31, 2015, primarily as a result of the drawing of ICPI's mezzanine loan in June 2014.

Share In Income (Losses) of Associated Companies, Net of Tax

Our share in losses of associated companies, net of tax increased by 9% to approximately \$(187) million for the year ended December 31, 2015, compared to approximately \$(171) million for the year ended December 31, 2014. Set forth below is a discussion of income/loss for our material associated companies and the share in income (losses) of associated companies, net of tax.

Qoros

Our share in Qoros' comprehensive loss increased to approximately \$196 million for the year ended December 31, 2015, compared to losses of approximately \$175 million for the year ended December 31, 2014. As we have a 50% equity interest in Qoros, we recognize 50% of the net loss of Qoros in 2015 (RMB2,475 million) and 2014 (RMB2,154 million). A discussion of Qoros' results of operations (on a 100% basis; Kenon's share is 50%) for 2015 and 2014 is set forth below. Qoros' results of operation for 2015 and 2014 reflect the fact that Qoros is an early stage automobile manufacturer. Accordingly, Qoros has incurred significant expenses, including expenses relating to the launch of new models, but has not achieved significant revenues.

Qoros had revenues of RMB1,459 million in 2015 compared to revenues of RMB865 million in 2014, representing an increase of 69%. Qoros' increased revenues in 2015 reflect a 104% increase in vehicle sales from approximately 7,000 cars in 2014 to approximately 14,250 cars in 2015.

Qoros' cost of sales were RMB1,713 million in 2015 compared to RMB1,019 million in 2014, representing a 68% increase. The increase in cost of sales is due to an increase in the number of vehicles sold in 2015.

Qoros had research and development expenses of RMB278 million in 2015 compared to RMB264 million in 2014, representing an increase of 5%. Research and development expenses in 2015 reflected research and development activities conducted in connection with the launch of the Qoros 5 SUV, whereas such expenses in 2014 reflected research and development activities conducted for the Qoros 3 Sedan.

Qoros had selling and distribution expenses of RMB820 million in 2015 compared to RMB927 million in 2014, representing a decrease of 12%. The decrease reflects a reduction in advertising and consulting expenses due to changes in Qoros' 2015 marketing and sales strategy and cost cutting efforts. This decrease was partially offset by an increase in Qoros' marketing and promotion expenses.

Qoros had administration expenses of RMB740 million in 2015 compared to RMB592 million in 2014.

As a result of the foregoing, Qoros had a loss from operation of RMB2,129 million in 2015 compared to RMB1,962 million in 2014.

Qoros had finance costs of RMB359 million in 2015 compared to finance costs of RMB217 million in 2014, representing a 65% increase. The increase was due in part to an increase in amounts outstanding under short term and long term loans, including shareholder loans, in 2015 as compared to 2014, with total loans and borrowings (including current loans) of RMB7,489 million as of December 31, 2015 as compared to loans and borrowings of RMB7,303 million as of December 31, 2014. Exchange rate effects also contributed to the increase in finance costs.

As a result of the foregoing, Qoros reported a loss for the year of RMB2.5 billion for the year ended December 31, 2015, compared to RMB2.2 billion for the year ended December 31, 2014.

ZIM

Our share in ZIM's income for the year ended December 31, 2015 was approximately \$2 million. Set forth below is a summary of ZIM's results during the relevant periods:

	Year Ended December 31, 2015
	<i>(in millions of USD)</i>
Sales	\$ 2,991
Cost of sales	2,775
Gross profit	216
Operating profit	98
Profit before taxes on income	5
Taxes on income	2
Profit after taxes on income	7
Profit for the period	\$ 7

Our share in ZIM's loss was approximately \$13 million for the six months ended December 31, 2014, the period in which Kenon accounted for ZIM's results of operations pursuant to the equity method of accounting.

In the year ended December 31, 2015, ZIM carried approximately 2,308,000 TEUs, as compared to approximately 2,360,000 TEUs in the year ended December 31, 2014, reflecting a 2.3% decrease compared to the year ended December 31, 2014. The slight decrease in carried quantities was primarily due to the closure of the line from Asia to Northern Europe during the second quarter of 2014. In the year ended December 31, 2015, ZIM's revenues were approximately \$3.0 billion, as compared to approximately \$3.4 billion in the year ended December 31, 2014, reflecting a 12.2% decrease, due to reduced freight rates and a slight decrease in carried quantities. The reduction in revenues was offset by a reduction in cost of voyages and related services, which decreased by 15.3% to \$2.8 billion in the year ended December 31, 2015, as compared to \$3.3 billion in the year ended December 31, 2014, primarily due to a decrease in bunker prices, as well as a decrease in cargo handling expenses.

ZIM publishes its results on its website. For more information, see www.ZIM.com. This website, and any information referenced therein, is not incorporated by reference herein.

Tower

Our share in Tower's comprehensive income (loss) for the period in 2015 prior to June 30, 2015, during which period Kenon accounted for Tower's results of operations pursuant to the equity method of accounting, was approximately \$(1) million.

Our share in Tower's comprehensive income for the year ended December 31, 2014 was approximately \$18 million.

Generandes

We did not record any comprehensive income for the year ended December 31, 2015 from Generandes, as IC Power sold its equity interest in Generandes during 2014.

Our share in Generandes' comprehensive income for the year ended December 31, 2014 was approximately \$12 million.

Tax Expenses

Our tax expenses decreased 40% to approximately \$62 million for the year ended December 31, 2015, compared to approximately \$103 million for the year ended December 31, 2014. This decrease was primarily driven by a decrease in our effective tax rate to 39% in 2015 from 95% in 2014, due to an increase in non-taxable gains to \$243 million in 2015, as compared to \$69 million in 2014, offset by \$47 million income tax expense on the sale of IC Power's interest in Edegel for \$413 million in 2014.

Income (Loss) For the Year From Discontinued Operations (After Taxes)

We did not generate any income (loss) for the year ended December 31, 2015 from discontinued operations (after taxes).

Our income (loss) for the year ended December 31, 2014 from discontinued operations (after taxes) is comprised of (i) ZIM's results of operations for the six months ended June 30, 2014 and (ii) Petrotec's results of operations for the year ended December 31, 2014. Our income for the year from discontinued operations (after taxes) was approximately \$471 million for the year ended December 31, 2014, primarily as a result of (i) ZIM's results of operations during the six months ended June 30, 2014, the period in which Kenon accounted for ZIM as a discontinued operation in the amount of \$480 million of net income from the realization of discontinued operations in the amount of \$609 million and (ii) the net results of Petrotec as a discontinued operation in the amount of \$(9) million.

Profit For the Year

As a result of the above, our profit for the year amounted to \$96 million for the year ended December 31, 2015, compared to a profit of \$477 million for the year ended December 31, 2014.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Set forth below are our combined carve-out statements of profit and loss information for the years ended December 31, 2014 and 2013:

	Year Ended December 31, (in millions of USD)		% Change
	2014 ^{1,2}	2013 ^{1,2}	
Revenues from sale of electricity	\$ 1,372	\$ 873	57%
Cost of sales and services	(981)	(594)	65%
Depreciation and amortization	(100)	(70)	43%
Gross profit	\$ 291	\$ 209	39%
Selling, general and administrative expenses	(131)	(73)	80%
Gain from disposal of investees	157	—	*
Asset impairment	(48)	—	*
Gain on bargain purchase	68	1	*
Other expenses	(14)	(5)	*
Other income	51	5	*
Operating profit	\$ 374	\$ 137	*
Financing expenses	(110)	(69)	(59)%
Financing income	16	5	*
Financing expenses, net	\$ 94	\$ 64	(47)%
Share in losses of associated companies, net of tax	(171)	(127)	(35)%
Profit/(Loss) before income taxes	\$ 109	\$ (54)	*
Tax expenses	(103)	(49)	*
Profit/(Loss) for the year from continuing operations	\$ 6	\$ (103)	*
Income (loss) for the year from discontinued operations (after taxes)	471	(513)	*
Profit/(Loss) for the year	\$ 477	\$ (616)	*
Attributable to:			
Kenon's shareholders:	\$ 458	\$ (631)	*
Non-controlling interests	\$ 19	\$ 15	27%

1. During 2015, an immaterial error was identified with respect to the deferred tax calculation relating to the effect of foreign exchange rate on non-monetary assets in previous years in IC Power. Kenon's and IC Power's financial information for 2014, 2013 and 2012 has been revised to correct this immaterial error.
 2. Results during these period have been reclassified to reflect the discontinued operations of ZIM and Petrotec. For further information, see Note 27 to our financial statements included in this annual report.
- * Indicates that the percentage change is not meaningful.

The following tables set forth summary information regarding our operating segment results for the years presented.

	Year Ended December 31, 2014 ¹				Combined Carve-Out Results
	IC Power	Qoros ² <i>(in millions of USD, unless otherwise indicated)</i>	Other ³	Adjustments ⁴	
Sales	\$ 1,358	\$ —	\$ —	\$ 14	\$ 1,372
Depreciation and amortization	(108)	—	—	—	(108)
Financing income	9	—	39	(32)	16
Financing expenses	(132)	—	(10)	32	(110)
Share in (losses) income of associated companies	14	(175)	(10)	—	(171)
Asset impairment	(35)	—	(13)	—	(48)
Gain from disposal of investee	157	—	—	—	157
Gain from bargain purchase	68	—	—	—	68
Income (loss) before taxes	\$ 321	\$ (175)	\$ (37)	\$ —	\$ 109
Income taxes	(99)	—	(4)	—	(103)
Income (loss) from continuing operations	\$ 222⁵	\$ (175)	\$ (41)	\$ —	\$ 6
Attributable to:					
Kenon's shareholders	197	(175)	(34)	—	(12)
Non-controlling interests	25	—	(7)	—	18
Segment assets ⁶	\$ 3,832	\$ —	\$ 837 ⁷	\$ (785)	\$ 3,884
Investments in associated companies	10	221	205	—	436
Segment liabilities	2,860	—	806 ⁸	(785)	2,881
Capital expenditure ⁹	593	—	12	—	605
Adjusted EBITDA	\$ 348 ^{5,10}	\$ —	\$ (43) ¹¹	\$ —	\$ 305
Percentage of combined revenues	99%	—	—	1%	100%
Percentage of combined assets	89%	—	23%	(12)%	100%
Percentage of combined assets excluding associated companies	99%	—	21%	(20)%	100%
Percentage of combined Adjusted EBITDA	114%	—	(14)%	—	100%

1. During 2015, an immaterial error was identified with respect to the deferred tax calculation relating to the effect of foreign exchange rate on non-monetary assets in previous years in IC Power. Kenon's and IC Power's financial information for 2014, 2013 and 2012 has been revised to correct this immaterial error.
2. Associated company.
3. Includes financing income from former parent company loans to Kenon's subsidiaries; the results of Primus, HelioFocus (from June 30, 2014) and ZIM (up to June 30, 2014); the results of ZIM (from June 30, 2014), Tower and HelioFocus (up to June 30, 2014), as associated companies; as well as Kenon's and IC Green's holding company and general and administrative expenses.
4. "Adjustments" includes inter-segment sales, and the consolidation entries. For the purposes of calculating the "percentage of combined assets" and the "percentage of combined assets excluding associated companies," "Adjustments" has been combined with "Other."
5. IC Power's net income and Adjusted EBITDA, as reported by Kenon, for the year ended December 31, 2014, differ from the amounts reported by IC Power for the same period as a result of the adjustment of certain provisions at IC Power, which were adjusted in IC

Power's 2014 financial statements, but were adjusted in 2015 for Kenon. For further information, see "Item 5. Operating and Financial Review and Prospects—Material Factors Affecting Results of Operations—IC Power—Decisions by the EA Regarding System Management Charges."

6. Excludes investments in associates.
7. Includes Kenon's and IC Green's assets.
8. Includes Kenon's and IC Green's liabilities.
9. Includes the additions of PP&E and intangibles based on an accrual basis.
10. For a reconciliation of IC Power's net income, as reported by Kenon, to its Adjusted EBITDA, as reported by Kenon, for the year ended December 31, 2014, see "Item 3.A Selected Financial Data."
11. For a reconciliation of our "Other" reporting segment's income (loss) to its Adjusted EBITDA, see "Item 3.A Selected Financial Data."

	Year Ended December 31, 2013 ^{1,2}				Combined Carve-Out Results
	IC Power	Qoros ³ (in millions of USD, unless otherwise indicated)	Other ⁴	Adjustments ⁵	
Sales	\$ 866	\$ —	\$ —	\$ 7	\$ 873
Depreciation and amortization	(75)	—	(5)	—	(80)
Financing income	5	—	32	(32)	5
Financing expenses	(86)	—	(15)	32	(69)
Share in (losses) income of associated companies	32	(127)	(32)	—	(127)
Income (loss) before taxes	\$ 123	\$ (127)	\$ (50)	\$ —	\$ (54)
Income taxes	49	—	—	—	49
Income (loss) from continuing operations	\$ 74	\$ (127)	\$ (50)	\$ —	\$ (103)
Attributable to:					
Kenon's shareholders	61	(127)	(48)	—	(114)
Non-controlling interests	13	—	(2)	—	11
Segment assets ⁶	\$ 2,749	\$ —	\$ 3,832 ⁷	\$ (1,136)	\$ 5,444
Investments in associated companies	286	226	28	—	540
Segment liabilities	2,237	—	3,933 ⁸	(1,136)	5,033
Capital expenditure	351 ⁹	—	—	—	351
Adjusted EBITDA	\$ 247 ¹⁰	\$ —	\$ (30) ¹¹	\$ —	\$ 217
Percentage of combined revenues	99%	—	—	1%	100%
Percentage of combined assets	51%	—	65%	(16)%	100%
Percentage of combined assets excluding associated companies	50%	—	70%	(21)%	100%
Percentage of combined Adjusted EBITDA	114%	—	(14)%	—	100%

1. During 2015, an immaterial error was identified with respect to the deferred tax calculation relating to the effect of foreign exchange rate on non-monetary assets in previous years in IC Power. Kenon's and IC Power's financial information for 2014, 2013 and 2012 has been revised to correct this immaterial error.
2. Results during the period have been reclassified to reflect the discontinued operations of ZIM and Petrotec. For further information, see Note 28 to our financial statements included in this annual report.
3. Associated company.
4. Includes financing income from former parent company loans to Kenon's subsidiaries; the results of Primus and ZIM; the results of Tower and HelioFocus, as associated companies; as well as Kenon's and IC Green's holding company and general and administrative expenses.
5. "Adjustments" includes inter-segment sales and the consolidation entries. For the purposes of calculating the "percentage of combined assets" and the "percentage of combined assets excluding associated companies," "Adjustments" has been combined with "Other."
6. Excludes investments in associates.
7. Includes Kenon's, IC Green's and ZIM's assets.
8. Includes Kenon's, IC Green's and ZIM's liabilities.
9. Includes the additions of PP&E and intangibles based on an accrual basis.

10. For a reconciliation of IC Power's net income, as reported by IC Power, to its Adjusted EBITDA, as reported by IC Power, see "Item 3.A Selected Financial Data – Information on Business Segments – IC Power."
11. For a reconciliation of our "Other" reporting segment's income (loss) to its Adjusted EBITDA, see "Item 3.A Selected Financial Data."

The following table sets forth summary information regarding the results of operations of our equity-method businesses for the periods presented:

	Six Months Ended December 31,	Year Ended December 31,					
	2014	2014			2013		
	ZIM	Qoros	Tower	Generandes ¹	Qoros	Tower	Generandes
		(in millions of USD)					
Revenues	\$ 1,667	\$ 138	\$ 828	\$ 193	\$ 2	\$ 505	\$ 513
Income/(Loss)	(72)	(350)	25	30	(255)	(109)	(86)
Other comprehensive income/(loss)	2	—	(9)	—	22	(13)	—
Total comprehensive income/(loss)	\$ (70)	\$ (350)	\$ 16	\$ 30	\$ (233)	\$ (122)	\$ 86
Share of Kenon in total comprehensive income/(loss)	\$ (23)	\$ (175)	\$ 5	\$ 12	\$ (127)	\$ (39)	\$ 33
Adjustments	10	—	13	—	—	8	(3)
Share of Kenon in total comprehensive income/(loss) presented in the books	\$ (13)	\$ (175)	\$ 18	\$ 12	\$ (127)	\$ (31)	\$ 30
Dividends received	—	—	—	12	—	—	26
Total assets	\$ 2,156	\$ 1,810	\$ 874	\$ —	\$ 1,531	\$ 694	\$ 1,653
Total liabilities	(2,077)	(1,670)	(738)	—	(1,127)	(632)	(710)
Book value of investment	191	221	14	—	226	—	276

1. Kenon's indirect equity interest in Generandes was sold in September 2014, in connection with IC Power's sale of its interest in Edegel.

Revenues From Sale of Electricity

Our revenues from sale of electricity increased 57% to approximately \$1,372 million for the year ended December 31, 2014, compared to approximately \$873 million in revenues for the year ended December 31, 2013, as a result of an increase in IC Power's consolidated revenues. This increase was primarily driven by (1) the acquisition of the Las Flores plant in 2013 in IC Power's Peru segment, (2) the first full year of operations of OPC in IC Power's Israel segment, and (3) IC Power's acquisition of various businesses during 2014, as set forth in further detail below by IC Power's segments.

Peru Segment

Sales from IC Power's Peru segment increased by \$43 million, or 11%, to \$437 million for the year ended December 31, 2014 from \$394 million for the year ended December 31, 2013, primarily as a result of:

- a \$24 million, or 9%, increase in Kallpa's revenue from energy sales to \$291 million in 2014 from \$267 million during 2013, primarily as a result of a \$9 million, or 3%, increase in revenue resulting from an increase in the volume of energy sales by Kallpa to 6,559 GWh in 2014 from 6,352 GWh in 2013 and a \$13 million, or 5%, increase in revenue resulting from an increase in Kallpa's average energy price to \$44 per MWh in 2014 from \$42 per MWh in 2013, principally due to the commencement of service under certain PPAs with distribution companies which provided for the sale of energy at higher prices, and included a pass-through of the cost of the primary toll system tariff which was imposed on generators in Chilca as of January 1, 2014 in connection with the completion of a gas pipeline constructed by Gas Natural de Lima y Callao S.A., or Calidda, which has a concession to distribute gas from Chilca to Lima, and within Lima;

- a \$10 million, or 18%, increase in Kallpa's revenue from ancillary services (principally transmission tolls that are passed through to Kallpa's customers) as a result of a 19% increase in the primary toll system tariff during 2014; and
- a \$5 million, or 7%, increase in Kallpa's revenue from capacity sales to \$73 million during 2014 from \$68 million during 2013, primarily as a result of a 6% increase in revenue resulting from an increase in the volume of capacity sales to an average of 929 MW in 2014 from an average of 880 MW in 2013, which was principally due to IC Power's acquisition of the Las Flores plant in April 2014.

Israel Segment

Sales from IC Power's Israel segment increased by \$226 million, or 121%, to \$413 million for the year ended December 31, 2014 from \$187 million for the year ended December 31, 2013, primarily as a result of the first full year of operations of OPC, which commenced commercial operations in July 2013. OPC's revenue from energy sales increased by \$225 million, or 120%, to \$412 million for the year ended December 31, 2014, from \$187 million for the year ended December 31, 2013, principally as a result of a \$225 million, or 119%, increase in revenue resulting from an increase in the volume of energy sold to 3,973 GWh in 2014 from 1,813 GWh in 2013, which reflects a full year of commercial operations of OPC's plant during 2014 and an increase in the average price of energy sold to \$104 per GWh in 2014 from \$103 per GWh in 2013.

Central America Segment

Sales from IC Power's Central America segment increased by \$161 million, or 110%, to \$308 million for the year ended December 31, 2014 from \$147 million for the year ended December 31, 2013, primarily as a result of IC Power's acquisition of ICPNH (which generated sales of \$125 million since IC Power's acquisition of it in March 2014) and Puerto Quetzal (which generated sales of \$33 million since IC Power's acquisition of it in September 2014).

Other Segment

Sales from IC Power's Other segment increased by \$69 million, or 48%, to \$214 million for the year ended December 31, 2014 from \$145 million for the year ended December 31, 2013 primarily as a result of IC Power's acquisition of JPPC (which generated sales of \$41 million since IC Power's acquisition of it in May 2014), Colmito (which generated sales of \$38 million in 2014, as compared to \$1 million in 2013 from the date of its acquisition by IC Power) and Surpetroil (which generated sales of \$9 million since IC Power's acquisition of it in March 2014). These effects were partially offset by a \$19 million, or 21%, reduction in CEPP's revenues to \$73 million for the year ended December 31, 2014 from \$92 million for the year ended December 31, 2013, primarily as a result of the expiration of its PPA in September 2014 and a change in CEPP's position in the dispatch order as a result of the entry of an additional, more efficient power plant in the Dominican Republic.

Cost of Sales and Services (excluding Depreciation and Amortization)

Our cost of sales and services (excluding depreciation and amortization) increased 65% to approximately \$981 million for the year ended December 31, 2014, compared to \$594 million for the year ended December 31, 2013, as a result of the increase in IC Power's costs of sales.

IC Power's cost of sales, as reported by Kenon, increased by 65% to \$983 million for the year ended December 31, 2014, as reported by IC Power, from \$594 million for the year ended December 31, 2013. IC Power's cost of sales (which excludes depreciation and amortization) increased 58% to \$936 million for the year ended December 31, 2014, compared to \$594 million for the year ended December 31, 2013. This increase was primarily driven by (1) the imposition of certain tariffs in Peru as of January 1, 2014 in IC Power's Peru segment, (2) the first full year of operations of OPC in IC Power's Israel segment and (3) IC Power's acquisition of various businesses during 2014, as set forth in further detail below by IC Power's segments.

See "*Decisions by the EA Regarding System Management Charges*" for an explanation of the difference between IC Power's cost of sales, as reported by Kenon and as reported by IC Power, during the year ended December 31, 2014.

A description of the decrease in IC Power's cost of sales, as reported by IC Power, is set forth in further detail below by IC Power's segments.

Peru Segment

Cost of sales from IC Power's Peru segment increased by \$31 million, or 13%, to \$270 million for the year ended December 31, 2014 from \$239 million for the year ended December 31, 2013 primarily as a result of:

- a \$27 million, or 24%, increase in Kallpa's gas and gas transportation and distribution costs to \$139 million in 2014 from \$112 million in 2013, as a result of (1) the commencement of Calidda's gas distribution services, which increased Kallpa's gas costs by \$18 million and (2) a \$9 million increase in Kallpa's natural gas costs primarily as a result of an 8% increase in gross energy generated by Kallpa to 5,920 GWh in 2014 from 5,459 GWh in 2013 (as a result of our acquisition of Las Flores in April 2014);
- a \$13 million, or 20%, increase in Kallpa's transmission costs to \$77 million in 2014 from \$64 million in 2013, as a result of a 19% increase in the primary toll system tariff; and
- a \$9 million, or 22%, decrease in Kallpa's cost for purchases of energy and capacity as a result of an 8% increase in energy generated by Kallpa to 5,920 GWh in 2014 from 5,459 GWh in 2013, which resulted in a reduction in Kallpa's spot market purchases, which partially offset the above-described increases.

Israel Segment

Cost of sales from IC Power's Israel segment increased by \$113 million, or 81%, to \$252 million for the year ended December 31, 2014 from \$139 million for the year ended December 31, 2013 primarily as a result of an increase in the gross energy generated by OPC to 3,465 GWh in 2014 from 1,357 GWh in 2013, reflecting a full year of commercial operations of this plant during 2014, as compared to approximately six months of commercial operations of this plant in 2013 following its COD in July 2013.

Central America Segment

Cost of sales from IC Power's Central America segment increased by \$133 million, or 105%, to \$260 million for the year ended December 31, 2014 from \$127 million for the year ended December 31, 2013 primarily as a result of:

- IC Power's acquisition of ICPNH (which incurred cost of sales of \$98 million since our acquisition of it in March 2014) and Puerto Quetzal (which incurred cost of sales of \$29 million since our acquisition of it in September 2014). The consolidation of these entities increased IC Power's cost of sales as follows: (1) IC Power's fuel and lubricants costs increased by \$98 million; (b) IC Power's purchases of energy and capacity increased by \$12 million; (c) IC Power's maintenance expenses increased by \$8 million; and (d) IC Power's personnel expenses increased by \$4 million;
- an \$11 million, or 30%, increase in energy purchased by Nejapa, primarily as a result of an increase in sales in 2014, despite a lower amount of energy generated by Nejapa, which reduction was due to an increase in low cost energy purchased by the electricity system in El Salvador from other SIEPAC countries, primarily Guatemala; and
- a \$12 million, or 17%, decrease in Nejapa's fuel costs as a result of the reduction of its generation activities, which partially offset the increases above.

Other Segment

Cost of sales from IC Power's Other segment increased by \$65 million, or 73%, to \$154 million for the year ended December 31, 2014 from \$89 million for the year ended December 31, 2013 primarily as a result of:

- IC Power's acquisition of JPPC (which incurred cost of sales of \$40 million since our acquisition of it in May 2014) and Surpetroil (which incurred cost of sales of \$2 million since our acquisition of it in March 2014). The consolidation of these entities increased IC Power's cost of sales as follows: (a) IC Power's fuel, gas and lubricants costs increased by \$34 million; (b) IC Power's maintenance expenses increased by \$3 million and (c) IC Power's personnel expenses increased by \$2 million;
- a \$36 million increase in IC Power's cost of sales as a result of our acquisition of Colmito, which IC Power acquired in October 2013, primarily as a result of the \$32 million energy and capacity purchases made by Colmito to supply its PPA with ENAP Refinerías S.A., which commenced in January 2014; and
- a \$17 million, or 33%, decline in CEPP's fuel costs in connection with a 29% decrease in CEPP's gross generation to 242 GWh in 2014 from 339 GWh in 2013 primarily as a result of a change in CEPP's position in the dispatch order as a result of the entry of an additional, more efficient power plant, which partially offset the above-described increases.

Depreciation and Amortization

Our depreciation expenses relate primarily to IC Power.

IC Power's depreciation and amortization expenses increased by \$30 million, or 43%, to \$100 million in 2014 from \$70 million in 2013, primarily as a result of the increase in IC Power's depreciable property, plant and equipment as a result of depreciation expenses related to (1) a full year of commercial operations of OPC during 2014, as compared to approximately six months of commercial operations of this plant following its COD in July 2013, which increased OPC's depreciation from \$12 million in 2013 to \$25 million in 2014, (2) the acquisitions of ICPNH, Surpetroil, JPPC and Puerto Quetzal, which contributed \$12 million to IC Power's consolidated depreciation in 2014 and (3) the acquisition of Las Flores in April 2014, which increased Kallpa's depreciation expense by \$5 million from \$40 million in 2013 to \$45 million in 2014.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses consist of payroll and related expenses, bad/doubtful debts, depreciation and amortization, and other expenses. Our selling, general and administrative expenses increased 80% to \$131 million for the year ended December 31, 2014, compared to approximately \$73 million for the year ended December 31, 2013. This increase was primarily driven by an increase in Kenon's and IC Power's administrative expenses during the period, for the reasons discussed below.

Kenon's administrative expenses increased to approximately \$38 million for the year ended December 31, 2014, from approximately \$14 million for the year ended December 31, 2013. This increase was primarily driven by expenses incurred in connection with our spin-off from IC and the listing of our ordinary shares, as well as expenses related to the adoption and implementation of Kenon's share incentive plans.

IC Power's general, selling and administrative expenses increased by \$27 million, or 66%, to \$68 million for 2014 from \$41 million for 2013. This increase was primarily driven by (1) the consolidation of general, selling and administrative expenses in an aggregate amount of \$9 million as a result of IC Power's consolidation of ICPNH, Surpetroil, JPPC and Puerto Quetzal from the dates of their respective acquisitions in March 2014, March 2014, May 2014 and September 2014; (2) an \$8 million increase in legal fees to \$11 million from \$3 million, primarily due to a \$7 million increase in Inkia's legal fees as a result of litigation relating to Crystal Power, which was settled in December 2014; (3) a \$3 million increase in OPC's general, selling and administrative expenses to \$8 million in 2014 from \$5 million in 2013 as a result of the commencement of OPC's commercial operations in July 2013 (certain of OPC's general, selling and administrative expenses were capitalized prior to the beginning of OPC's commercial operations in July 2013); and (4) a \$2 million increase in amortization expenses as a result of the purchase price allocation adjustments made in connection with our acquisitions of ICPNH, Surpetroil, JPPC and Puerto Quetzal.

Gain from Disposal of Investees

Our gain from disposal of investees is primarily comprised of capital gains recognized from IC Power's sale of its investment in Edegel for \$413 million in 2014. We recognized a gain of \$157 million in connection with such sale in 2014.

Asset Impairment

Our \$48 million asset impairment in 2014 is comprised of (i) an approximately \$35 million impairment charge in respect of Inkia's impairment of one of its subsidiaries and (ii) an approximately \$13 million impairment charge in respect of HelioFocus' assets. For further information, see *“Critical Accounting Policies and Significant Estimates—Impairment Analysis—Impairment Test for IC Power”* and *“Critical Accounting Policies and Significant Estimates—Impairment Analysis—Impairment Test of HelioFocus,”* respectively.

Gain on Bargain Purchase

Our gain on bargain purchase increased significantly to approximately \$68 million for the year ended December 31, 2014, compared to approximately \$1 million for the year ended December 31, 2013. This increase was driven by the negative goodwill generated in connection with IC Power's acquisition of:

- ICPNH in March 2014, which resulted in IC Power's recognition of a gain of \$24 million;
- the outstanding stake in JPPC in May 2014, which resulted in IC Power's recognition of a gain of \$24 million; and

- Puerto Quetzal in September 2014, which resulted in IC Power's recognition of a gain of \$20 million.

Other Expenses

Our other expenses increased significantly to approximately \$14 million for the year ended December 31, 2014, compared to approximately \$5 million for the year ended December 31, 2013. This increase was primarily driven by a \$7 million charge as a result of IC Power's retirement of certain of Amayo II's assets.

Other Income

Our other income increased significantly to approximately \$51 million for the year ended December 31, 2014, compared to approximately \$5 million for the year ended December 31, 2013. In 2014, our "other income" consisted primarily of:

- \$18 million in dividend income from Edegel;
- \$20 million resulting from changes in Kenon's interests in Tower as a result of an increase in Tower's outstanding share capital due to the conversion and exercise of certain of Tower's outstanding convertible bonds, options and warrants. As a result of Tower's issuance of shares in connection with such conversions and exercises, our interest in Tower declined from approximately 32% as of December 31, 2013 to approximately 28% as of December 31, 2014, resulting in our recognition of a \$20 million dilution gain, which was determined by calculating the difference between the carrying amounts of our investment in Tower immediately before and after the relevant share issuances; and
- \$7 million related to insurance claims, primarily related to Amayo II's claims in respect of three wind turbines, which were damaged in December 2014.

In 2013, our "other income" consisted of (i) \$4 million of non-operating income and (ii) \$1 million of dividends received from JPPC.

Financing Expenses, Net

Our financing expenses, net, increased 47% to \$94 million for the year ended December 31, 2014, compared to \$64 million for the year ended December 31, 2013. This increase was primarily driven by an increase in IC Power's net finance expenses, as set forth in further detail below by IC Power's segments.

Peru Segment

Financing expenses, net from IC Power's Peru segment were \$34 million in both 2013 and 2014, reflecting a \$3 million increase in interest expense from banks and others to \$33 million, primarily as a result of interest expenses relating to Las Flores' leases (accrued since IC Power's acquisition of Las Flores in April 2014). This increase was partially offset by a \$4 million decline in foreign currency loss due to the depreciation of the Peruvian Sol against the U.S. Dollar during 2014.

Israel Segment

Financing expenses, net, from IC Power's Israel segment increased by \$8 million, or 36%, to \$30 million for the year ended December 31, 2014 from \$22 million for the year ended December 31, 2013, primarily as a result of a \$5 million increase in OPC's interest expense from banks and others to \$22 million in 2014 from \$17 million in 2013. Prior to OPC's COD in July 2013, OPC's interest expense was capitalized.

Central America Segment

Financing expenses, net, from IC Power's Central America segment increased by \$8 million, to \$8 million for the year ended December 31, 2014, primarily as a result of the recognition of \$7 million of interest expense relating to ICPNH's debt, as a result of IC Power's acquisition of ICPNH in March 2014.

Other Segment

Financing expenses, net, from IC Power's Other segment increased by \$23 million to \$46 million for the year ended December 31, 2014 from \$23 million for the year ended December 31, 2013 primarily as a result of: (1) the recognition of \$13 million in finance expenses as a result of repaying \$95 million of capital notes to IC, reflecting the difference between the

nominal value of the capital notes (\$95 million) and the book value of the capital notes (\$82 million); (2) a \$9 million increase in Inkia's interest expense from banks and others to \$21 million in 2014 from \$12 million in 2013, primarily as a result of IC Power's incurrence of a full year of interest expense in respect of Inkia's incremental \$150 million senior notes, which were issued in September 2013, and interest expense relating to Inkia's \$125 million credit facility (which was entered into in December 2013 and fully paid in August 2014); (3) a \$3 million increase in interest expense in respect of ICPI's NIS 350 million (\$93 million) mezzanine financing agreement, which ICPI entered into in June 2014; and (4) a \$2 million increase in Colmito's interest expense from banks and others, primarily as a result of Colmito's incurrence of additional debt in February 2014. These effects were partially offset by a \$4 million decrease in interest expense on loans from IC Power's parent company to \$7 million for the year ended December 31, 2014 from \$11 million for the year ended December 31, 2013, as a result of IC Power's repayment of the full outstanding amount of the loans owed to IC during May and June 2014.

Share In Income (Losses) of Associated Companies, Net of Tax

Our share in income (losses) of associated companies, net of tax increased 35% to approximately \$(171) million for the year ended December 31, 2014, compared to approximately \$(127) million for the year ended December 31, 2013. Set forth below is a discussion of income/loss for our material associated companies and the share in income (losses) of associated companies, net of tax, of IC Power.

Qoros

Our share in Qoros' comprehensive loss increased to approximately \$175 million for the year ended December 31, 2014, compared to losses of approximately \$127 million for the year ended December 31, 2013. As we have a 50% equity interest in Qoros, we recognize 50% of the net loss of Qoros in 2014 (RMB2,154 million) and 2013 (RMB1,557 million). A discussion of Qoros' results of operations (on a 100% basis; Kenon's share is 50%) for 2014 and 2013 is set forth below. Qoros' results of operation for 2014 and 2013 reflect the fact that Qoros is an early stage automobile manufacturer that launched commercial sales at the end of 2013. Accordingly, Qoros incurs significant expenses, including expenses relating to the launch of new models, but has not achieved significant revenues.

Qoros had revenues of RMB864.9 million in 2014 compared to revenues of RMB13.1 million, representing a significant increase. Qoros commenced commercial sales at the end of 2013 (with some limited sales in December 2013), so revenues in 2013 were negligible. Qoros' revenues in 2014 reflect sales of approximately 7,000 cars, primarily the Qoros sedan.

Cost of sales increased from RMB29 million in 2013 (when there was only limited commercial operations) to RMB1,019 million in 2014. Qoros incurred a gross loss in 2014 (cost of sales exceeded revenues) reflecting the level of sales in 2014 and an increase in inventories, including vehicles.

Qoros had research and development expenses of RMB264 million in 2014 compared to RMB408 million in 2013, representing a decrease of 35%. The decrease in research and development expenses reflects the completion in 2013 of a significant portion of the research and development activities conducted in connection with the launch of Qoros' first three vehicle models at the end of 2013 and in 2014.

Qoros had selling and distribution expenses of RMB927.2 million in 2014 compared to RMB269.7 million in 2013. The increase in selling and distribution expenses reflects the significant marketing and related expenses incurred in connection with the launch of Qoros' first three vehicle models.

Qoros had administration expenses of RMB591.6 million in 2014 compared to RMB864.8 million in 2013, representing a decrease of 32%. The decrease in administration expenses was primarily the result of a decrease in personnel expenses and a decrease in consulting expenses reflecting the substantial completion of a research and development work relating to Qoros' first three models and the completion of other projects (e.g., vehicle design) that were completed prior to launch of these three vehicle models.

As a result of the foregoing, Qoros had a loss from operation of RMB1,962 million in 2014 compared to RMB1,545 million in 2013, representing an increase of 25%.

Qoros had finance costs of RMB217 million in 2014 compared to finance costs of RMB29.2 million in 2013, representing a significant increase. The increase was due in part to an increase in amounts outstanding under short term and long term loans, including shareholder loans, in 2014 as compared to 2013, with total loans and borrowings (including current loans) of RMB7,303 million as of December 31, 2014 as compared to loans and borrowings of RMB4,110 million as of December 31, 2013. In addition, a significant portion of Qoros' interest costs was capitalized as property, plant and equipment in 2013, with a much smaller portion capitalized in 2014 as a result of adjustments made in Qoros' accounting method in 2014.

As a result of the foregoing, Qoros reported a loss for the year of RMB2.1 billion for the year ended December 31, 2014, compared to RMB1.6 billion for the year ended December 31, 2013.

ZIM

Our share in ZIM's loss for 2014 was approximately \$13 million, which represented our share in ZIM's loss for the six months ended December 31, 2014, the period in which Kenon accounted for ZIM's results of operations pursuant to the equity method of accounting.

Tower

Our share in Tower's comprehensive income increased to approximately \$18 million for the year ended December 31, 2014, compared to an approximately \$(31) million share in Tower's comprehensive loss for the year ended December 31, 2013. A portion (\$6 million) of Tower's loss in 2013 was not reflected in our share in losses of associated companies, net of tax, for that period, since the cumulative losses incurred in our investment in Tower exceeded the value of our investment, and the book value of an equity method investee cannot be less than zero.

Generandes

Our share in Generandes' comprehensive income decreased by 60% to \$12 million for the year ended December 31, 2014, compared to \$30 million for the year ended December 31, 2013, due to IC Power's sale of Edegel in 2014.

Tax Expenses

Our tax expenses increased 110% to approximately \$103 million for the year ended December 31, 2014, compared to approximately \$49 million for the year ended December 31, 2013. This increase was primarily driven by a \$47 million income tax expense on our gain on IC Power's sale of Edegel for \$413 million.

Income (Loss) For the Year From Discontinued Operations (After Taxes)

Our income (loss) for the year from discontinued operations (after taxes) is comprised of (i) ZIM's results of operations for the six months ended June 30, 2014 and (ii) Petrotec's results of operations for the year ended December 31, 2014.

Our income for the year from discontinued operations (after taxes) increased to approximately \$471 million for the year ended December 31, 2014, compared to approximately \$513 million losses for the year ended December 31, 2013, primarily as a result of (i) ZIM's results of operations during the six months ended June 30, 2014, the period in which Kenon accounted for ZIM as a discontinued operation in the amount of \$480 million of net income from the realization of discontinued operations in the amount of \$609 million and (ii) the net results of Petrotec as a discontinued operation in the amount of \$(9) million.

Profit For the Year

As a result of the above, our profit for the year amounted to \$477 million for the year ended December 31, 2014, compared to a loss of \$(616) million for the year ended December 31, 2013.

B. Liquidity and Capital Resources

Kenon's Liquidity and Capital Resources

We were formed in 2014 in connection with our spin-off from IC. In connection with the spin-off, we received \$35 million in cash, and entered into a \$200 million credit facility with IC, or the IC Credit Facility. As of December 31, 2015, the total drawings outstanding under the IC Credit Facility were \$110 million. In the first quarter of 2016, Kenon drew down an additional \$40 million under the IC Credit Facility. In April 2016, Kenon drew down the remaining \$50 million under the IC Credit Facility, and as a result, the full \$210 million amount, including interest and fees, is currently outstanding. Our recent drawing of \$50 million under the IC Credit Facility is intended to provide us with sufficient cash resources in light of our liquidity position and our obligations under our indirect guarantees of Qoros' indebtedness (as discussed below). As of the date of this annual report and as a result of our recent drawing under the IC Credit Facility, we have cash of \$58 million. We have not entered into any other credit facilities at the Kenon level, and are dependent on our businesses for cash flows from operations and to meet our obligations under the IC Credit Facility and our back-to-back guarantees to Chery with respect to Qoros' indebtedness, each of which are discussed further below.

We believe that Kenon's working capital is sufficient for its present requirements. Other than expenses related to our day-to-day operations, our principal needs for liquidity are expected to be expenditures related to investments in our businesses and our back-to-back guarantees to Chery with respect to Qoros' indebtedness. Our businesses are at various stages of development, ranging from early stage development companies to established, cash generating businesses, and some of these businesses will require significant financing, via equity contributions or debt facilities, to further their development, execute their current business plans, and become or remain fully-funded. We may, in furtherance of the development of our businesses, and other than with respect to ZIM, make further investments, via debt or equity financings, in our remaining businesses.

Kenon has provided back-to-back guarantees to Chery of RMB1,100 million principal amount of Qoros' indebtedness, plus certain interest and fees. These back-to-back guarantees consist of (i) a back-to-back guarantee of one-half of the principal amount of Chery's guarantee of RMB1.5 billion with respect to Qoros' RMB3 billion facility; Kenon's obligation is limited to RMB750 million, but in the event that Chery's obligations under its guarantee exceed RMB1.5 billion (e.g., as a result of interest and fees), Kenon has agreed to negotiate with Chery in good faith to find a solution so that Kenon's and Chery's liabilities in respect of the RMB3 billion credit facility are equal in proportion; and (ii) a back-to-back guarantee of one-half of the principal amount of Chery's guarantee of Qoros' RMB700 million facility. Kenon's guarantee is for RMB350 million principal amount, but it also extends to interest and fees of up to RMB60 million. In the event that Chery's obligations under its guarantee exceed those of Kenon's under the back-to-back guarantee, Kenon has agreed to discuss the matter amicably with Chery to find a solution acceptable for both parties, but without any obligation on Kenon to be liable for more than the amount set forth in its back-to-back guarantee to Chery.

Kenon may not have sufficient liquidity to pay the full amount of its back-to-back guarantees if it is required to do so. In the event that Kenon is required to make such payments, it would need to obtain such funds from its businesses, which may include IC Power (via dividends, loans or advances, or the repayment of loans or advances to us, which may be funded by sales of assets or minority interests in our businesses), or obtain external financing, which may result in dilution of shareholders (in the event of equity financing) or additional debt obligations for the company (in the event of debt financing). In the event Kenon is required to make payments on its back-to-back guarantees and does not have sufficient liquidity to do so, there may be a cross-default under the IC Credit Facility, which would require Kenon to obtain additional financing or obtain such funds from its businesses to pay the outstanding amounts under such facility.

We intend to adhere to our capital allocation principles which seek to limit cross-allocation of funds and capital contributions to our businesses, via debt or equity financings or the provisions of guarantees. Nevertheless, the cash resources currently on Kenon's balance sheet (approximately \$58 million as of the date of this annual report) may not be sufficient to fund additional investments that we deem appropriate in our businesses or meet our guarantee obligations. As a result, Kenon may seek additional liquidity from its businesses. For a description of our capital allocation principles, see "*Item 4.B Business Overview*." For further information on the risks related to the significant capital requirements of our businesses, see "*Item 3.D Risk Factors—Risks Related to Our Diversified Strategy and Operations—Some of our businesses have significant capital requirements. If these businesses are unable to obtain sufficient financing from third party financing sources or renew or refinance their working capital facilities, they may not be able to operate, and we may deem it necessary to provide such capital, provide a guaranty or indemnity in connection with any financings, provide collateral in connection with any financings, including via the cross-collateralization of assets across businesses, or we may refrain from investing further in any such businesses, all of which may materially impact our financial position and results of operations.*" For a discussion of our outstanding commitments and obligations, see "*Item 5.B Liquidity and Capital Resources—Kenon's Liquidity and Capital Resources—Kenon's Commitments and Obligations*." For a discussion of the capital requirements of each of our businesses, see below.

Consolidated Cash Flow Statement

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Cash and cash equivalents decreased 37% to approximately \$384 million for the year ended December 31, 2015, compared to approximately \$610 million in cash and cash equivalents for the year ended December 31, 2014. The following table sets forth our summary cash flows from our operating, investing and financing activities for the years ended December 31, 2015 and 2014:

	Year Ended December 31,	
	2015	2014
	<i>(in millions of USD)</i>	
Net cash flows provided by operating activities		
IC Power	320	413
Adjustments and Other	(30)	(3)
Total	290	410
Net cash flows used in investing activities	(737)	(883)
Net cash flows provided by financing activities	233	430
Net change in cash in period	(214)	(42)
Cash—opening balance	610	671
Effect of exchange rate fluctuations on balances of cash and cash equivalents	(12)	(19)
Cash—closing balance	\$ 384	\$ 610

Cash Flows Provided by Operating Activities

Net cash flows provided by our operating activities are a significant source of liquidity for our subsidiaries and decreased 29% to approximately \$290 million for the year ended December 31, 2015, compared to approximately \$410 million for the year ended December 31, 2014. This decrease was primarily driven by a decrease in cash flows provided by IC Power's operating activities, as set forth in "Item 5.B Liquidity and Capital Resources—IC Power's Liquidity and Capital Resources" below. As our businesses are legally distinct from us and will generally be required to service their debt obligations before making distributions to us, our ability to access such cash flow from our businesses may be limited in some circumstances. For further information on the risks related to such limitations, see "Item 3.D Risk Factors—Risks Related to Our Diversified Strategy and Operations—We are a holding company and are dependent upon cash flows from our businesses to meet our existing and future obligations."

Cash Flows Used in Investing Activities

Net cash flows used in our investing activities, which include our investments in our associated companies, decreased to approximately \$(737) million for the year ended December 31, 2015, compared to approximately \$(883) million for the year ended December 31, 2014. This decrease was primarily driven by (1) the \$311 million exit from the combination and transition to associate company, less cash eliminated relating to ZIM in 2014; (2) a \$170 million decrease in proceeds from short-term deposits and loans, (3) a \$58 million decrease in cash paid for businesses purchased, less cash acquired in 2015 (e.g., IC Power's acquisition of AIE) as compared to 2014 (e.g., IC Power's acquisitions of ICPNH, JPPC, Surpetroil and Puerto Quetzal) and (4) a \$50 million reduction in amounts invested in Qoros during 2015, offset by (1) \$360 million net proceeds received by IC Power in connection with its sale of its indirect interest in Edegel in 2014 and (2) an increase in acquisitions of property, plant and equipment of \$92 million in 2015 as compared to 2014 in connection with the construction of the Samay I and CDA plants and the Kanan project's installation and interconnection to Panama's power system in 2015.

Cash Flows Provided by Financing Activities

Net cash flows provided by the financing activities of our consolidated businesses are a significant source of liquidity for their operations and decreased 46% to approximately \$233 million for the year ended December 31, 2015, compared to approximately \$430 million for the year ended December 31, 2014. This decrease was primarily driven by (1) a \$380 million reduction in contributions from former parent IC and (2) a \$411 million decrease in proceeds from long-term loans and debentures, primarily due to a decrease in IC Power's receipt of proceeds from long-term loans during the year ended December 31, 2015, offset by Kenon's drawdowns under the IC Credit Facility, which it entered into in 2015. The decrease in cash flows provided by financing activities was offset by payments by IC Power to its former parent IC of \$300 million in 2014 (as compared to nil in 2015), (2) a \$77 million decrease in interest paid in 2015, as compared to 2014 and (3) a \$209 million increase in proceeds from short-term loans.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Cash and cash equivalents decreased 9% to approximately \$610 million for the year ended December 31, 2014, compared to approximately \$671 million in cash and cash equivalents for the year ended December 31, 2013. The following table sets forth our summary cash flows from our operating, investing and financing activities for the years ended December 31, 2014 and 2013:

	Year Ended December 31,	
	2014	2013
	<i>(in millions of USD)</i>	
Net cash flows provided by operating activities		
IC Power	\$ 413	\$ 272
Adjustments and Other	(3)	(15)
Total	410	257
Net cash flows used in investing activities	(883)	(278)
Net cash flows provided by financing activities	430	281
Net change in cash in period	(42)	260
Cash—opening balance	671	411
Effect of exchange rate fluctuations on balances of cash and cash equivalents	(19)	—
Cash—closing balance	\$ 610	\$ 671

Combined Cash Flows Provided by Operating Activities

Net cash flows provided by our operating activities, which includes income received as dividends from associated companies, are a significant source of liquidity for our subsidiaries and increased 60% to approximately \$410 million for the year ended December 31, 2014, compared to approximately \$257 million for the year ended December 31, 2013. This increase was primarily driven by an increase in cash flows provided by IC Power's operating activities, as set forth in "*Item 5.B Liquidity and Capital Resources—IC Power's Liquidity and Capital Resources*" below.

Combined Cash Flows Used in Investing Activities

Net cash flows used in our investing activities, which include our investments in our associated companies, increased significantly to approximately \$(883) million for the year ended December 31, 2014, compared to approximately \$(278) million for the year ended December 31, 2013. This increase was primarily driven by (i) IC Power's acquisition of property, plant and equipment (in particular, the acquisitions of ICPNH, AEI Jamaica, Surpetroil and Puerto Quetzal) and development of the CDA, Samay I and Kanan projects during 2014, as set forth in "*Item 5.B Liquidity and Capital Resources—IC Power's Liquidity and Capital Resources*" below, (ii) IC's \$180 million investment in Qoros in December 2014, and (iii) IC's \$200 million investment in ZIM in 2014 in connection with the completion of its restructuring.

Combined Cash Flows Provided by Financing Activities

Net cash flows provided by the financing activities of our consolidated businesses are a significant source of liquidity for their operations and increased 58% to approximately \$430 million for the year ended December 31, 2014, compared to approximately \$281 million for the year ended December 31, 2013. This increase was primarily driven by (i) an increase in ZIM's receipt of long-term loans, capital lease, and other long-term liabilities during the six months ended June 30, 2014, (ii) a decrease in ZIM's repayment of borrowing during the six months ended June 30, 2014, and (iii) an increase in IC Power's receipt of long-term loans during the year ended December 31, 2014.

Kenon's Commitments and Obligations

As of December 31, 2015, Kenon had consolidated liabilities of \$3,219 million. As of December 31, 2015, on a stand-alone basis, Kenon had liabilities of \$118 million arising under the IC Credit Facility. In January 2016, Kenon drew down \$40 million under the IC Credit Facility. In April 2016, Kenon drew down the remaining \$50 million available under the IC Credit Facility. As of the date of this annual report, the aggregate amount outstanding under the IC Credit Facility was \$210 million, including interest and fees. In addition, Kenon has obligations under its back-to-back guarantees provided by it to Chery, which amounted to RMB1,100 million, plus interest and certain fees. For further information on, and an overview of, each of the guarantees provided by Kenon in respect of Qoros' debt, see "*Kenon's Commitments and Obligations—Back-to-Back Guarantees Provided to Chery*."

As of the date of this annual report, other than amounts outstanding under the IC Credit Facility and the back-to-back guarantees we have provided to Chery in respect of certain of Qoros' indebtedness, we, at the Kenon level, have no outstanding indebtedness or financial obligations and are not party to any credit facilities or other committed sources of external financing.

Set forth below is a summary of these obligations.

IC Credit Facility

In connection with the consummation of the spin-off, IC provided us with a \$200 million credit facility. As of the date of this annual report, the aggregate amount outstanding under this facility was \$210 million, including interest and fees.

Interest

The IC Credit Facility bears interest at a rate of 12-Month LIBOR + 6% per annum, which, during the initial five-year term of the IC Credit Facility, will be capitalized as a payment-in-kind and added to the aggregate outstanding amount of the IC Credit Facility. If we decide to extend the repayment schedule in accordance with the terms of the IC Credit Facility, as set forth below, and we do not repay the aggregate outstanding amount owed under the IC Credit Facility within the initial five-year term, additional interest accruing on the aggregate outstanding amount as of the final date of the initial five-year term will become payable in cash on an annual basis.

Repayment Date

The aggregate amount outstanding under the IC Credit Facility (including interest or commitment fees that have accrued and been capitalized as payments-in-kind during the initial five-year term) is due five years from the date of the IC Credit Facility, unless extended as set forth below. In the event an initial listing or offering of IC Power Singapore's shares has been effected, the aggregate amount outstanding under the IC Credit Facility, including any interest or commitment fees accrued and capitalized to date, will be due within 18 months from such date. However, we are entitled, at each repayment date, to extend the repayment date for two-year periods if, as of the date of our delivery of our notice of repayment extension, an initial listing or offering of IC Power Singapore's shares has not yet been effected. Notwithstanding the above, the final repayment date may not, under any circumstances, be more than ten years from the date of the IC Credit Facility.

Commitment Fee

During the initial five-year term, we will pay IC an annual commitment fee equal to 2.1% of the undrawn amount of the IC Credit Facility, which will be capitalized as a payment-in-kind and added to the outstanding amount of the IC Credit Facility. Additionally, we may voluntarily prepay the outstanding principal amount of the IC Credit Facility at any time without premium or penalty.

Pledge of Equity Interest in IC Power

The following interests have been pledged on a first priority basis, in favor of IC, to secure the IC Credit Facility as set forth below:

- 66% of the shares of IC Power;
- 66% of the shares of IC Power Singapore; and
- the \$145 million note owing from IC Power Singapore to Kenon entered into in connection with the reorganization of IC Power Singapore.

The pledge over the shares of IC Power is expected to be released upon an IPO of IC Power Singapore. In addition, the pledge over the shares of IC Power Singapore and the \$145 million note owing from IC Power Singapore to Kenon can be released upon an IPO of IC Power Singapore, subject to Kenon's meeting of a financial ratio.

Restrictive Covenants

The IC Credit Facility contains incurrence covenants restricting our ability to encumber certain assets and distribute dividends.

For example, prior to a listing or offering of IC Power Singapore's equity, the IC Credit Facility prohibits us from distributing dividends to our shareholders, unless such dividends consist of all, or a portion of, our equity interests in ZIM.

There are further restrictions on dividends following an IPO or listing of IC Power Singapore's equity. If, any time after a listing of IC Power Singapore's equity, we seek to (i) distribute a dividend to our shareholders (in cash or in kind), (ii) incur additional debt, (iii) sell, transfer, or allocate a portion, or all, of our interest in IC Power Singapore, or (iv) sell all of IC Power Singapore's assets, the IC Credit Facility will require the value of Kenon's remaining interest in IC Power Singapore to be equal to at least two times Kenon's net debt (which shall be equal to the outstanding principal amount of the IC Credit

Facility *plus* the outstanding principal amount of any additional debt owed by Kenon to third-parties *minus* Kenon's cash on hand), in each case plus interest and fees. Although a failure to comply with any of the aforementioned covenants will not constitute an event of default under the terms of the IC Credit Facility, Kenon will be restricted from distributing dividends or incurring additional debt and, should Kenon distribute dividends or incur additional indebtedness notwithstanding such restrictions, such actions will constitute an event of default under the terms of the IC Credit Facility. If Kenon is unable to meet such ratio, Kenon may not make distributions to its shareholders or incur additional indebtedness.

Additionally, following an IPO or listing of IC Power Singapore's equity, we will not engage in certain transactions, as set forth in the IC Credit Facility, which would result in a de-listing of IC Power Singapore's shares from the exchange on which such shares are trading.

Assignability

We may not assign or delegate our rights and obligations under the IC Credit Facility without IC's prior written consent, except that we may assign our rights and obligations under the IC Credit Facility to an affiliate, *provided* that we remain jointly and severally liable for all such obligations with such affiliate, and *further provided* that such assignment or delegation shall not serve to prejudice any of IC's rights under the terms of the IC Credit Facility.

IC is entitled to assign or delegate its rights and obligations under the IC Credit Facility in its sole discretion, and without our prior written consent.

For information on the risks related to Kenon's ability to repay, or maintain compliance with, the IC Credit Facility from IC, see "Item 3.D Risk Factors—Risks Related to Our Diversified Strategy and Operations—Kenon has significant repayment obligations under the IC Credit Facility."

Back-to-Back Guarantees Provided to Chery

Set forth below is an overview of the guarantees provided by Kenon to Chery in respect of Qoros' debt to date:

<u>Date Granted</u>	<u>Qoros Credit Facility</u>	<u>Kenon Guarantee Amount</u>
Spin-Off / November 2015	RMB3 billion credit facility	RMB750 million ¹
May 2015/November 2015	RMB700 million EXIM Bank loan facility	RMB350 million, plus certain interest and fees up to RMB60 million ²
Total		RMB 1,100 million, plus certain interest and fees

1. In the event that Chery's liability under its guarantee exceeds RMB1.5 billion, Kenon has committed to negotiate with Chery in good faith to find a solution so that Kenon's and Chery's liabilities for the indebtedness of Qoros under this credit facility are equal in proportion.
2. In the event that Chery is obligated under its guarantee of the EXIM Bank loan facility to make payments that exceed Kenon's obligations under the guarantee, Kenon and Chery have agreed to try to find an acceptable solution, but without any obligation on Kenon to be liable for more than the amounts set forth in the table above.

Debt Owed to Kenon from Subsidiaries

\$220 Million of Notes from IC Power Singapore

In connection with the reorganization of IC Power Singapore, IC Power Singapore issued notes of \$145 million and \$75 million payable to Kenon. The proceeds of the notes were applied by IC Power Singapore towards paying the purchase consideration for the acquisition of Kenon's entire equity interest in IC Power. The notes both bear interest at a rate of LIBOR + 6% per annum until the date the notes are fully paid.

Debt Owed to Kenon from Subsidiaries

Prior to the spin-off, some of our businesses borrowed funds from, or issued capital notes to, IC. IC transferred its interest in each of the outstanding loans and capital notes to Kenon in connection with the spin-off. These loans and capital notes, as well as loans and capital notes provided to Kenon subsequent to the spin-off, are described below.

Quantum Capital Notes

Quantum issued a series of capital notes to IC or Kenon, as applicable, in connection with each of IC's or Kenon's, as applicable, equity contributions to Qoros. The capital notes issued by Quantum bear no interest and are not linked. As of December 31, 2015, the outstanding balance of these capital notes was \$755 million. In the first quarter of 2016, Quantum issued additional capital notes to fund a RMB 275 million loan to Qoros.

Qoros Shareholder Loans

In January 2016 and February 2016, Kenon, through its wholly-owned subsidiary Quantum, contributed RMB275 million to Qoros via shareholder loans. We expect these loans, as well as additional shareholder loans from Kenon, to convert into equity in Qoros upon the satisfaction of certain conditions, including the approval of the relevant Chinese authority. Chery has also made similar shareholder loans to Qoros, which are also expected to be converted to equity.

As of the date of this annual report, the outstanding balance of the shareholder loans by Kenon, through its wholly-owned subsidiary, Quantum to Qoros was RMB1.0 billion.

Other Capital Notes and Loans

In October 2014, IC Green issued a \$7.5 million capital note to IC to fund any investments made by IC Green in Primus, in connection with the investment agreement IC Green entered into with Primus in October 2014. This capital note bears no interest and is not linked to the CPI.

During 2015, IC Green granted Primus a convertible loan in the amount of \$12.5 million. These convertible loans bear interest of 7% annually and will be repayable on July 1, 2016.

The following discussion sets forth the liquidity and capital resources of each of our businesses.

IC Power's Liquidity and Capital Resources

As of December 31, 2015 and December 31, 2014, IC Power had cash and cash equivalents of \$360 million and \$583 million and short-term deposits of \$50 million and \$119 million, respectively.

IC Power's principal sources of liquidity have traditionally consisted of cash flows from operating activities, including dividends received from entities in which IC Power owns non-controlling interests; short-term and long-term borrowings; and sales of bonds in domestic and international capital markets. IC Power does not have funds designated for, or subject to, permanent reinvestment in any country in which it operates. Distributions of the earnings of IC Power's foreign subsidiaries are subject to the withholding taxes imposed by the foreign subsidiaries' jurisdictions of incorporation. From time to time, however, IC Power may be unable to receive dividends from its subsidiaries and associated company as a result of a lack of distributable reserves or limitations under IC Power's contractual arrangements. For example, IC Power's sale of its indirect interest in Edegel constituted an "asset sale" under Inkia's indenture, pursuant to which Inkia was required to use the \$235 million net proceeds from Inkia's sale of its interest in Edegel within 30 months of Inkia's receipt of such net proceeds to reinvest in its operations through acquisitions, or capital expenditures, or to repay certain debt, failing which IC Power must use any remaining proceeds to offer to repurchase these notes at 100% of principal amount plus accrued interest. Inkia has fully invested the net cash proceeds from the Edegel sale through, among others, debt repayments and its acquisition of Energuate.

In addition, IC Power is also limited in its usage of certain cash, with such restricted cash constituting an aggregate amount of \$252 million as of December 31, 2015 and \$88 million as of December 31, 2014, either because such cash deposits are time deposits or as a result of the loan covenants relating to IC Power's Bolivian, Nicaraguan and Israeli assets. For further information on potential limitations to IC Power's ability to receive dividends from certain of the entities in which IC Power hold interests, see "*Item 3.D Risk Factors—Risks Related to IC Power—IC Power is a holding company and is dependent upon cash flows from its subsidiaries to meet its existing and future obligations*," "*Item 3.D Risk Factors—Risks Related to IC Power—IC Power is significantly leveraged*" and Notes 10 and 11 to our audited financial statements included in this annual report.

IC Power's principal needs for liquidity generally consist of capital expenditures related to the development and construction of generation projects and the acquisition of other generation companies; working capital requirements (e.g., maintenance costs that extend the useful life of its plants); and dividends on IC Power's ordinary shares. As part of its growth strategy, IC Power expects to develop, construct and operate greenfield projects in the markets that IC Power serves as well as start projects or acquire controlling interests in operating assets within and outside Latin America. IC Power's development of

greenfield projects and its acquisition activities in the future may require IC Power to make significant capital expenditures and/or raise significant capital. IC Power believes that its liquidity is sufficient to cover its working capital needs in the ordinary course of its business.

IC Power's Cash Flows

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

The following table sets forth IC Power's summary cash flows from IC Power's operating, investing and financing activities for the years ended December 31, 2015 and 2014:

	Year Ended December 31,	
	2015	2014
	(\$ millions)	
Net cash flows provided by operating activities	\$ 320	\$ 413
Net cash flows used in investing activities	(621)	(378)
Net cash flows provided by financing activities	88	47
Net change in cash in period	(213)	82
Cash—opening balance	583	517
Effect of exchange rate on the cash	(10)	(16)
Cash—closing balance	\$ 360	\$ 583

IC Power's Cash Flows Provided by Operating Activities

Net cash flows provided by IC Power's operating activities are IC Power's primary source of liquidity and decreased by 23% to \$320 million for 2015 from \$413 million for 2014. This decrease was primarily driven by (1) a \$107 million decrease in OPC's net cash flows from operating activities, primarily as a result of a lower generation component tariff, which serves as the base for the price calculation for the billing of OPC's customers; and (2) \$22 million in dividends from discontinued operations as a result of the sale of Edegel, which took place in 2014.

These factors were partially offset by (1) a \$15 million increase in ICPNH's net cash flows from operating activities primarily as a result of full year of ICPNH's operations and increased revenue from Amayo I and Amayo II as a result of better wind conditions; (2) a \$9 million increase in CEPP's net cash flows from operating activities, primarily as a result of the collection of \$32 million from its accounts receivable as a result of the debt recognition and payment agreement signed by CEPP, the Dominican Regulator and three distribution companies in September 2015; (3) a \$7 million increase in Inkia's net cash flows from operating activities primarily as a result of lower legal expenses during 2015; and (4) a \$3 million increase in Chilean's net cash flows from operating activities primarily as a result of better 2015 operating results in Central Cardones and Colmito.

IC Power's Cash Flows Used in Investing Activities

Net cash flows used in IC Power's investing activities increased by 64% to \$621 million for 2015 from \$378 million for 2014.

During 2015, investing activities for which IC Power used cash primarily consisted of (1) acquisitions of property, plant and equipment of \$518 million, of which \$225 million was used in the construction of Samay I, \$187 million was used in the construction of CDA's plant, and \$29 million was used in Kanan's project installation and interconnection to Panama's power system; (2) \$83 million for short-term deposits and restricted cash, net, principally related to the funds received by IC Power Distribution Holdings Pte. Ltd., or ICPDH, which holds indirect equity interests in DEORSA, DEOCSA, RECSA and Guatemel, in connection with the short-term loan for the acquisition of such businesses; and (3) \$17 million related to the acquisition of intangibles.

During 2014, cash flows used in IC Power's investing activities primarily consisted of acquisitions of property, plant and equipment of \$426 million, of which \$260 million was used in connection with the construction of CDA's plant and \$85 million was used in connection with the construction of Samay I; (2) \$221 million for short-term deposits and restricted cash, net, in connection with the opening of time deposits related to the proceeds from Edegel sale; and (3) \$70 million (net of cash received) to complete the acquisitions of ICPNH, JPPC, Surpetroil and Puerto Quetzal. The effects of these expenditures were partially offset by \$360 million of net proceeds received by IC Power in connection with its sale of its indirect equity interest in Edegel in September 2014.

IC Power's Cash Flows Provided by Financing Activities

Net cash flows provided by IC Power's financing activities increased by 87% to \$88 million for 2015 compared to \$47 million for 2014.

During 2015, IC Power received aggregate proceeds of \$226 million from its incurrence of long-term debt and \$6 million from equity investments from certain of its partners, as follows:

- \$138 million borrowed under the Samay I Finance Facility;
- \$85 million borrowed under the CDA Finance Facility;
- \$3 million borrowed under Tipitapa Power's loan agreement; and
- \$6 million from the investment of Energía del Pacífico in CDA and the investment of the minority partner in Surenergy.

The receipt of such proceeds were offset by repayments of long-term notes, debentures and capital notes of \$138 million in 2015.

During 2014, IC Power received aggregate proceeds of \$667 million from IC Power's issuance of long-term debt and \$20 million from equity investments from certain of IC Power's partners, as follows:

- \$319 million borrowed under the CDA Finance Facility;
- \$153 million borrowed under the Samay I Finance Facility;
- \$102 million borrowed under ICPI's credit facility;
- \$43 million from the issuance of the COBEE bonds;
- \$25 million from the issuance of the CEPP bonds;
- \$23 million borrowed under Colmito's credit facility;
- \$2 million borrowed under Tipitapa Power's loan agreement; and
- \$20 million from the investment of Energía del Pacífico in Samay I.

In addition, in 2014, IC Power made payments of \$300 million to IC, IC Power's former parent. In May 2014, IC Power repaid \$168 million of intercompany debt owed to IC. In June 2014, IC Power repaid \$95 million of capital notes owed to IC and declared and distributed dividends of \$37 million to IC.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

The following table sets forth IC Power's summary cash flows from its operating, investing and financing activities for the years ended December 31, 2014 and 2013:

	Year Ended December 31,	
	2014	2013
	(\$ millions)	
Net cash flows provided by operating activities	\$ 413	\$ 272
Net cash flows used in investing activities	(378)	(258)
Net cash flows provided by financing activities	47	320
Net change in cash in period	82	334
Cash—opening balance	517	184
Effect of exchange rate on the cash	(16)	(1)
Cash—closing balance	\$ 583	\$ 517

IC Power's Cash Flows Provided by Operating Activities

Net cash flows provided by IC Power's operating activities increased by 52% to \$413 million for 2014 from \$272 million for 2013. This increase was primarily driven by a \$141 million increase in OPC's net cash flows from operating activities, reflecting a full year of commercial operations of OPC during 2014, as compared to approximately six months of commercial operations in 2013.

IC Power's Cash Flows Used in Investing Activities

Net cash flows used in IC Power's investing activities increased by 47% to \$378 million for 2014 from \$258 million for 2013.

Investing activities for which IC Power used cash in 2014 are set forth above.

During 2013, investing activities for which IC Power used cash primarily consisted of acquisitions of property, plant and equipment of \$294 million, of which \$185 million was used in connection with the construction of CDA's plant, \$57 million was used to complete the construction of OPC's combined cycle plant, and \$28 million was used to complete the acquisition of Colmito. The effects of these expenditures were partially offset by IC Power's receipt of proceeds in connection with the maturity of \$74 million in time deposits.

IC Power's Cash Flows Provided by Financing Activities

Net cash flows provided by IC Power's financing activities decreased by 85% to \$47 million for 2014 from \$320 million for 2013. This change was primarily driven by IC Power's receipt of long-term loans, the issuance of debentures, the receipt of short-term credit from banks and the payments made to IC.

IC Power's cash flows provided by financing activities for the year ended December 31, 2014 are set forth above.

During 2013, IC Power received aggregate proceeds of \$323 million from its issuance of long-term debt, \$125 million from short-term borrowings and \$28 million from equity investments from certain of IC Power's partners, as follows:

- \$143 million borrowed under the CDA Finance Facility;
- \$163 million from the issuance of the Inkia bonds;
- \$17 million borrowed under the OPC financing agreement;
- \$125 million borrowed under Inkia's short-term credit facility; and
- \$28 million from the investment of Energía del Pacífico in CDA.

Net cash flows provided by financing activities in 2014 and 2013 included the repayments of long-term loans and debentures of \$111 million (excluding interest payments of \$95 million) and \$67 million (excluding interest payments of \$60 million), respectively.

Potential Projects

IC Power is constantly monitoring and considering development and acquisition opportunities and is currently assessing approximately 25 projects in Israel and various Latin American countries, such as in Chile, Jamaica, Colombia, Guatemala, Mexico, Peru, Panama, the Dominican Republic, and Nicaragua. IC Power expects to finance its development and acquisition activity through a combination of cash generated by financing activities, in particular, the entry into new debt financings, which are generally stand-alone, secured, project-specific, and with no or limited recourse, cash generated from operating activities.

IC Power's Material Indebtedness

As of December 31, 2015, IC Power's total outstanding consolidated indebtedness was \$2,565 million, consisting of \$179 million of short-term indebtedness, including the current portion of long-term indebtedness, and \$2,386 million of long-term indebtedness. IC Power had no outstanding loans or notes owed to Kenon as of December 31, 2015.

Other than with respect to the OPC Financing Agreement and the ICPI mezzanine financing agreement, Surpetroil's debt, and certain of COBEE's indebtedness (representing an aggregate of \$557 million of IC Power's outstanding indebtedness), IC Power's outstanding consolidated indebtedness is primarily denominated in, indexed to, or is the subject of interest rate swaps tied to, the U.S. Dollar.

The following table sets forth selected information regarding IC Power's principal outstanding short-term and long-term debt, as of December 31, 2015:

	Outstanding Principal Amount as of December 31, 2015	Interest Rate	Final maturity (\$ millions)	Amortization
IC Power:				
Hapoalim	12	1.25%	2016	Bullet payment at final maturity
Inkia:				
Inkia notes	448	8.375%	April 2021	Bullet payment at final maturity
OPC:				
Financing agreement ¹	377 ²	4.85% - 5.36%	July 2031	Quarterly principal payments commencing in 2013—maturity
IC Power Distribution Holdings credit agreement	117	LIBOR+4.00%	December 2016	Bullet payment at final maturity
IC Power Israel ³ :				
Tranche A	41	4.85% - 7.75%	January 2016	Bullet payment no later than final maturity
Tranche B	55	7.75%	2029	Annual principal payments 2017—maturity
Cerro del Águila:				
Tranche A	310	LIBOR+4.25% - 5.50%	August 2024	33 quarterly principal payments commencing in August 2016
Tranche B	167	LIBOR+4.25% - 6.25%	August 2024	Bullet payment at final maturity
Tranche D1	38	LIBOR+2.75% - 3.60%	August 2027	33 quarterly principal payments commencing in August 2016—maturity
Tranche D2	21	LIBOR+2.75% - 3.60%	August 2027	12 quarterly principal payments commencing in May 2024—maturity
Samay I	285	LIBOR+2.125% - 2.625%	December 2021	29% principal in 23 quarterly payments commencing in July 2016—maturity
				71% principal in bullet payment at final maturity
Kallpa:				
Kallpa I lease	2	LIBOR+3.00%	March 2016	Monthly principal payments to maturity
Kallpa II lease	29	LIBOR+2.05%	December 2017	Monthly principal payments to maturity
Kallpa III lease	38	7.57%	July 2018	Monthly principal payments to maturity
Las Flores lease	94	7.15%	October 2023	Quarterly principal payments to maturity
Kallpa bonds	149	8.50%	May 2022	Between 0.25 and 5.00% of principal payable on a quarterly basis commencing in May 2013—maturity

	Outstanding Principal Amount as of December 31, 2015	Interest Rate	Final maturity (\$ millions)	Amortization
Kallpa syndicated loan	59	LIBOR+6.00%	October 2019	Monthly principal payments January 2013–maturity
COBEE:				
COBEE III bonds ⁴	23 ⁵	Various	Various	Four annual principal payments commencing in February 2017
COBEE IV bonds ⁶	42	Various	Various	Series A: bullet payment at final maturity Series B: 4 semi-annual principal payments commencing in July 2018 Series C: 8 semi-annual principal payments commencing in July 2020
CEPP:				
CEPP bonds	10	6.00%	January-March 2019	Bullet payment at final maturity
Central Cardones:				
Tranche 1	26	LIBOR+1.90%	August 2021	24 semi-annual principal payments to maturity
Tranche 2	18	LIBOR+2.75%	February 2017	Bullet payment at final maturity
Colmito:				
Banco Bice	16	7.9%	December 2028	Semi-annual principal payments to maturity
JPPC:				
Royal Bank of Canada	4	LIBOR+5.5%	March 2017	Quarterly principal payments to maturity
Burmeister & Wain Scandinavian Contractor	1	3.59%	August 2018	Monthly principal payments to maturity
ICPNH:				
Amayo I	47	Various	October 2022	Quarterly principal payments to maturity
Amayo II	34	Various	November 2025	Quarterly principal payments to maturity
Tipitapa Power	9	8.35%	November 2018	Quarterly principal payments to maturity
Corinto	9	8.35%	December 2018	Quarterly principal payments to maturity
Puerto Quetzal:				
Banco Industrial	15	LIBOR+4.5%	September 2019	Quarterly principal payments to maturity
Surpetroil:				
Surpetroil leases	1	Various	2015-2017	Monthly principal payments to maturity
Veolia Energy Israel Ltd. Capital Note	5	—	2016	This capital note has no amortization schedule
Short Term Loans from Banks	62	Various	2016	These loans have no amortization schedule
Total	2,565			

1. The consortium includes Bank Leumi Le-Israel B.M. and institutional entities from the following groups: Clal Insurance Company Ltd.; Amitim Senior Pension Funds; Phoenix Insurance Company Ltd.; and Harel Insurance Company Ltd.
2. Represents NIS 1,469 million converted into U.S. Dollars at the exchange rate for New Israeli Shekels into U.S. Dollars of NIS 3.902 to \$1.00. All debt has been issued in Israeli currency (NIS) linked to CPI.
3. The mezzanine financing agreement also includes a Tranche C, pursuant to which up to NIS 350 million, at an interest rate of 11% per annum, may be drawn, subject to certain conditions, and only to cover shortfall amounts. No Tranche C debt was outstanding under this facility as of December 31, 2015.
4. Represents \$3.5 million of 6.50% notes due 2017, \$5.0 million of 6.75% notes due 2017, Bs.44.2 million (\$6.3 million) of 9.00% notes due 2020, and Bs.42.9 million (\$6.2 million) of 7.00% notes due 2022.
5. Includes Bs.44.2 million (\$6.3 million), the aggregate principal amount outstanding of COBEE's 9.00% notes due 2020 as of December 31, 2015, and Bs.42.9 million (\$6.2 million), the aggregate principal amount outstanding of COBEE's 7.00% notes due 2022, in each case converted into U.S. Dollars at the exchange rate for Bolivianos into U.S. Dollars of Bs.6.96 to \$1.00 as reported by the Bolivian Central Bank (*Banco Central de Bolivia*) on December 31, 2015. Includes premium of \$2.3 million.
6. Represents \$4.0 million of 6.0% notes due 2018, \$4.0 million of 7.0% notes due 2020, Bs.84 million (\$12.0 million) of 7.8% notes due 2024, \$5.0 million of 6.70% notes due 2019 and Bs.105 million (\$15.0 million) of 7.8% notes due 2024. Includes premium of \$2 million.

Some of the debt instruments to which IC Power's operating companies are party require that Inkia, Kallpa, OPC, COBEE, CEPP and JPPC comply with financial covenants, semi-annually or quarterly. For further information, see Note 15 to our financial statements included in this annual report. Under each of these debt instruments, the creditor has the right to accelerate the debt or restrict the company from declaring and paying dividends if, at the end of any applicable period the applicable entity is not in compliance with the defined financial covenants ratios.

The instruments governing a substantial portion of the indebtedness of IC Power's operating companies contain clauses that would prohibit these companies from paying dividends or making other distributions in the event that the relevant entity was in default on its obligations under the relevant instrument.

As of December 31, 2015, substantially all of the assets of Kallpa, other than the Kallpa I, Kallpa II, Kallpa III and Las Flores turbines, which are under leasing agreements with financial institutions, are mortgaged or pledged as security for the financing agreements to which Kallpa is a party.

IC Power has entered into hedging arrangements with respect to a portion of IC Power's long term debt, swapping variable interest for fixed rate interest.

Inkia Notes

In April 2011, Inkia issued and sold \$300 million aggregate principal amount of its 8.375% Senior Notes due 2021, which are listed on the Global Exchange Market of the Irish Stock Exchange. Interest on these notes is payable semi-annually in arrears in April and October of each year and these notes mature in April 2021. Inkia used the net proceeds of the sale of these notes to finance a portion of its equity contributions to CDA, to repurchase all of its secured indebtedness, and for working capital and general corporate purposes.

In September 2013, Inkia issued and sold \$150 million aggregate principal amount of its 8.375% Senior Notes due 2021, which constituted additional notes under the indenture governing the 8.375% Senior Notes due 2021 issued in 2011. Inkia used the net proceeds of the sale of these notes to fund its projects under construction, both through greenfield projects and acquisitions, and for working capital and general corporate purposes.

As of December 31, 2015, the aggregate principal amount outstanding under these notes, including a premium, was \$457 million (\$448 million net of transaction costs).

OPC Financing Agreement

In January 2011, OPC entered into a financing agreement with a consortium of lenders led by Bank Leumi LeIsrael Ltd., or Bank Leumi, for the financing of its power plant project. As part of the financing agreement, the lenders committed to provide OPC a long-term credit facility (including a facility for variances in the construction costs), a working capital facility, and a facility for financing the debt service, in the overall amount of NIS 1,800 million (approximately \$460 million). As part of the financing agreement, certain restrictions were provided with respect to distributions of dividends and repayments of shareholders' loans, commencing from the third year after the completion of OPC's power plant. In October 2015, OPC and the consortium of lenders agreed to shorten the "lock-up period" (which restricted the payment of dividends and any type of distributions until the third anniversary of the completion of the OPC plant's construction) from December 31, 2016 to June 30, 2015. The loans are CPI-linked and are repayable on a quarterly basis beginning in the fourth quarter of 2013 until 2031.

IC Power has provided a guarantee to the lending consortium and provided cash collateral for the benefit of the lending consortium. As of December 31, 2015, the outstanding amount of the loan is NIS 1,469 million (approximately \$377 million).

IC Power Distribution Holdings Credit Agreement

In December 2015, IC Power, through its subsidiary ICPDH entered into a credit agreement with Credit Suisse AG for \$120 million to finance its acquisition of Energuate and two smaller related businesses. The loan is guaranteed by Inkia and fully secured by a pledge provided by ICPDH, which indirectly holds IC Power's interests in DEORSA, DEOCSA, RECSA and Guatemel. The pledged property includes ICPDH's indirect equity interests in DEORSA, DEOCSA, RECSA and Guatemel.

The principal of the loan will accrue interest at a rate per annum of LIBOR + 4.00%, and matures on December 29, 2016. IC Power fully drew down this facility in connection with the completion of its acquisition of Energuate, RECSA and Guatemel. As of December 31, 2015, the aggregate principal amount outstanding under these facilities was \$120 million (\$117 million net of transaction costs).

ICPI Mezzanine Financing Agreement

In June 2014, IC Power, through IC Power's subsidiary ICPI, entered into a mezzanine financing agreement for NIS 350 million to repay capital notes owed to IC. The agreement was entered into with Mivtachim the Workers Social Insurance Fund and Makefet Fund Pension and Provident Center. The loan is secured by all of ICPI's assets (excluding the assets that are pledged to secure certain senior debt) and the free cash flow deriving from OPC and is composed of three facilities: Facility A for NIS 150 million (which was fully repaid in January 2016), Facility B for NIS 200 million, and Facility C (only to cover shortfall amounts) for NIS 350 million. Facility C has not been used. All facilities are CPI-linked.

The principal of Facility B Loan will bear interest at a rate of 7.75% per year and accrue annually. Principal and any linkage differentials thereon shall be paid in consecutive equal annual installments until March 31, 2029, commencing on the earlier of: (i) the final maturity date of Facility A and (ii) the first anniversary after the end of OPC's "lock-up period." As of December 31, 2015, the aggregate principal amount outstanding under these facilities was \$97 million.

CDA Finance Facility

In August 2012, CDA, as borrower, Sumitomo Mitsui Banking Corporation, as administrative agent, certain financial institutions, as lenders, and other parties thereto, entered into a senior secured syndicated credit facility in an aggregate principal amount not to exceed \$591 million to finance the construction of CDA's plant. Loans under this facility were disbursed in three tranches.

Tranche A loans under this facility, in an aggregate principal amount of up to \$305 million, initially bear interest at the rate of LIBOR plus 4.25% per annum, increasing over time beginning on the date after the interest payment date occurring after August 2017 to LIBOR plus 5.50% per annum. Principal of the Tranche A loans will be payable in 33 quarterly installments commencing on the first quarterly payment date occurring after the project acceptance by CDA. Tranche A loans will be guaranteed by Corporación Financiera de Desarrollo S.A., or COFIDE.

Tranche B loans under this facility, in an aggregate principal amount of up to \$184 million, initially bear interest at the rate of LIBOR plus 4.25% per annum, increasing over time beginning on the date after the interest payment date occurring after August 2017 to LIBOR plus 6.25% per annum. Principal of the Tranche B loans will be payable in August 2024. Tranche B loans will be guaranteed by COFIDE.

Tranche D loans under this facility, in an aggregate principal amount of up to \$65 million, initially bear interest at the rate of LIBOR plus 2.75% per annum, increasing over time beginning on the date after the interest payment date occurring after August 2017 to LIBOR plus 3.60% per annum. Principal of the Tranche D loans will be payable in 45 quarterly installments commencing on the first quarterly payment date occurring after the project acceptance by CDA. Tranche D loans will be secured by a credit insurance policy provided by SACE S.p.A.—Servizi Assicurativi del Commercio Estero, or SACE.

All loans under this facility are secured by:

- pledges of CDA's movable assets and offshore and onshore collateral accounts;

- a pledge of 100% of the equity interests in CDA;
- mortgages of the CDA plant and CDA's generation and transmission concessions;
- a collateral assignment of insurances and reinsurances in respect of CDA; and
- a conditional assignment of CDA's rights under certain contracts, including the CDA EPC contract and CDA's PPAs.

In connection with the January 2015 spin-off of Kenon from IC, IC Power provided the syndicate of lenders a guarantee under the CDA Finance Facility. As of December 31, 2015, the aggregate principal amount outstanding under this facility was \$547 million (\$536 million net of transaction costs).

Samay I Finance Facility

In December 2014, Samay I entered into a \$311 million, seven-year syndicated secured loan agreement with a syndicate including The Bank of Tokyo-Mitsubishi, as administrative agent, and certain financial institutions, as lenders, and other parties thereto, or the Samay I Finance Facility, to build an open-cycle diesel and natural gas (dual-fired) thermoelectric plant in Mollendo, Arequipa (southern Peru), with an installed capacity of approximately 600 MW. The loan initially bears interest at a rate of LIBOR plus 2.125% per annum, ultimately increasing to LIBOR plus 2.625% per annum from the date after the interest payment date occurring at the end of 2020 through maturity; 29% of the total principal is payable in 23 quarterly payments commencing in July 2016; the other 71% of the total principal is payable at maturity. As of December 31, 2015, the aggregate principal amount outstanding under this facility was \$291 million (\$285 million net of transaction costs). Loans under this facility are secured by pledges of Samay I's movable assets and onshore collateral accounts; a pledge over 100% of the equity interests in Samay I; mortgages of the Samay I real estate property, plant and generation and transmission concessions; collateral assignments of insurances and reinsurances in respect of Samay I; a conditional assignment of Samay I rights under certain contracts, including Samay I's EPC contract; and trust agreement over certain cash flows of Samay I.

Kallpa Leases

In March 2006, Kallpa entered into separate capital lease agreements with Citibank del Perú, Citileasing and Banco de Crédito del Perú, each amended in November 2006, December 2007 and July 2008, followed by a leaseback agreement with Citibank del Perú in April 2007, amended in December 2007 and July 2008, under which the lessors provided financing for the construction of the Kallpa I facility in an aggregate amount of \$56 million. Under these lease agreements, Kallpa will make monthly payments to the lessors through the expiration of these leases in March 2016. Upon expiration of these leases, Kallpa has an option to purchase the property related to the Kallpa I plant for a nominal cost. These leases are secured by substantially all of the assets of Kallpa, including Kallpa's sales under its PPAs.

In December 2007, Kallpa entered into a capital lease agreement with Banco de Crédito del Perú under which the lessor provided a total amount of approximately \$82 million for the construction of the Kallpa II turbine. Under this lease agreement, Kallpa makes aggregate monthly payments to the lessors through the expiration of this lease in December 2017. Upon expiration of this lease, Kallpa has an option to purchase the property related to the Kallpa II plant for a nominal cost. This lease is secured by substantially all of the assets of Kallpa, including Kallpa's sales under its PPAs.

In July 2008, Kallpa entered into a capital lease agreement with Scotiabank Perú under which the lessor provided financing for the construction of the Kallpa III turbine in an aggregate amount of \$88 million. Under this lease agreement, Kallpa makes monthly payments to the lessors through the expiration of this lease in July 2018. Upon expiration of this lease, Kallpa has an option to purchase the property related to the Kallpa III plant for a nominal cost. This lease is secured by substantially all of the assets of Kallpa, including Kallpa's sales under its PPAs.

In April 2014, Kallpa entered into a capital lease agreement with Banco de Crédito del Perú under which the lessor provided financing for the acquisition of Las Flores from Duke Energy Corp. in an aggregate amount of \$108 million. Under this lease agreement, Kallpa will make quarterly payments to the lessors through the expiration of this lease in October 2023.

As of December 31, 2015, the aggregate principal amount outstanding under these leases was \$163 million.

Kallpa Bonds

In November 2009, Kallpa issued \$172 million aggregate principal amount of its 8.50% bonds due 2022. Holders of these bonds are required to make subscription payments under a defined payment schedule during the 21 months following the

date of issue. Kallpa received proceeds of these bonds in the aggregate amount of \$19 million, \$36 million and \$117 million in 2009, 2010 and 2011, respectively. The proceeds of these bonds were used for capital expenditures related to Kallpa's conversion of its open-cycle turbines to a combined-cycle plant. Interest on these bonds is payable quarterly. Principal amortization payments under these bonds in amounts varying between 0.25% and 5.00% of the outstanding principal amount of these bonds commenced in May 2013 and will continue until maturity in May 2022. These bonds are secured by Kallpa's combined-cycle plant and substantially all of Kallpa's other assets, including Kallpa's sales under its PPAs. As of December 31, 2015, the aggregate principal amount outstanding under these bonds was \$149 million.

Kallpa Syndicated Loan

In November 2009, Kallpa entered into a secured credit agreement with The Bank of Nova Scotia, Banco de Crédito del Perú and German Investment and Development Corporation (DEG) in the aggregate amount of \$105 million to finance capital expenditures related to Kallpa's combined-cycle plant. The loans under this credit agreement are secured by Kallpa's combined-cycle plant and substantially all of Kallpa's other assets, including Kallpa's sales under its PPAs. The loans under this credit agreement bear interest payable monthly in arrears at a rate of LIBOR plus a margin of 5.50% per annum through November 2012, 5.75% per annum from November 2012 through November 2015 and 6.00% from November 2015 through maturity in October 2019. Scheduled amortizations of principal are payable monthly commencing in January 2013 through maturity in October 2019. As of December 31, 2015, the aggregate principal amount outstanding under these loans was \$59 million.

COBEE Bonds

COBEE III Bonds. In February 2010, COBEE approved a bond program under which COBEE is permitted to offer bonds in aggregate principal amount of up to \$40 million in multiple series. In March 2010, COBEE issued and sold three series of notes in the aggregate principal amount of \$14 million. The aggregate gross proceeds of these notes, which were issued at a premium, were \$17 million. COBEE will amortize the premium of these notes over the respective terms of these notes, reducing the interest expense related to these notes. The Series A Notes, in the aggregate principal amount of \$4 million pay interest semi-annually at the rate of 5.00% per annum through maturity in February 2014. Principal on these notes is payable at maturity. The Series B Notes, in the aggregate principal amount of \$4 million, pay interest semi-annually at the rate of 6.50% per annum through maturity in February 2017. Principal on these notes will be paid in two equal annual installments commencing in February 2016. The Series C Notes, in the principal amount of Bs.44.2 million (\$6 million), pay interest semi-annually at the rate of 9.00% per annum through maturity in January 2020. Principal on these notes will be paid in four equal annual installments commencing in February 2017.

In April 2012, COBEE issued and sold two additional series of notes in the aggregate principal amount of \$11 million. The aggregate gross proceeds of these notes, which were issued at a premium, were \$13 million. IC Power will amortize the premium of these notes over the respective terms of these notes, reducing the interest expense related to these notes. The first series of these notes, in the aggregate principal amount of \$5 million pays interest semi-annually at the rate of 6.75% per annum through maturity in March 2017. Principal on these notes is payable at maturity. The second series of these notes, in the aggregate principal amount of Bs.43 million (\$6 million), pays interest semi-annually at the rate of 7% per annum through maturity in February 2022. As of December 31, 2015, the outstanding amount of these notes was \$23 million (including a \$2 million premium).

COBEE IV Bonds. In May 2013, COBEE approved a bond program under which COBEE is permitted to offer bonds in aggregate principal amount of up to \$60 million in multiple series. In February 2014, COBEE issued and sold three series of notes in the aggregate principal amount of \$20 million. The aggregate gross proceeds of these notes, which were issued at a premium, were \$21 million. The Series A Notes, in the aggregate principal amount of \$4 million pay interest semi-annually at the rate of 6.0% per annum through maturity in January 2018. Principal on the Series A Notes is payable at maturity. The Series B Notes, in the aggregate principal amount of \$4 million pay interest semi-annually at the rate of 7.0% per annum through maturity in January 2020. Principal on the Series B Notes will be paid in four equal semi-annual installments commencing in July 2018. The Series C Notes, in the aggregate principal amount of Bs. 84 million pay interest semi-annually at the rate of 7.8% per annum through maturity in January 2024. Principal on the Series C Notes will be paid in eight semi-annual installments commencing in July 2020.

In November 2014, COBEE issued and sold two series of notes in the aggregate principal amount of \$20 million. The aggregate gross proceeds of these notes, which were issued at a premium, were \$22 million. The first series of these notes, in the aggregate principal amount of \$5 million, pays interest semi-annually at the rate of 6.70% per annum through maturity in October 2019. The second series of these notes in the aggregate principal amount of Bs.105 million (approximately \$15 million), pays interest semi-annually at the rate of 7.80% per annum through maturity in October 2024. As of December 31, 2015, the outstanding amount of these notes was \$42 million (including a \$2 million premium).

CEPP Bonds

In December 2010, CEPP approved a program bond offering under which CEPP is permitted to offer bonds in aggregate principal amount of up to \$25 million in multiple series. In 2011 and 2010, CEPP issued and sold \$20 million and \$5 million of its 7.75% bonds due in 2013 and 2014. CEPP used the proceeds of this offering to finance its continuing operations and repay intercompany debt. Interest on these bonds was payable monthly and principal of these bonds is due at maturity in May 2014. During the first quarter of 2014, CEPP issued \$25 million of its 6.00% bonds due in January 2019. Part of these funds were used to prepay \$15 million of its 7.75% bonds outstanding due in May 2014. As of December 31, 2015, the aggregate principal amount outstanding under these bonds was \$10 million.

Central Cardones

In connection with IC Power's acquisition of Central Cardones in December 2011, IC Power consolidated the amounts outstanding under Central Cardones' credit agreement entered with Banco de Crédito e Inversiones and Banco Itaú Chile. The loans under this credit agreement were issued in two tranches of \$37 million and \$21 million, respectively. Loans under the first tranche bear interest at the rate of LIBOR plus 1.9% per annum, and the principal of this tranche is payable in 24 semi-annual installments through maturity in August 2021. Loans under the second tranche bear interest at the rate of LIBOR plus 2.75% per annum, interest is payable semi-annually, and the loan matures in February 2017. As of December 31, 2015, the aggregate principal amount outstanding under these loans was \$44 million.

Colmito

In January 2014, Colmito entered into a 12,579 million Chilean pesos (approximately \$24 million) 14-year credit agreement with Banco Bice. The loan under this facility bears interest at a rate of 7.9% Chilean pesos per annum and is paid semi-annually through maturity in December 2028. Principal on this facility is payable semi-annually. In February 2014, Colmito entered into a cross-currency swap closing at a fixed interest rate of 6.025% in U.S. Dollars. As of December 31, 2015, the aggregate principal amount outstanding under this loan was 11,592 million Chilean pesos (approximately \$16 million).

JPPC

In March 2012, JPPC entered into a five-year \$20.5 million syndicated loan agreement with RBC Royal Bank (Trinidad and Tobago) Limited, RBC Royal Bank (Jamaica) Limited and RBC Merchant Bank (Caribbean) Limited. The loan under this facility bears interest at a rate of LIBOR + 5.5% per annum and is payable in quarterly installments. Principal on this facility is payable in quarterly payments. JPPC entered into an interest rate swap contract to fix its interest at a rate of 6.46% per annum. As of December 31, 2015, the aggregate principal amount outstanding under this loan was \$4 million.

ICPNH

In October 2007, Amayo I entered into a 15-year \$71.25 million loan agreement with Banco Centroamericano de Integración Económica, or CABEL. The term loan is secured by a first degree mortgage over all of the improvements executed on Amayo I's project site, cessation of all of the project contracts, and the creation and maintenance of a reserve account for \$2.4 million, to be controlled by CABEL. The loans under this facility bear interest at a rate of 8.45% or LIBOR + 4.00% per annum and are payable in quarterly installments.

In November 2010, Amayo II entered into a 15-year \$45 million syndicated loan agreement with Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO) and CABEL. The syndicated loan is secured by a first and second lien mortgage agreement, a first and second lien industrial pledge agreement, and a first and second lien contract pledge agreement. The loans under this facility bears interest at a rate of 10.76% (Mezzanine Loan), 8.53% (FMO Senior Loan) and a variable interest rate of LIBOR + 5.75% per annum and are payable in quarterly installments.

In November 2013 and November 2014, Tipitapa Power entered into a five-year \$7.2 million loan agreement and a four-year \$4.6 million loan agreement, respectively, with Banco de América Central, or BAC. The term loans are secured by a commercial lien, industrial lien and a mortgage on the property. The loans under this facility bear interest at a rate of 8.35% and are payable in quarterly installments.

In December 2013, Corinto entered into a five-year \$14.5 million loan agreement with BAC. The term loan is secured by a commercial lien and a mortgage on the barge Margarita II. The loan under this facility bears interest at a rate of 8.35% and is payable in quarterly installments.

As of December 31, 2015, the aggregate principal amount outstanding under these loans was \$99 million.

Short-Term Loans

IC Power's consolidated short term debt was \$353 million as of December 31, 2015, including \$174 million for the current portion of IC Power's long-term indebtedness.

Kallpa, CEPP, COBEE, Puerto Quetzal and Nejapa have entered into lines of credit with financial institutions in Peru, the Dominican Republic, Bolivia, Guatemala and El Salvador, respectively, pursuant to which they are permitted to borrow up to \$60 million, \$37 million, \$13 million, \$25 million and \$41 million, respectively, expiring between 2016 and 2019, as applicable. Each of these lines of credit are used to finance their operating activities.

Qoros' Liquidity and Capital Resources

Qoros' cash and cash equivalents was RMB257 million as of December 31, 2015, compared to approximately RMB752 million as of December 31, 2014. We have a 50% equity interest in Qoros and, and we do not exercise control over Qoros' cash and cash equivalents.

Qoros' principal sources of liquidity are cash inflows received from financing activities, including long-term loans, short-term facilities and inflows received in connection with the capital contributions (in the form of equity contributions, or convertible or non-convertible shareholder loans). Qoros has substantially drawn its RMB3 billion syndicated credit facility, RMB1.2 billion syndicated credit facility and its RMB700 million credit facility, and will require additional financing, including the renewal or refinancing of its working capital facilities, to fund its development and operations.

Qoros has historically relied upon capital contributions, loans, and bank guarantees from its shareholders (Chery and Kenon) to fund its development and operations. As of December 31, 2015, Qoros' shareholders have made equity contributions in the aggregate amount of RMB8.3 billion and loans of RMB1.5 billion. In January and February 2016, Kenon made further loans to Qoros of RMB275 million, using cash on hand and drawdowns under the IC Credit Facility, and Chery provided RMB275 million shareholder loans on similar conditions as well.

In April 2016, Ansonia, which owns approximately 46% of the outstanding shares of Kenon, entered into a loan agreement to provide loans of up to \$50 million to Qoros to support Qoros' ordinary course working capital requirements, subject to Wuhu Chery making corresponding loans. Ansonia and Wuhu Chery are each expected to initially fund approximately \$25 million of these loans, with remaining amounts at the discretion of Ansonia and Wuhu Chery. In light of the investments made by Kenon in Qoros, including guarantees of Qoros' indebtedness, and Kenon's strategy to refrain from material "cross-allocation" (i.e., investing returns from one business into another), Kenon will not make any loans or other investments in Qoros as part of this transaction. For more information see "Item 5. Operating and Financial Review and Prospects—Recent Developments—Qoros—Ansonia's Agreement to Invest in Qoros." Qoros is continuing to seek additional financing for its operations.

Kenon has provided back-to-back guarantees to Chery of RMB1,100 million principal amount of Qoros' indebtedness, plus certain interest and fees. These back-to-back guarantees consist of (i) a back-to-back guarantee of one-half of the principal amount of Chery's guarantee of RMB1.5 billion with respect to Qoros' RMB3 billion facility; Kenon's obligation is limited to RMB750 million, but in the event that Chery's obligations under its guarantee exceed RMB1.5 billion (e.g., as a result of interest and fees), Kenon has agreed to negotiate with Chery in good faith to find a solution so that Kenon's and Chery's liabilities in respect of the RMB3 billion credit facility are equal in proportion; and (ii) a back-to-back guarantee of one-half of the principal amount of Chery's guarantee of Qoros' RMB700 million facility. Kenon's guarantee is for RMB350 million principal amount, but it also extends to interest and fees of up to RMB60 million. In the event that Chery's obligations under its guarantee exceed those of Kenon's under the back-to-back guarantee, Kenon has agreed to discuss the matter amicably with Chery to find a solution acceptable for both parties, but without any obligation on Kenon to be liable for more than the amount set forth in its back-to-back guarantee to Chery.

As of December 31, 2015, Qoros had total loans and borrowings (excluding shareholder loans) of RMB6.0 billion and current liabilities (excluding shareholder loans) of RMB4.3 billion, including trade and other payables of RMB2.6 billion, and current assets of RMB1.5 billion, including cash and cash equivalents of RMB257 million. Qoros actively manages its trade payables, accrued expenses and other operating expenses in connection with the management of its liquidity requirements and

available resources. For further information on the risks related to the effect of Qoros' liquidity situation on its relationship with its suppliers, see "Item 3.D. Risk Factors—Risk Factors Related to Our Interest in Qoros—Qoros is dependent upon its suppliers."

Qoros is continuing to experience losses and negative operating cash flow and expects that this will continue until it achieves significantly higher levels of sales. Qoros will need to secure additional financing to meet its operating expenses (including accounts payable) and debt service requirements. If Qoros is not able to raise additional financing as required, it may be unable to continue operations, in which case Kenon may lose its entire investment in Qoros and Kenon may be required to make payments under its back-to-back guarantees to Chery in respect of Qoros' bank debt.

Alternatively, Chery or other investors may choose to make additional investments in Qoros (without a corresponding Kenon investment) which may result a dilution of Kenon's interest. For information on the risks related to Qoros' liquidity, see "Item 3.D Risk Factors—Risks Related to Our Interest in Qoros—Qoros depends on additional financing to further its development and, until it achieves significant sales levels, to meet its operating expenses, financing expenses, and capital expenditures."

Qoros' consolidated financial statements have been prepared on a going concern basis, based upon certain assumptions, including the availability of liquidity and funding for Qoros and Qoros is of the opinion that the assumptions which are included in the cash flow forecast are reasonable. For further information, see Note 2(b) to Qoros' consolidated financial statements, included in this annual report.

Material Indebtedness

As of December 31, 2015, Qoros had total loans and borrowings (excluding shareholder loans) of RMB6.0 billion, consisting of non-current loans and borrowings of RMB4.7 billion and current loans and borrowings of RMB1.3 billion (excluding shareholder loans). Set forth below is a discussion of Qoros' material indebtedness.

RMB3 Billion Syndicated Credit Facility

On July 23, 2012, Qoros entered into a consortium financing agreement with a syndicate of banks for the ability to draw down loans, in either RMB or USD, up to an aggregate maximum principal amount of RMB3 billion. The RMB loans bear interest at the 5-year interest rate quoted by the People's Bank of China from time to time and the USD loans bear interest at LIBOR + 4.8% per annum. Outstanding loans are repayable within ten years from July 27, 2012, the first draw down date. The first and second scheduled repayment dates were in July 2015 and January 2016, respectively. Subsequent repayment dates occur every six months after the preceding repayment date.

Qoros' RMB/USD dual currency fixed rate credit facility is secured by Qoros' manufacturing facility, the land use right for the premises on which such manufacturing facility is located, and its equipment, and properties, and several guarantees, including a joint, but not several, guarantee from each of Chery and Changshu Port. Loans under this facility are severally guaranteed by (i) Changshu Port for up to 50% of amounts outstanding under this loan, or up to RMB1.5 billion, plus related interest and fees and (ii) Chery for up to 50% of amounts outstanding under this loan, or up to RMB1.5 billion, plus related interest and fees. Kenon has provided Chery with a back-to-back guarantee of RMB750 million in respect of Chery's guarantee of this facility. Additionally, in the event that Chery's liability under its guarantee exceeds RMB1.5 billion, Kenon has committed to negotiate with Chery in good faith to find a solution so that Kenon's and Chery's liabilities for the indebtedness of Qoros under this credit facility are equal in proportion.

Qoros' syndicated credit facility contains financial, affirmative and negative covenants, events of default or mandatory prepayments for contractual breaches, including certain changes of control, and for material mergers and divestments, among other provisions. Although Qoros' debt-to-asset ratio is currently higher, and its current ratio is lower, than the allowable ratios set forth in the terms of the syndicated credit facility, in 2014 the syndicated consortium recognized Qoros' ongoing transition to commercial sales and operations and waived Qoros' compliance with the financial covenants under this facility through the first half of the 2017 fiscal year. As a result, Qoros will not be required to comply with these financial covenants until July 2017 (or later, if additional waivers are granted). The waiver also provides that, after Qoros enters into a continuous and sustained operating period, a request for adjustment of the financial covenants, as necessary, can be submitted to the syndicated loan group for its consideration. Should Qoros' debt-to-asset ratio continue to exceed, or its current ratio continue to be less than, the permitted ratio in any period after June 30, 2017, and Qoros' syndicated lenders do not waive such non-compliance or revise such covenants so as to ensure Qoros' compliance, Qoros' lenders could accelerate the repayment of borrowings due under Qoros' syndicated credit facility.

For further information on the risks related to Qoros' indebtedness, see "*Item 3.D Risk Factors—Risks Related to Our Interest in Qoros—Qoros is significantly leveraged.*"

As of December 31, 2015, the aggregate amount outstanding on this loan was approximately RMB2.8 billion, at an interest rate of 4.90%.

RMB1.2 Billion Syndicated Credit Facility

In July 2014, Qoros entered into a consortium financing agreement with a syndicate of banks for the ability to draw loans, in either RMB or USD, up to an aggregate maximum principal amount of RMB1.2 billion for the research and development of C-platform derivative models. The RMB loans bear interest at the 5-year interest rate quoted by the People's Bank of China from time to time + 10.0% and the USD loans bear interest at LIBOR + 5.0% per annum. Outstanding loans are repayable within ten years from August 19, 2014, the first draw down date. The first scheduled repayment date is August 19, 2017, (or 36 months after the first draw down date) with subsequent repayment dates occurring every six months after the preceding repayment date.

Up to 50% of the indebtedness incurred under this facility is secured by Quantum's pledge of 28.4% of its equity interests in Qoros, including dividends deriving therefrom. Wuhu Chery has also pledged 28.4% of its equity interest in Qoros, including dividends derived therefrom, to secure up to 50% of the indebtedness incurred under this facility. The pledge agreement under which Quantum has pledged its equity interest in Qoros includes provisions setting forth, among other things, (i) minimum ratios relating to the value of Quantum's pledged securities, (ii) Quantum's ability to replace the pledge of its equity interest in Qoros with a pledge of cash collateral or to pledge cash collateral instead of pledging additional shares, representing up to 100% of Quantum's equity interest in Qoros, and (iii) the events (e.g., Qoros' default under the syndicated facility) that entitle the Chinese bank to enforce its lien on Quantum's equity interest.

The syndicated loan agreement includes covenants (including financial covenants) and events of default and early payment for violation provisions.

For further information on the risks related to Qoros' indebtedness, see "*Item 3.D Risk Factors—Risks Related to Our Interest in Qoros—Qoros is significantly leveraged.*"

As of December 31, 2015, the aggregate amount outstanding on this loan was approximately RMB1.2 billion, at an interest rate of 5.39%.

RMB700 Million Syndicated Credit Facility

In May 2015, Qoros entered into a RMB 700 million facility with a bank consortium for the purpose of research and development into a hybrid electric vehicle. Under the facility, Qoros can draw down loans in either RMB or USD, up to an aggregate principal amount of RMB 700 million. The loan agreement covers a period of 102 months starting in May 2015, and is secured by a guarantee by Chery and a pledge over Qoros' 90 vehicle patents. The RMB loan bears the 5-year interest rate quoted by the People's Bank of China +10%, and the USD loan bears interest of LIBOR+3.5% per annum.

We provided a back-to-back guarantee to Chery for RMB350 million, plus RMB 54.6 million for interest and RMB5.4 million fees. We have no obligation beyond these limits; however, the guarantee requires that in the event that the limits for interest or fees are breached, the parties will discuss the matter amicably to find a solution acceptable for both parties.

As of December 31, 2015, Qoros drew down a total of RMB700 million. The facility includes covenants and event of default provisions.

For further information on the risks related to Qoros' indebtedness, see "*Item 3.D Risk Factors—Risks Related to Our Interest in Qoros—Qoros is significantly leveraged.*"

As of December 31, 2015, the aggregate amount outstanding on this loan was approximately RMB700 million, at an interest rate of 5.39%.

Working Capital Facilities

Qoros is party to various short-term and working capital facilities. As of December 31, 2015, the balance of these facilities was RMB 284 million.

Qoros will require additional financing, including the renewal or refinancing of its working capital facilities. If Qoros is unable to renew or refinance its working capital facilities, Qoros may be unable to meet its operating expenses (including accounts payable) and debt service requirements. For further information on the risks related to Qoros' liquidity, see *"Item 3.D Risk Factors—Risks Related to Our Interest in Qoros—Qoros depends on additional financing to further its development and, until it achieves significant sales levels, to meet its operating expenses, financing expenses, and capital expenditures."*

Shareholder Loans

As of the date of this annual report, Qoros' shareholders have provided Qoros with RMB2.1 billion in shareholder loans. These shareholder loans are expected to be converted into equity.

In April 2016, Ansonia and Wuhu Chery entered into an agreement to provide additional loans of up to \$100 million. Ansonia and Wuhu Chery are each expected to initially fund approximately \$25 million of these loans, with remaining amounts at the discretion of Ansonia and Wuhu Chery. For further information on these loans, see *"—Recent Developments—Qoros—Ansonia's Agreement to Invest in Qoros."*

ZIM's Liquidity and Capital Resources

As of December 31, 2015, ZIM had an aggregate amount of \$219 million in cash and cash equivalents, as compared to \$231 million of cash and cash equivalents as of December 31, 2014.

During the year ended December 31, 2015, ZIM generated \$173 million from operating activities, \$104 million from investing activities and used \$283 million in financing activities.

ZIM has a large amount of debt and other liabilities. As of December 31, 2015, ZIM had approximately \$1.5 billion of outstanding loans and liabilities to be repaid between 2015 through 2027, of which \$114 million constituted short-term debt. On July 16, 2014, ZIM completed its financial restructuring, reducing ZIM's outstanding indebtedness and liabilities (face value, including future off-balance sheet commitments in respect of operational leases and with respect to those parties participating in the restructuring) from approximately \$3.4 billion to a remaining balance of approximately \$2 billion, and revising its minimum liquidity, fixed charge coverage ratio, and total leverage ratio covenants, which were further amended in September 2015 and March 2016. For further information on the risks related to ZIM's indebtedness, see *"Item 3.D Risk Factors—Risks Related to Our Interest in ZIM—ZIM is highly leveraged and may be unable to comply with its financial covenants or meet its debt service or other obligations. ZIM's failure to comply with these covenants or meet such obligations, including as a result of events beyond its control, could adversely affect its business, financial condition, results of operations and liquidity."*

In August 2015, ZIM entered into a receivables-backed facility arrangement with a financial institution. The facility is for up to \$100 million available until February 2018. The actual amount that can be drawn under the facility is dependent on the certain criteria of the securing receivables. The facility has customary termination provisions for certain triggering events. ZIM has made drawings of \$35 million under this facility, with such drawings having been made in 2016.

ZIM expects to finance its debt obligations and other liabilities through expected cash flow generation from operating activities, in addition to cash on hand. ZIM may also obtain funds from additional sources including debt issuance and/or other financing transactions and/or sale of assets and/or fund raising activities, including initial public offerings or listings and/or re-finance its debt obligations by engaging potential new lenders and existing lenders in order to exchange existing maturities to debt vehicles with longer maturities.

ZIM is continuing to implement its comprehensive strategy that is designed to improve ZIM's commercial and operational processes, and aims to reduce ZIM's operational expenses and improve ZIM's profitability. However, there is no assurance as to the extent of the effectiveness such activities or when, if at all, the results of such activities will be reflected in ZIM's liquidity and capital resources. For further information on the risks related to ZIM's liquidity, see *"Item 3.D Risk Factors—Risks Related to Our Other Businesses—Risks Related to our Interest in ZIM—ZIM is highly leveraged and may be unable to comply with its financial covenants or meet its debt service or other obligations. ZIM's failure to comply with these covenants or meet such obligations, including as a result of events beyond its control, could adversely affect its business, financial condition, results of operations and liquidity."*

Primus' Liquidity and Capital Resources

As of December 31, 2015, Primus had cash and cash equivalents of approximately \$2.4 million.

The implementation of Primus' business plan requires additional capital to enable Primus to continue to develop its commercial operations. Primus expects such funding to be provided by additional shareholder funding (either through capital

contributions or shareholder loans) provided by us or by new investors in Primus. Primus' principal liquidity requirements relate to its operating expenses and investments in various development projects. A lack, or delay, of financing could delay, or prevent completely, Primus' research and commercial development or result in its immediate liquidation or dissolution.

In connection with Primus' further development and our efforts to maximize its value, we may provide additional capital to Primus, in the form of debt or equity financing, if deemed appropriate to facilitate Primus' operational and development capital requirements. In October 2014, we entered into an investment agreement with Primus pursuant to which we, through our wholly-owned subsidiary IC Green, may lend Primus, at our discretion, up to \$25 million via a series of convertible notes through December 31, 2015. As of December 31, 2015, through this investment agreement, we have invested in Primus an aggregate of \$16.5 million through convertible notes issued to Kenon. The amounts, and timing, of any additional convertible notes issued by Primus to Kenon under the terms of the investment agreement shall be determined exclusively by Kenon.

Primus is currently seeking to raise capital from new investors. However, there is no certainty that additional financing will be provided to Primus, either by us or new investors in Primus. Additionally, should Primus raise capital via equity issuances in the future without Kenon's participation in such financing, we would experience a dilution in our existing ownership interest.

Material Indebtedness

Primus does not have any material indebtedness, other than related party indebtedness. For further information on this indebtedness, see "*Kenon's Liquidity and Capital Resources—Debt Owed to Kenon from Subsidiaries.*"

C. Research and Development, Patents and Licenses, Etc.

Kenon did not have significant research and development expenses during the years ended December 31, 2015, 2014 and 2013.

D. Trend Information

The following key trends contain forward-looking statements and should be read in conjunction with "*Special Note Regarding Forward-Looking Statements*" and "*Item 3.D Risk Factors.*" For further information on the recent developments of Kenon and our businesses, see "*Item 5. Operating and Financial Review and Prospects—Recent Developments.*"

Trend Information

Peru Power Market

As a result of the completion of various plants in Peru in recent years and others expected to enter into operation during 2016 and 2017 (including IC Power's new units, which will add 1,110 MW to the market), the generation capacity in Peru increased at a faster rate than the demand for such electricity, resulting in an oversupply of capacity in the Peruvian market and therefore a corresponding downward pressure on energy and capacity prices. IC Power expects this trend in energy prices to continue in 2016 and for the next few years. IC Power's Peruvian energy and capacity is mainly sold pursuant to long-term PPAs and does not have any major PPAs scheduled to expire prior to 2017. However, for the next few years, IC Power will face the current soft energy price market for any upcoming new PPA negotiations and for spot market sales. Currently no significant new additions of base load units are expected to be completed for the Peruvian system other than those contemplated for 2016 and 2017, and as a result energy prices are anticipated to recover progressively over the next few years as the system energy demand increases, with demand expected to increase by 4% to 6% annually.

Qoros

For the year ended December 31, 2015, Qoros sold approximately 14,250 vehicles, as compared to 7,000 in 2014. Qoros sold approximately 4,900 vehicles in the first three months of 2016, as compared to approximately 2,490 vehicles in the same period in 2015. Qoros believes that its sales figures will continue to fluctuate in the near-term. Qoros' sales are subject to conditions in the Chinese passenger vehicle market. For a discussion of recent trends in the Chinese passenger vehicle market, see "*Item 4B. Business Overview—Our Businesses—Qoros—Overview of the Chinese Passenger Vehicle Market—Chinese Passenger Vehicle Market Update.*"

As of December 31, 2015, Qoros' dealerships included 86 fully operational points of sales, 7 additional points of sales under construction and Memorandums of Understanding with respect to the potential development of 3 additional points of sales.

Qoros is continuing to expand its dealer network and open new points of sales. As of March 31, 2016, Qoros' dealerships included 86 fully operational points of sales, 8 additional points of sales under construction, and Memorandums of Understanding with respect to the potential development of 9 additional points of sales. As part of its strategy to increase its sales, Qoros intends to increase the size of its dealer network by creating incentives for its high-performing dealers to open additional points of sales.

ZIM

Bunker prices fell considerably during the year ended December 31, 2015, with prices continuing to decline during the first quarter of 2016. Lower bunker prices are expected to result in a decrease in operating costs and a decrease in revenues, which is reflected in the forecast earnings downgrades across the liner shipping sector.

Given the oversupply of global container ship capacity, liner shippers may be required to pass on any cost savings from lower bunker prices to their customers in the form of lower freight rates. Freight rates, which are primarily driven by containerized demand and supply balance, have historically been highly volatile. Although freight rates have fluctuated significantly, freight rates generally declined overall in each of 2013, 2014 and 2015. Additionally, vessel capacity growth increased during the year ended December 31, 2015 and is expected to continue to increase during 2016, notwithstanding the current oversupply of vessel capacity within the container shipping industry. Any such increase in container volume growth will result in the downward pressure on freight rates within the industry.

The container shipping industry is volatile and experienced a sustained cyclical downturn in 2015, which has continued so far in 2016. A continuation of this trend could negatively affect the container shipping industry and also affect ZIM's business, financial position, results of operations, cash flows and ZIM's compliance with certain financial covenants under its various debt instruments.

E. Off-Balance Sheet Arrangements

Neither Kenon nor any of its subsidiaries are party to off-balance sheet arrangements.

F. Tabular Disclosure of Contractual Obligations

Kenon

The following table sets forth Kenon's contractual obligations (including future interest payments) and commercial commitments as of December 31, 2015:

	Payments Due by Period				
	Total	Less than One Year	One to Three Years (\$ millions)	Three to Five Years	More than Five Years
Kenon's stand-alone contractual obligations ¹	\$ 118	\$ —	\$ —	\$ —	\$ 118
IC Power's consolidated contractual obligations	7,736	1,076	1,193	1,194	4,273
Total contractual obligations and commitments	\$7,854	\$ 1,076	\$ 1,193	\$ 1,194	\$ 4,391

- Represents \$110 million, plus interest and fees of \$8 million, outstanding under the IC Credit Facility as of December 31, 2015. In January 2016 and April 2016, Kenon drew down \$40 million and \$50 million under the IC Credit Facility, respectively. As of the date of this annual report, the aggregate amount outstanding under the IC Credit Facility was \$200 million, plus interest and fees of \$10 million.

For a breakdown of IC Power's total contractual obligations, see "Item 5.F Tabular Disclosure of Contractual Obligations—IC Power" below.

Kenon has provided back-to-back guarantees to Chery of RMB1,100 million, plus interest and certain fees, in respect of certain of Qoros' indebtedness. In addition, Kenon has committed to negotiate with Chery in good faith to find a solution so that Kenon's and Chery's liabilities for the indebtedness of Qoros under Qoros' RMB3 billion credit facility are equal in proportion and Kenon has similarly agreed to try to find an acceptable solution in respect of Kenon's and Chery's liabilities for the indebtedness of Qoros under Qoros' RMB700 million facility, but without any obligation on Kenon to be liable for more than the amount set forth in its back-to-back guarantee to Chery; however, the guarantee requires that in the event that the limits for interest or fees are breached, the parties will discuss the matter amicably to find a solution acceptable for both parties. For further information on, an overview of, and the risks related to each of the guarantees provided by Kenon in respect of Qoros' debt, see "Item 5.B Liquidity and Capital Resources—Kenon's Liquidity and Capital Resources—Kenon's

Commitments and Obligations—Back-to-Back Guarantees Provided to Chery” and “Item 3.D Risk Factors—Risks Related to Our Diversified Strategy and Operations—Kenon has significant “back-to-back” guarantee obligations to Chery in respect of guarantees that Chery has given for Qoros’ bank debt and has pledged a portion of its interests in Qoros to secure Qoros’ bank debt.”

IC Power

The following table sets forth IC Power’s contractual obligations (including future interest payments) and commercial commitments as of December 31, 2015, on a consolidated basis.

	Payments Due by Period				
	Total	Less than One Year	One to Three Years (\$ millions)	Three to Five Years	More than Five Years
Credit from banks and others	\$ 187	\$ 187	\$ —	\$ —	\$ —
Loans from banks and others, debentures, and lease agreements ¹	3,326	309	591	555	1,871
Trade payables	144	144	—	—	—
Other payables and credit balances	85	85	—	—	—
Purchase obligations ²	3,608	260	559	594	2,195
Operating and maintenance agreements ³	320	25	43	45	207
Obligations under EPC Contract Retirement ⁴	66	66	—	—	—
Total contractual obligations and commitments	\$7,736	\$ 1,076	\$ 1,193	\$ 1,194	\$ 4,273

1. Consists of estimated future payments of principal, interest and premium on loans from banks and others, debentures, and lease agreements, calculated based on interest rates and foreign exchange rates applicable as of December 31, 2015 and assuming that all amortization payments and payments at maturity on loans from banks and others, debentures, and lease agreements, will be made on their scheduled payment dates. Also includes the interest rate swaps relating to these obligations, which are calculated based on the LIBOR interest rate set forth in the applicable interest rate swap contract plus the applicable fixed spread.
2. Consists of purchase commitments for natural gas and gas transportation pursuant to binding obligations which include all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Based upon the applicable purchase prices as of December 31, 2015.
3. Consists of future payments to be made under services contract with Siemens based on its projections of the hours of service of Kallpa’s turbines.
4. Consists of future payments to be made under EPC contract, assuming that all progress and completion payments will be made on their scheduled payment dates.

Additionally, in connection with CDA’s entry into the CDA Finance Facility, IC Power committed to make up to \$44 million of additional equity contributions in CDA (which represents our proportionate interest of the \$59 million of additional equity contributions requested by the lenders to CDA’s shareholders). IC Power’s \$44 million obligation is supported by a customary letter of credit. Any equity contributions made by IC Power in CDA, including any equity contributions made pursuant to the settlement agreement with the EPC contractors, will result in a corresponding reduction in IC Power’s \$44 million contribution commitment. As a result of \$7 million equity contributions made by IC Power in CDA during 2015, this commitment decreased to \$37 million.

Qoros

The following table sets forth Qoros’ contractual obligations (including future interest payments) and commercial commitments as of December 31, 2015:

	Payments Due by Period				
	Total	Less Than One Year	One to Two Years (in millions of RMB)	Two to Five Years	More than Five Years
Loans and borrowings ¹	8,790	3,147	654	2,648	2,341
Trade and other payables	2,616	2,616	—	—	—
Total contractual obligations	11,406	5,763	654	2,648	2,341

1. Includes RMB1.5 billion of shareholder loans as of December 31, 2015, which are expected to be converted into equity in 2016.

G. Safe Harbor

See “Special Note Regarding Forward-Looking Statements.”

ITEM 6. Directors, Senior Management and Employees

A. Directors and Senior Management

Board of Directors

The following table sets forth information regarding our board of directors:

<u>Name</u>	<u>Age</u>	<u>Function</u>	<u>Date Appointed</u>	<u>Term Expires</u>
Kenneth Cambie	53	Chairman of the Board, Chairman of the Nominating and Corporate Governance Committee Compensation Committee Member	2015	2016
Laurence N. Charney	69	Chairman of the Audit Committee Compensation Committee Member	2015	2016
Cyril Pierre-Jean Ducau	36	Board Member	2015	2016
N. Scott Fine	58	Audit Committee Member	2015	2016
Aviad Kaufman	45	Board Member	2015	2016
Ron Moskovitz	52	Chairman of the Compensation Committee	2015	2016
Elias Sakellis	38	Nominating and Corporate Governance Committee Member	2015	2016
Vikram Talwar	66	Audit Committee Member Nominating and Corporate Governance Committee Member	2015	2016

Our constitution provides that, unless otherwise determined by a general meeting, the minimum number of directors is five and the maximum number is 12.

Senior Management

<u>Name</u>	<u>Age</u>	<u>Position</u>
Yoav Doppelt	46	Chief Executive Officer
Robert Rosen	43	General Counsel
Tzahi Goshen	40	Chief Financial Officer
Barak Cohen	34	Vice President of Business Development and Investor Relations

Biographies

Directors

Kenneth Cambie. Mr. Cambie is the Chief Financial Officer of Quantum Pacific Shipping Services Pte. Ltd., which may be associated with the ultimate beneficiary, Mr. Idan Ofer. From 2007 to 2013, Mr. Cambie was an Executive Director and the Chief Financial Officer of Orient Overseas Container Liner, or OOCL. During this time, Mr. Cambie also chaired OOCL’s Finance and Share Committee and was a member of OOCL’s Executive Committee and Compliance Committee. Prior to joining OOCL, Mr. Cambie held various positions at Citibank from 1986 to 2007, including as Director, Transportation, Asia Pacific Corporate Banking in Hong Kong, where Mr. Cambie was responsible for meeting the banking and financing needs of a range of shipping, port, airline and airport companies in the Asia and Pacific regions. Prior to moving to Hong Kong in mid-2001, Mr. Cambie was the corporate banking head for Citibank, New Zealand for seven years and had also spent several years with the bank in Australia in corporate banking and leveraged finance roles. Mr. Cambie served as a market manager at Broadbank from 1985 to 1986 and as an auditor in Touche Ross from 1984 to 1985. Mr. Cambie is a member of the New Zealand Institute of Chartered Accountants and holds a Master of Commerce degree (first class honors) from Auckland University in New Zealand.

Laurence N. Charney. Mr. Charney currently serves as the chairman of our audit committee. Mr. Charney retired from Ernst & Young LLP, or Ernst & Young, in June 2007, where, over the course of his more than 35-year career, he served as Senior Audit Partner, Practice Leader and Senior Advisor. Since his retirement from Ernst & Young, Mr. Charney has served as a business strategist and financial advisor to boards, senior management and investors of early stage ventures, private businesses and small to mid-cap public corporations across the consumer products, energy, high-tech/software, media/entertainment, and non-profit sectors. His most recent affiliations include board tenure with Pacific Drilling S.A. and IC Power Pte. Ltd., along with Kenon, as well as Marvel Entertainment, Inc. (through December 2009) and TG Therapeutics, Inc. (from March 2012 through the current date). Mr. Charney is a graduate of Hofstra University with a Bachelor's Degree in Business Administration (Accounting), and has also completed an Executive Master's program at Columbia University. Mr. Charney maintains active membership with the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants.

Cyril Pierre-Jean Ducau. Mr. Ducau is the Managing Director of Quantum Pacific Ventures Limited and a member of the board of directors of Pacific Drilling S.A., Quantum Pacific Shipping Services Pte. Ltd., Ansonia Holdings Singapore B.V. and IC Power Pte. Ltd., each of which may be associated with the same ultimate beneficiary, Mr. Idan Ofer, as well as other private companies. He was previously Head of Business Development of Quantum Pacific Advisory Limited in London from 2008 to 2012. Prior to joining Quantum Pacific Advisory Limited, Mr. Ducau was Vice President in the Investment Banking Division of Morgan Stanley & Co. International Ltd. in London and, during his tenure there from 2000 to 2008, he held various positions in the Capital Markets, Leveraged Finance and Mergers and Acquisitions teams. Prior to that, Mr. Ducau gained experience in consultancy working for Arthur D. Little in Munich and investment management with Credit Agricole UI Private Equity in Paris. Mr. Ducau graduated from ESCP Europe Business School (Paris, Oxford, Berlin) and holds a Master of Science in business administration and a Diplom Kaufmann.

N. Scott Fine. Mr. Fine has been an investment banker for over 35 years, and formerly served as the Vice Chairman and Lead Director of Central European Distribution Corporation, or CEDC, a multi-billion U.S. Dollar alcohol and beverage company domiciled in Delaware with the majority of its operations in Eastern Europe. Mr. Fine served as a director of CEDC for over a decade, during which time he co-managed its IPO and listing on NASDAQ, and led the CEDC Board's successful efforts in 2013 to restructure the company through a pre-packaged Chapter 11 process whereby CEDC was acquired by the Russian Standard alcohol group. Mr. Fine has been involved in corporate finance for over 30 years and has considerable experience in the medical and medical device sectors, having served as an advisor for companies such as Research Medical, Derma Sciences, and Interleukin Genetics, among many others. Mr. Fine also acts as Chairman and Lead Director of CTD Holdings, Inc., a specialty biopharmaceutical manufacturing and marketing company. Mr. Fine is the sole director of Better Place, Inc., an electric car company, where he was brought in to design, oversee and manage the orderly liquidation of the Delaware holding company of the Better Place group. He is also a director of Operation Respect, an anti-bullying education non-profit organization.

Aviad Kaufman. Mr. Kaufman is the Chief Financial Officer of Quantum Pacific (UK) LLP and is also a board member of IC, Israel Chemicals Ltd. and IC Power Pte. Ltd., each of which may be associated with the same ultimate beneficiary, Mr. Idan Ofer. From 2008 until 2012, Mr. Kaufman served as Chief Financial Officer of Quantum Pacific Advisory Limited. From 2002 until 2007, Mr. Kaufman served as Director of International Taxation and fulfilled different senior corporate finance roles at Amdocs Ltd. Previously, Mr. Kaufman held various consultancy positions with KPMG. Mr. Kaufman is a certified public accountant and holds a Bachelor's Degree in Accounting and Economics from the Hebrew University in Jerusalem (with distinction), and a Master's of Business Administration in Finance from Tel Aviv University.

Ron Moskovitz. Mr. Moskovitz is the Chief Executive Officer of Quantum Pacific (UK) LLP and the Chairman of IC and Pacific Drilling S.A., each of which may be associated with the same ultimate beneficiary, Mr. Idan Ofer. From July 2008 until December 2012, Mr. Moskovitz served as Chief Executive Officer of Quantum Pacific Advisory Limited. From July 2002 until November 2007, Mr. Moskovitz served as Senior Vice President and Chief Financial Officer of Amdocs Limited. From 1998 until July 2002, he served as Vice President of Finance at Amdocs. Between 1994 and 1998, Mr. Moskovitz held various senior financial positions at Tower and served on Tower's board of directors from 2007 to September 2011. Mr. Moskovitz is a CPA in Israel and holds a BA in Accounting and Economics from Haifa University and a Master of Business Administration from Tel Aviv University.

Elias Sakellis. Mr. Sakellis is the Managing Director of Business Development of Quantum Pacific (UK) LLP and serves as a director of Pacific Drilling S.A., each of which may be associated with the same ultimate beneficiary, Mr. Idan Ofer. From May 2012 until December 2012, Mr. Sakellis served as Managing Director of Quantum Pacific Advisory Limited. Prior to joining Quantum Pacific Advisory Limited, Mr. Sakellis worked at Goldman, Sachs & Co. in London from 2000 to

2012. During his tenure at Goldman, Sachs & Co., he held various positions in the Investment Banking Division and in the Equities Division. Prior to joining Goldman, Sachs & Co., Mr. Sakellis gained experience in the banking sector by working as an analyst for Lehman Brothers in London from 1999 to 2000. Mr. Sakellis is a graduate of Imperial College London with a Master of Science in Finance and a Master of Engineering in Mechanical Engineering. He also holds a Master of Business Administration from INSEAD.

Vikram Talwar. In 1999, Mr. Talwar founded EXL Service Holdings, Inc., or EXL Service, a leading global Business Process Outsourcing company, in the US. EXL Service was listed on NASDAQ in 2006. Mr. Talwar was the CEO of EXL Service until May 2008 when he was elevated to the position of Executive Chairman of the Board. In April 2011, Mr. Talwar relinquished all his executive responsibilities and became the Non-Executive Chairman of the Board. After having served 13 years on the Board, Mr. Talwar retired in December 2013. Prior to founding Exl Service, Mr. Talwar served as the Chief Executive Officer and Managing Director of Ernst and Young Consulting India from 1998 to 1999. Earlier, Mr. Talwar had served in various senior capacities at Bank of America, including Country Manager in India and other Asian countries from 1970 to 1996. In the past five years, Mr. Talwar has served on the boards of directors of a public company in India and the U.K. and several private companies. He also holds a Master of Business Administration.

Senior Management

Yoav Doppelt. Mr. Doppelt is our Chief Executive Officer and has served in this capacity since our inception in 2014. Mr. Doppelt also served as the Chief Executive Officer of XT Investments Group (formerly known as Ofer Investments Group) from its inception in 2007 to 2014 and served as the Chief Executive Officer of XT Capital (formerly known as Ofer Hi-Tech) from 2001 to 2014. Mr. Doppelt joined the XT Group (formerly known as Ofer Group) in 1996 and has been with XT Capital since its inception in 1997, defining the vision and operational methodology of its private equity and high-tech investments. Mr. Doppelt has held various finance and managerial positions in the XT Group since joining. Mr. Doppelt has previously served as a member of the board of directors of a number of public companies and was actively involved in numerous investments within the private equity and high-tech arenas. Currently, Mr. Doppelt serves as the chairman of the board of IC Power Pte. and a member of the board of directors of ZIM. Mr. Doppelt has extensive operational and business experience in growth companies and has successfully led several private equity exit transactions. Recently, Mr. Doppelt has been actively involved in the public offering of equity and debt instruments in the U.S. Mr. Doppelt holds a Bachelor's Degree in Economics and Management from the Faculty of Industrial Management at the Technion—Israel Institute of Technology, Haifa, Israel and a Master's of Business Administration from Haifa University, Israel.

Robert Rosen. Prior to joining Kenon as General Counsel, Mr. Rosen spent 15 years in private practice with top tier law firms, including Linklaters LLP and Milbank, Tweed, Hadley and McCloy LLP. During his time in private practice, Mr. Rosen was primarily involved in cross-border public and private capital markets offerings and other securities transactions, as well as with the purchase and sale of US and international distressed assets, private equity investments, structured finance transactions and SEC filings and related advice. Mr. Rosen is admitted to the Bar in the state of New York and holds a Bachelor's degree with honors from Boston University and a JD and MBA, both from the University of Pittsburgh, where he graduated with high honors.

Tzahi Goshen. Mr. Goshen is our Chief Financial Officer and has served in this capacity since our inception in 2014. Prior to joining Kenon as Chief Financial Officer, Mr. Goshen served as the Controller of IC since 2008. Mr. Goshen was responsible for all aspects of IC's financial reporting as a public company. Mr. Goshen also served as the Controller of Gemini Israel Funds Ltd., a venture capital fund, from 2006 to 2008. Mr. Goshen has vast experience in overseeing the corporate financial activities of traded companies, including acquisitions, tax planning, accounting and reporting, and internal auditing. Mr. Goshen also serves as a member of IC Power Pte. Ltd.'s board of directors. Mr. Goshen holds a Bachelor's Degree in Accounting from the College of Management and is a certified public accountant in Israel.

Barak Cohen. Mr. Cohen is our Vice President of Business Development and Investor Relations. Prior to joining Kenon as Vice President of Business Development and Investor Relations, Mr. Cohen worked in various capacities at IC since 2008, most recently as the Senior Director of Business Development and Investor Relations of IC. In this capacity, Mr. Cohen supported and monitored the development of key growth companies throughout various stages of their lifecycles, contributed to the development of IC's corporate investment strategy, evaluated new investment opportunities, assisted in transaction execution. Additionally, Mr. Cohen headed IC's global investor relations activity. Prior to joining IC, Mr. Cohen held positions at Lehman Brothers (UK) and Ernst & Young (Israel). Mr. Cohen holds bachelor's degrees in Economics, summa cum laude, and Accounting & Management, magna cum laude, both from Tel Aviv University.

B. Compensation

For the year ended December 31, 2015, the aggregate compensation paid (comprising remuneration and the aggregate fair market value of equity awards granted) to our directors and executive officers was approximately \$5 million. No amounts in respect of pensions, retirement or similar benefits have been accrued in any of the periods presented in this annual report.

For further information on Kenon's Share Incentive Plan 2014 and Share Option Plan 2014, see "*Item 6.E Share Ownership.*"

C. Board Practices

As a foreign private issuer, we are permitted to follow certain home country corporate governance practices instead of those otherwise required under the NYSE's rules for domestic U.S. issuers, provided that we disclose which requirements we are not following and describe the equivalent home country requirement. However, notwithstanding our ability to follow the corporate governance practices of our home country Singapore, we have elected to apply the corporate governance rules of the NYSE that are applicable to U.S. domestic registrants.

In connection with its filing of a registration statement on Form F-1 and its contemplated initial public offering, our subsidiary IC Power Singapore has undertaken measures to implement corporate governance policies and practices consistent with that of a NYSE-listed U.S. domestic company. In particular, IC Power Singapore has established an audit committee which is compliant with relevant NYSE and SEC standards, a nominating and corporate governance committee and a compensation committee. In addition, IC Power Singapore has recently appointed independent directors with industry experience to serve on its board of directors. IC Power Singapore has also adopted various corporate governance policies, including a code of ethics.

Board of Directors

Our constitution gives our board of directors general powers to manage our business. The board of directors, which consists of eight directors, and of which Kenneth Cambie serves as our Chairman, oversees and provides policy guidance on our strategic and business planning processes, oversees the conduct of our business by senior management and is principally responsible for the succession planning for our key executives.

Director Independence

Pursuant to the NYSE's listing standards, listed companies are required to have a majority of independent directors. Under the NYSE's listing standards, (i) a director employed by us or that has, or had, certain relationships with us during the last three years, cannot be deemed to be an independent director, and (ii) directors will qualify as independent only if our board of directors affirmatively determines that they have no material relationship with us, either directly or as a partner, shareholder or officer of an organization that has a relationship with either us or IC. Ownership of a significant amount of our shares, by itself, does not constitute a material relationship.

Although we are permitted to follow home country practice in lieu of the requirement to have a board of directors comprised of a majority of independent directors, we have determined that we are in compliance with this requirement and that a majority of our board of directors is independent according to the NYSE's listing standard. Our board of directors has affirmatively determined that each of Kenneth Cambie, Laurence N. Charney, Cyril Pierre-Jean Ducau, N. Scott Fine, Ron Moskovitz, Elias Sakellis and Vikram Talwar, representing all of our seven directors, are currently "independent directors" as defined under the applicable rules and regulations of the NYSE.

Election and Removal of Directors

See "*Item 10.B Constitution.*"

Service Contracts

None of our board members have service contracts with us or any of our businesses providing for benefits upon termination of employment.

Indemnifications and Limitations on Liability

For information on the indemnification and limitations on liability of our directors, see "*Item 10.B Constitution.*"

Committees of our Board of Directors

We have established three committees, which report regularly to our board of directors on matters relating to the specific areas of risk the committees oversee: the audit committee, the nominating and corporate governance committee, and the compensation committee. Although we are permitted to follow home country practices with respect to our establishment of audit, nominating and corporate governance and compensation committees, we have determined that we are in compliance with the NYSE's requirements in these respects.

Audit Committee

We have established an audit committee to review and discuss with management significant financial, legal and regulatory risks and the steps management takes to monitor, control and report such exposures; our audit committee also oversees the periodic enterprise-wide risk evaluations conducted by management. Specifically, our audit committee oversees the process concerning:

- the quality and integrity of our financial statements and internal controls;
- the appointment, compensation, retention, qualifications and independence of our independent registered public accounting firm;
- the performance of our internal audit function and independent registered public accounting firm;
- our compliance with legal and regulatory requirements; and
- related party transactions.

The members of our audit committee, Laurence N. Charney, N. Scott Fine and Vikram Talwar, are independent directors and meet the requirements for financial literacy as defined under the applicable rules and regulations of each of the SEC and the NYSE. Our board of directors has determined that Laurence N. Charney is an audit committee financial expert, as defined under the applicable rules of the SEC, and that each of our audit committee members has the requisite financial sophistication as defined under the applicable rules and regulations of the NYSE. Our audit committee operates under a written charter that satisfies the applicable standards of each of the SEC and the NYSE.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee oversees the management of risks associated with board governance, director independence and conflicts of interest. Specifically, our nominating and corporate governance committee is responsible for identifying qualified candidates to become directors, recommending to the board of directors candidates for all directorships, overseeing the annual evaluation of the board of directors and its committees and taking a leadership role in shaping our corporate governance.

Our nominating and corporate governance committee will consider candidates for director who are recommended by its members, by other board members and members of our management, as well as those identified by any third-party search firms retained by it to assist in identifying and evaluating possible candidates. The nominating and corporate governance committee will also consider recommendations for director candidates submitted by our shareholders. The nominating and corporate governance committee will evaluate and recommend to the board of directors qualified candidates for election, re-election or appointment to the board, as applicable.

When evaluating director candidates, the nominating and corporate governance committee seeks to ensure that the board of directors has the requisite skills, experience and expertise and that its members consist of persons with appropriately diverse and independent backgrounds. The nominating and corporate governance committee will consider all aspects of a candidate's qualifications in the context of our needs, including: personal and professional integrity, ethics and values; experience and expertise as an officer in corporate management; experience in the industry of any of our portfolio businesses and international business and familiarity with our operations; experience as a board member of another publicly traded company; practical and mature business judgment; the extent to which a candidate would fill a present need on the board of directors; and the other ongoing commitments and obligations of the candidate. However, the nominating and corporate governance committee does not have any minimum criteria for director candidates. Consideration of new director candidates will typically involve a series of internal discussions, review of information concerning candidates and interviews with selected candidates.

As a foreign private issuer, we are permitted to follow home country practice in lieu of the requirement to have a nominating and corporate governance committee comprised entirely of independent directors. Nonetheless, we have determined that we are in compliance with this requirement and that the members of our nominating and corporate governance committee, Kenneth Cambie, Elias Sakellis and Vikram Talwar, are independent directors as defined under the applicable rules and regulations of the NYSE. Our nominating and corporate governance committee operates under a written charter that satisfies the applicable standards of the NYSE.

Compensation Committee

Our compensation committee assists our board in reviewing and approving the compensation structure of our directors and officers, including all forms of compensation to be provided to our directors and officers. The compensation committee is responsible for, among other things:

- reviewing and determining the compensation package for our Chief Executive Officer and other senior executives;
- reviewing and making recommendations to our board with respect to the compensation of our non-employee directors;
- reviewing and approving corporate goals and objectives relevant to the compensation of our Chief Executive Officer and other senior executive, including evaluating their performance in light of such goals and objectives; and
- reviewing periodically and approving and administering stock options plans, long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, employee pension and welfare benefit plans for all employees, including reviewing and approving the granting of options and other incentive awards.

As a foreign private issuer, we are permitted to follow home country practice in lieu of the requirement to have a compensation committee comprised entirely of independent directors. Nonetheless, we have determined that we are in compliance with this requirement and that the members of our compensation committee, Kenneth Cambie, Laurence N. Charney and Ron Moskowitz, are independent directors as defined under the applicable rules and regulations of the NYSE. Our compensation committee operates under a written charter that satisfies the applicable standards of the NYSE.

Code of Ethics and Ethical Guidelines

Our board of directors has adopted a code of ethics that describes our commitment to, and requirements in connection with, ethical issues relevant to business practices and personal conduct.

D. Employees

As of December 31, 2015, we, and our consolidated businesses, employed 1,361 individuals, as follows:

<u>Company</u>	Number of Employees as of December 31, 2015
IC Power	1,309
Primus	41
Kenon	11
Total	<u>1,361</u>

IC Power

As of December 31, 2015, IC Power employed approximately 1,309 employees, of which 95% and 5% were located within Latin America and Israel, respectively.

Qoros

As of December 31, 2015, Qoros employed 1,772 employees, consisting of 554 headquarter and 1,218 factory employees within and outside China.

ZIM

As of December 31, 2015, ZIM employed approximately 4,050 employees (including employees of its subsidiaries), according to the following distribution:

- *Seamen*—Approximately 120 Israeli officers and approximately 309 “rankings” and foreign officers; and
- *Coast workers*—Approximately 3,621 employees, 852 of which are Israeli and 2,769 of which are foreign.

A significant number of ZIM’s Israeli employees are unionized and ZIM is party to numerous collective agreements with respect to its employees. For further information on the risks related to ZIM’s unionized employees, see “*Item 3.D Risk Factors—Risks Related to the Industries in Which Our Businesses Operate—Our businesses may be adversely affected by work stoppages, union negotiations, labor disputes and other matters associated with our labor force.*”

Other

As of December 31, 2015, Primus employed 41 employees, all of whom are located in the U.S.

E. Share Ownership

Interests of our Directors and our Employees

Kenon has established the Share Incentive Plan 2014 and the Share Option Plan 2014 for its directors and management. The Share Incentive Plan 2014 and the Share Option Plan 2014 provide grants of Kenon’s shares, and stock options in respect of Kenon’s shares, respectively, to management and directors of Kenon, or to officers of Kenon’s subsidiaries or associated companies, as well as to officers of IC, pursuant to awards, which may be granted by Kenon from time to time. The total number of shares underlying awards which may be granted under the Share Incentive Plan 2014 or delivered pursuant to the exercise of options granted under the Share Option Plan 2014 shall not, in the aggregate, exceed 3% of the total issued shares (excluding treasury shares) of Kenon. Kenon granted awards of shares to certain members of its management under the Share Incentive Plan 2014 in 2014 which vested in January 2015 upon the satisfaction of certain conditions, including the recipient’s continued employment in a specified capacity and Kenon’s listing on the NYSE and the TASE. The aggregate number of shares granted was based upon the aggregate fair market value of the Kenon shares underlying the award granted, as determined in the award documents, divided by the average closing price of Kenon’s shares over their first three trading days. The aggregate fair value of the shares granted was \$6,384 thousand.

For further information on the compensation of our directors and executive officers, see “*Item 6.B Compensation*” and for further information on our shareholders and related party transactions policy, see “*Item 7. Major Shareholders and Related Party Transactions.*”

Equity Awards to Certain Executive Officers—Subsidiaries and Associated Companies

Kenon is a party to consulting agreements for executives of some of its subsidiaries and associated companies, which provide for cash payments or equity compensation based on equity of the relevant business or associated company. Additionally, Kenon’s subsidiaries and associated companies may, from time to time, adopt equity compensation arrangements for officers and directors of the relevant entity. Kenon expects any such arrangements to be on customary terms and within customary limits (in terms of dilution).

ITEM 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

The following table sets forth information regarding the beneficial ownership of our ordinary shares as of April 22, 2016, by each person or entity known to us to beneficially own 5% or more of our ordinary shares, based upon the 53,693,975 ordinary shares outstanding as of such date, which represents our entire issued and outstanding share capital as of the date of this annual report.

To our knowledge, as of April 22, 2016, we had one shareholder of record in the United States holding approximately 99% of our outstanding ordinary shares. Such numbers are not representative of the portion of our shares held in the United States nor are they representative of the number of beneficial holders residing in the United States, since such ordinary shares (which includes the ordinary shares held by the TASE for trading on the TASE) were held of record by one U.S. nominee company, CEDE & Co, which holds all of our shares traded on the NYSE and the TASE indirectly.

All of our ordinary shares have the same voting rights.

<u>Beneficial Owner (Name/Address)</u>	<u>Ordinary Shares Owned</u>	<u>Percentage of Ordinary Shares</u>
Ansonia Holdings Singapore B.V. ¹	24,856,869	46.3%
Bank Leumi Le-Israel B.M ²	7,533,614	14.0%
XT Investments Ltd. ³	5,727,128	10.7%
Directors and Executive Officers ⁴	—	—

1. Based solely on the Schedule 13 D/A (Amendment No. 2) filed by Ansonia Holdings Singapore B.V. with the SEC on January 11, 2016. A foreign discretionary trust in which Mr. Idan Ofer is the beneficiary is the indirect ultimate owner of Ansonia.
2. Based solely upon the Schedule G/A (Amendment No. 1) filed by Bank Leumi Le-Israel B.M with the SEC on February 8, 2016.
3. Based solely upon the Schedule D/A (Amendment No. 1) filed by XT Investments Ltd with the SEC on January 12, 2016. XT Investments is owned by XT Holdings Group Ltd., or XT Holdings; 50% of the ordinary shares of XT Holdings are owned by Orona Investments Ltd. (which is indirectly controlled by Mr. Ehud Angel) and the remaining 50% of the ordinary shares of XT Holdings are owned by Lynav Holdings Ltd. (which is controlled by a foreign discretionary trust in which Mr. Idan Ofer is a prime beneficiary).
4. Each individual beneficially owns less than 1% of Kenon's ordinary shares.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that such person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

We are not aware of any arrangement that may, at a subsequent date, result in a change of our control.

B. Related Party Transactions

Kenon

Pursuant to its charter, the audit committee must review and approve all related party transactions. The audit committee has a written policy with respect to the approval of related party transactions. In addition, we have undertaken that, for so long as we are listed on the NYSE, to the extent that we or our subsidiaries will enter into transactions with related parties, such transactions will be considered and approved by us or our wholly-owned subsidiaries in a manner that is consistent with customary practices followed by companies incorporated in Delaware and shall be reviewed in accordance with the requirements of Delaware law.

We are party to numerous related party transactions with certain of our affiliates. Set forth below is a summary of these transactions.

Ansonia's Agreement to Invest in Qoros

On April 22, 2016, Ansonia, which owns approximately 46% of the outstanding shares of Kenon, entered into a Loan Agreement to provide loans in an aggregate amount of up to \$50 million to Qoros to support Qoros' ordinary course working capital requirements, subject to Wuhu Chery's provision of loans in the same amount and on similar conditions to Qoros.

In light of Qoros' financing needs, Kenon believes that the transactions described above, including Ansonia's provision of loans of up to \$50 million to Quantum to facilitate on-loans in an aggregate amount of up to RMB300 million (approximately \$50 million) to Qoros, are in the best interests of Kenon and its shareholders. As Ansonia is a major shareholder in Kenon, this transaction has been reviewed and approved by Kenon in accordance with its related party transaction policy.

For further information on Ansonia's agreement to invest in Qoros, see "*Item 5. Operating and Financial Review and Prospects—Recent Developments—Qoros—Ansonia's Agreement to Invest in Qoros*" and the full text of the related Loan Agreement and the Undertaking Agreement, copies of which are filed as Exhibits 4.17 and 4.18 to this annual report and are incorporated by reference herein.

IC Credit Facility

In connection with the consummation of the spin-off, IC provided a \$200 million credit facility to us, bearing interest at a rate of 12-Month LIBOR+ 6% per annum. For further information on the terms of the IC Credit Facility, see "*Item 5.B*"

Liquidity and Capital Resources—Kenon’s Commitments and Obligations—IC Credit Facility.” For information on the risks related to Kenon’s ability to repay, and compliance with, the IC Credit Facility, see “*Item 3.D Risk Factors—Risks Related to Our Diversified Strategy and Operations—Kenon has significant repayment obligations under the IC Credit Facility.*”

IC Power Singapore Reorganization

In March 2016, Kenon announced an internal restructuring pursuant to which IC Power Singapore, which was a holding company with no material assets, acquired IC Power. As a result of such transaction, IC Power Singapore is now the parent holding company of Kenon’s power generation and distribution businesses. In connection with the reorganization of IC Power Singapore, IC Power Singapore issued notes of \$145 million and \$75 million payable to Kenon.

Kenon had pledged 66% of the IC Power shares to secure the IC Credit Facility. In connection with the internal reorganization, this pledge over IC Power shares was released and the IC Power shares were transferred to IC Power Singapore, which pledged 66% of the transferred IC Power shares to IC. In addition, Kenon also pledged to IC 66% of the shares of IC Power Singapore and the \$145 million note owing from IC Power Singapore to Kenon. The pledge over the shares of IC Power is expected to be released in connection with an IPO of IC Power Singapore. In addition, the pledge over the shares of IC Power Singapore and the \$145 million note can be released upon an IPO of IC Power Singapore, subject to Kenon’s meeting of a financial ratio.

\$220 Million of Notes from IC Power Singapore

In connection with the reorganization of IC Power Singapore, IC Power Singapore issued notes of \$145 million and \$75 million payable to Kenon. The proceeds of the notes were applied by IC Power Singapore towards paying the purchase consideration for the acquisition of Kenon’s entire equity interest in IC Power. The notes both bear interest at a rate of LIBOR + 6% per annum until the date the notes are fully paid.

Separation and Distribution Agreement

In connection with the spin-off, we entered into a Separation and Distribution Agreement with IC which set forth, among other things, our agreements with IC regarding the principal transactions necessary to separate our businesses from IC and its other businesses.

Transfer of Assets and Assumption of Liabilities

The Separation and Distribution Agreement identifies the assets transferred, the liabilities retained by IC or assumed by Kenon, and the contracts retained by IC or assigned to Kenon in connection with the spin-off. IC also assigned and transferred to Kenon IC’s full rights and obligations according to, and in connection with, certain loans it provided to, and certain undertakings it made in respect of, the businesses it transferred to Kenon in connection with the spin-off.

Release of Claims

Except with respect to (i) those legal proceedings pending against IC at the time of the consummation of the spin-off and relating to any of the businesses transferred to Kenon, and (ii) certain other exceptions set forth in the Separation and Distribution Agreement, Kenon assumed liability for the claims of each of the businesses transferred to it, including such claims that arose out of, or relate to events, circumstances or actions occurring or failing to occur, or with respect to any conditions existing prior to, the spin-off.

Indemnification and Legal Matters

Kenon and IC agreed to indemnify each other against certain liabilities incurred in connection with their respective businesses, and as otherwise allocated in the Separation and Distribution Agreement. Additionally, Kenon agreed to indemnify IC for any liabilities arising after the consummation of the spin-off as a result of legal matters relating to the businesses Kenon received in the spin-off.

Other Matters Governed by the Separation and Distribution Agreement

Other matters governed by the Separation and Distribution Agreement include access to financial and other information, access to and provision of records, intellectual property, confidentiality, treatment of outstanding guarantees and similar credit support and dispute resolution procedures.

The foregoing summary of the Separation and Distribution Agreement is subject to, and is qualified in its entirety by, the full text of the Separation and Distribution Agreement, a copy of which was filed as Exhibit 4.1 to Kenon's Registration Statement Form 20-F filed in connection with this spin-off and is incorporated by reference herein.

Registration Rights Agreements

In connection with the spin-off, we entered into registration rights agreements with certain significant shareholders with regard to the shares that will be owned by such shareholders, as well as in respect of any shares they may purchase in the future (all such shares, the "Registrable Securities"). Under the registration rights agreements, these significant shareholders will have the right to cause us to register under the Securities Act and applicable state securities laws the offer and sale of the Registrable Securities. Subject to the terms and conditions of our registration rights agreements, these registration rights allow these significant shareholders or certain qualified assignees holding any Registrable Securities to require registration of such Registrable Securities and to include any such Registrable Securities in a registration by us of common shares, including common shares offered by us or by any shareholder. In connection with any registration of common shares held by these significant shareholders or certain qualified assignees, we have agreed to indemnify each shareholder participating in the registration and its officers, directors and controlling persons from and against any liabilities under the Securities Act or any applicable state securities laws arising from the registration statement or prospectus. We have agreed to bear all costs and expenses incidental to any registration, excluding any underwriting discounts.

The foregoing summary of the registration rights agreements is subject to, and is qualified in its entirety by, the full text of each registration rights agreement, copies of which were filed as Exhibits 2.2, 2.3 and 2.4 to Kenon's Registration Statement Form 20-F filed in connection with the spin-off and are incorporated by reference herein.

IC Power

Sales of Electricity and Gas

OPC sells electricity through PPAs to some entities that may be considered to be related parties (as they may be considered to be under common control with it). OPC recorded revenues from related parties in the amount of NIS 570 million (approximately \$146 million) in the year ended December 31, 2015.

OPC and AIE also sell an immaterial amount of gas to some entities that may be considered related parties.

Bank Leumi

Bank Leumi, which holds approximately 14% of our ordinary shares, is the arranger of, and lender under, OPC's NIS 1,800 million financing agreement. Additionally, OPC makes deposits in the ordinary course of its business in a deposit account maintained at Bank Leumi on commercially reasonable terms.

For further information on OPC's financing agreement, see "*Item 5.B Liquidity and Capital Resources—IC Power's Liquidity and Capital Resources—IC Power's Material Indebtedness—OPC Financing Agreement*" and the full text of OPC's financing agreement, a copy of which is attached hereto as Exhibit 4.10 and is incorporated by reference herein.

Qoros

Qoros sources its engines and certain spare parts from Chery in the ordinary course of Qoros' business. Additionally, Qoros entered into a platform sharing agreement with Chery, pursuant to which Qoros provides Chery with a license to utilize Qoros' platform in exchange for a fee.

For further information on Qoros' commercial arrangements with Chery, see Note 29 to Qoros' consolidated financial statements, included in this annual report.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. Financial Information

A. Consolidated Statements and Other Financial Information

For information on the financial statements filed as a part of this annual report, see “Item 18. Financial Statements.” For information on export sales as well as our legal proceedings, see “Item 4.B Business Overview.” For information on our dividend policy, see “Item 10.B Constitution.”

B. Significant Changes

For information on any significant changes that may have occurred since the date of our annual financial statements, see “Item 5. Operating and Financial Review and Prospects—Recent Developments.”

ITEM 9. The Offer and Listing

A. Offer and Listing Details.

The following table sets forth, for the periods indicated, the reported high and low closing sale prices of our ordinary shares on the NYSE.

	Price per ordinary share (\$)	
	High	Low
Annual Since January 6, 2015 Listing:		
Year ended December 31, 2015	22.13	9.66
Quarterly Since January 6, 2015 Listing:		
Three months ended March 31, 2015	21.00	16.01
Three months ended June 30, 2015	22.13	19.26
Three months ended September 30, 2015 ¹	21.10	13.19
Three months ended December 31, 2015	14.67	9.66
Three months ended March 31, 2016	10.02	7.46
Monthly		
October 2015	14.67	12.69
November 2015	13.00	11.03
December 2015	10.89	9.66
January 2016	10.02	8.70
February 2016	8.87	8.02
March 2016	8.00	7.46
April 2016 (through April 21, 2016)	8.05	7.40

1. On July 23, 2015, we completed the pro rata distribution in specie of 18,030,041 ordinary shares of Tower, representing 23% of the then currently outstanding Tower shares and substantially all of our interest in Tower, to holders of our ordinary shares. The closing price of Tower on NASDAQ on July 23, 2015 was \$14.16.

The following table sets forth, for the periods indicated, the reported high and low closing sale prices of our ordinary shares on the TASE.

	Price per ordinary share (NIS)	
	High	Low
Annual Since January 6, 2015 Listing:		
Year ended December 31, 2015	84.98	37.75
Quarterly Since January 6, 2015 Listing:		
Three months ended March 31, 2015	81.99	63.00
Three months ended June 30, 2015	84.98	74.75
Three months ended September 30, 2015 ¹	80.04	51.51

	Price per ordinary share (NIS)	
	High	Low
Three months ended December 31, 2015	55.93	37.75
Three months ended March 31, 2016	40.00	29.13
Monthly		
October 2015	55.93	50.45
November 2015	51.60	42.12
December 2015	41.71	37.75
January 2016	40.00	34.99
February 2016	34.96	31.52
March 2016	31.64	29.13
April 2016 (through April 21, 2016)	30.32	28.10

1. On July 23, 2015, we completed the pro rata distribution in specie of 18,030,041 ordinary shares of Tower, representing 23% of the then currently outstanding Tower shares and substantially all of our interest in Tower, to holders of our ordinary shares. The closing price of Tower on the TASE on July 23, 2015 was NIS53.00.

B. Plan of Distribution

Not applicable.

C. Markets

Our ordinary shares are listed on each of the NYSE and the TASE under the symbol “KEN.”

D. Selling Shareholders

Not applicable.

E. Dilution.

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. Additional Information

A. Share Capital

Not applicable.

B. Constitution

Following certain amendments to the Singapore Companies Act, which took effect in phases on July 1, 2015 and January 3, 2016, our memorandum and articles of association have been merged into one document called the “constitution” by operation of law on the latter date. The following description of our constitution is a summary and is qualified by reference to the constitution, a copy of which has previously been filed with the SEC.

New Shares

Under Singapore law, new shares may be issued only with the prior approval of our shareholders in a general meeting. General approval may be sought from our shareholders in a general meeting for the issue of shares. Approval, if granted, will lapse at the earlier of:

- the conclusion of the next annual general meeting;
- the expiration of the period within which the next annual general meeting is required by law to be held (i.e., within 18 months from our incorporation date (and in the case of subsequent periods, 15 months)) or six months from our financial year end, being December 31, whichever is earlier; or

- the subsequent revocation or modification of approval by our shareholders acting at a duly convened general meeting.

Our shareholders have provided such general authority to issue new shares until the conclusion of our 2016 annual general meeting. Subject to this and the provisions of the Singapore Companies Act and our constitution, all new shares are under the control of the directors who may allot and issue new shares to such persons on such terms and conditions and with the rights and restrictions as they may think fit to impose.

Preference Shares

Our constitution provides that we may issue shares of a different class with preferential, deferred, qualified or other special rights, privileges or conditions as our board of directors may determine. Under the Singapore Companies Act, our preference shareholders will have the right to attend any general meeting insofar as the circumstances set forth below apply and on a poll at such general meeting, to have at least one vote for every preference share held:

- upon any resolution concerning the winding-up of our company; and
- upon any resolution which varies the rights attached to such preference shares.

We may, subject to the prior approval in a general meeting of our shareholders, issue preference shares which are, or at our option, subject to redemption provided that such preference shares may not be redeemed out of capital unless:

- all the directors have made a solvency statement in relation to such redemption; and
- we have lodged a copy of the statement with the Singapore Registrar of Companies.

Further, the shares must be fully paid-up before they are redeemed.

Transfer of Ordinary Shares

Subject to applicable securities laws in relevant jurisdictions and our constitution, our ordinary shares are freely transferable. Shares may be transferred by a duly signed instrument of transfer in any usual or common form or in a form acceptable to our directors. The directors may decline to register any transfer unless, among other things, evidence of payment of any stamp duty payable with respect to the transfer is provided together with other evidence of ownership and title as the directors may require. We will replace lost or destroyed certificates for shares upon notice to us and upon, among other things, the applicant furnishing evidence and indemnity as the directors may require and the payment of all applicable fees.

Election and Re-election of Directors

Under our constitution, our shareholders by ordinary resolution, or our board of directors, may appoint any person to be a director as an additional director or to fill a casual vacancy, provided that any person so appointed by our board of directors shall hold office only until the next annual general meeting, and shall then be eligible for re-election.

Our constitution provides that, subject to the Singapore Companies Act, no person other than a director retiring at a general meeting is eligible for appointment as a director at any general meeting, without the recommendation of the Board for election, unless (a) in the case of a member or members who in aggregate hold(s) more than fifty percent of the total number of our issued and paid-up shares (excluding treasury shares), not less than ten days, or (b) in the case of a member or members who in aggregate hold(s) more than five percent of the total number of our issued and paid-up shares (excluding treasury shares), not less than 120 days, before the date of the notice provided to members in connection with the general meeting, a written notice signed by such member or members (other than the person to be proposed for appointment) who (i) are qualified to attend and vote at the meeting for which such notice is given, and (ii) have held shares representing the prescribed threshold in (a) or (b) above, for a continuous period of at least one year prior to the date on which such notice is given, is lodged at our registered office. Such a notice must also include the consent of the person nominated.

Shareholders' Meetings

We are required to hold an annual general meeting each year. Our first annual general meeting was held on June 30, 2015. Subsequent annual general meetings must be held not more than 15 months after the holding of the last preceding annual general meeting, and in each case, not later than six months from our financial year end, being December 31. The directors may convene an extraordinary general meeting whenever they think fit and they must do so upon the written request of shareholders representing not less than one-tenth of the paid-up shares as at the date of deposit carries the right to vote at general meetings

(disregarding paid-up shares held as treasury shares). In addition, two or more shareholders holding not less than one-tenth of our total number of issued shares (excluding our treasury shares) may call a meeting of our shareholders. The Singapore Companies Act requires not less than:

- 14 days' written notice to be given by Kenon of a general meeting to pass an ordinary resolution; and
- 21 days' written notice to be given by Kenon of a general meeting to pass a special resolution,

to every member and the auditors of Kenon. Our constitution further provides that in computing the notice period, both the day on which the notice is served, or deemed to be served, and the day for which the notice is given shall be excluded.

Unless otherwise required by law or by our constitution, voting at general meetings is by ordinary resolution, requiring the affirmative vote of a simple majority of the shares present in person or represented by proxy at the meeting and entitled to vote on the resolution. An ordinary resolution suffices, for example, for appointments of directors. A special resolution, requiring an affirmative vote of not less than three-fourths of the shares present in person or represented by proxy at the meeting and entitled to vote on the resolution, is necessary for certain matters under Singapore law, such as an alteration of our constitution.

Voting Rights

Voting at any meeting of shareholders is by a show of hands unless a poll is duly demanded before or on the declaration of the result of the show of hands. If voting is by a show of hands, every shareholder who is entitled to vote and who is present in person or by proxy at the meeting has one vote. On a poll, every shareholder who is present in person or by proxy or by attorney, or in the case of a corporation, by a representative, has one vote for every share held by him or which he represents.

Dividends

We have no current plans to pay annual or semi-annual cash dividends. However, as part of our strategy, we may, in the event that we divest a portion of, or our entire equity interest in, any of our businesses, distribute such cash proceeds or declare a distribution-in-kind of shares in our investee companies. No dividend may be paid except out of profits and we currently do not have distributable profits from which dividends may be declared. Any dividends would be limited by the amount of available distributable reserves, which, under Singapore law, will be assessed on the basis of Kenon's standalone unconsolidated accounts (which will be based upon the SFRS). Under Singapore law, it is also possible to effect a capital reduction exercise to return cash and/or assets to our shareholders. The completion of a capital reduction exercise may require the approval of the Singapore Courts, and we may not be successful in our attempts to obtain such approval.

Additionally, because we are a holding company, our ability to pay cash dividends, or declare a distribution-in-kind of the ordinary shares of any of our businesses, may be limited by restrictions on our ability to obtain sufficient funds through dividends from our businesses, including restrictions under the terms of the agreements governing the indebtedness of our businesses. Subject to the foregoing, the payment of cash dividends in the future, if any, will be at the discretion of our board of directors and will depend upon such factors as earnings levels, capital requirements, contractual restrictions, our overall financial condition, available distributable reserves and any other factors deemed relevant by our board of directors. Generally, a final dividend is declared out of profits disclosed by the accounts presented to the annual general meeting, and requires approval of our shareholders. However, our board of directors can declare interim dividends without approval of our shareholders.

Bonus and Rights Issues

In a general meeting, our shareholders may, upon the recommendation of the directors, capitalize any reserves or profits and distribute them as fully paid bonus shares to the shareholders in proportion to their shareholdings.

Takeovers

The Singapore Code on Take-overs and Mergers, the Singapore Companies Act and the Securities and Futures Act, Chapter 289 of Singapore regulate, among other things, the acquisition of ordinary shares of Singapore-incorporated public companies. Any person acquiring an interest, whether by a series of transactions over a period of time or not, either on his own or together with parties acting in concert with such person, in 30% or more of our voting shares, or, if such person holds, either on his own or together with parties acting in concert with such person, between 30% and 50% (both amounts inclusive) of our voting shares, and if such person (or parties acting in concert with such person) acquires additional voting shares representing

more than 1% of our voting shares in any six-month period, must, except with the consent of the Securities Industry Council in Singapore, extend a mandatory takeover offer for the remaining voting shares in accordance with the provisions of the Singapore Code on Take-overs and Mergers.

“Parties acting in concert” comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), cooperate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company. Certain persons are presumed (unless the presumption is rebutted) to be acting in concert with each other. They include:

- a company and its related companies, the associated companies of any of the company and its related companies, companies whose associated companies include any of these companies and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights;
- a company and its directors (including their close relatives, related trusts and companies controlled by any of the directors, their close relatives and related trusts);
- a company and its pension funds and employee share schemes;
- a person and any investment company, unit trust or other fund whose investment such person manages on a discretionary basis but only in respect of the investment account which such person manages;
- a financial or other professional adviser, including a stockbroker, and its clients in respect of shares held by the adviser and persons controlling, controlled by or under the same control as the adviser and all the funds managed by the adviser on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10% or more of the client’s equity share capital;
- directors of a company (including their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for the company may be imminent;
- partners; and
- an individual and such person’s close relatives, related trusts, any person who is accustomed to act in accordance with such person’s instructions and companies controlled by the individual, such person’s close relatives, related trusts or any person who is accustomed to act in accordance with such person’s instructions and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights.

Subject to certain exceptions, a mandatory takeover offer must be in cash or be accompanied by a cash alternative at not less than the highest price paid by the offeror or parties acting in concert with the offeror during the offer period and within the six months preceding the acquisition of shares that triggered the mandatory offer obligation.

Under the Singapore Code on Take-overs and Mergers, where effective control of a company is acquired or consolidated by a person, or persons acting in concert, a general offer to all other shareholders is normally required. An offeror must treat all shareholders of the same class in an offeree company equally. A fundamental requirement is that shareholders in the company subject to the takeover offer must be given sufficient information, advice and time to consider and decide on the offer. These legal requirements may impede or delay a takeover of our company by a third-party.

In October 2014, the Securities Industry Council of Singapore waived application of the Singapore Code on Take-overs and Mergers to the Company, subject to certain conditions. Pursuant to the waiver, for as long as Kenon is not listed on a securities exchange in Singapore, and except in the case of a tender offer (within the meaning of U.S. securities laws) where the offeror relies on a Tier 1 exemption to avoid full compliance with U.S. tender offer regulations, the Singapore Code on Take-overs and Mergers shall not apply to Kenon.

Insofar as the Singapore Code on Take-overs and Mergers applies to Kenon, the Singapore Code on Take-overs and Mergers generally provides that the board of directors of Kenon should bring the offer to the shareholders of Kenon in accordance with the Singapore Code on Take-overs and Mergers and refrain from an action which will deny the shareholders from the possibility to decide on the offer.

Liquidation or Other Return of Capital

On a winding-up or other return of capital, subject to any special rights attaching to any other class of shares, holders of ordinary shares will be entitled to participate in any surplus assets in proportion to their shareholdings.

Limitations on Rights to Hold or Vote Ordinary Shares

Except as discussed above under “—Takeovers,” there are no limitations imposed by the laws of Singapore or by our constitution on the right of non-resident shareholders to hold or vote ordinary shares.

Limitations of Liability and Indemnification Matters

Our constitution currently provides that, subject to the provisions of the Singapore Companies Act, every director, secretary or other officer of our company or our subsidiaries and affiliates shall be entitled to be indemnified by our company against all costs, charges, losses, expenses and liabilities incurred by him or her in the execution and discharge of his or her duties (and where he serves at our request as a director, officer, employee or agent of any of our subsidiaries or affiliates) or in relation thereto and in particular and without prejudice to the generality of the foregoing, no director, secretary or other officer of our company shall be liable for the acts, receipts, neglects or defaults of any other director or officer or for joining in any receipt or other act for conformity or for any loss or expense happening to our company through the insufficiency or deficiency of title to any property acquired by order of the directors for or on behalf of our company or for the insufficiency or deficiency of any security in or upon which any of the moneys of our company shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom any moneys, securities or effects shall be deposited or left or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of his or her office or in relation thereto unless the same shall happen through his or her own negligence, default, breach of duty or breach of trust.

The limitation of liability and indemnification provisions in our constitution may discourage shareholders from bringing a lawsuit against directors for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against directors and officers, even though an action, if successful, might benefit us and our shareholders. A shareholder’s investment may be harmed to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable.

Comparison of Shareholder Rights

We are incorporated under the laws of Singapore. The following discussion summarizes material differences between the rights of holders of our ordinary shares and the rights of holders of the common stock of a typical corporation incorporated under the laws of the state of Delaware which result from differences in governing documents and the laws of Singapore and Delaware.

This discussion does not purport to be a complete statement of the rights of holders of our ordinary shares under applicable law in Singapore and our constitution or the rights of holders of the common stock of a typical corporation under applicable Delaware law and a typical certificate of incorporation and bylaws.

Delaware	Singapore—Kenon Holdings Ltd.
Board of Directors	
A typical certificate of incorporation and bylaws would provide that the number of directors on the board of directors will be fixed from time to time by a vote of the majority of the authorized directors. Under Delaware law, a board of directors can be divided into classes and cumulative voting in the election of directors is only permitted if expressly authorized in a corporation’s certificate of incorporation.	The constitution of companies will typically state the minimum and maximum number of directors as well as provide that the number of directors may be increased or reduced by shareholders via ordinary resolution passed at a general meeting, provided that the number of directors following such increase or reduction is within the maximum and minimum number of directors provided in our articles and the Singapore Companies Act, respectively. Our constitution provides that, unless otherwise determined by a general meeting, the minimum number of directors is five and the maximum number is 12.

Limitation on Personal Liability of Directors

A typical certificate of incorporation provides for the elimination of personal monetary liability of directors for breach of fiduciary duties as directors to the fullest extent permissible under the laws of Delaware, except for liability (i) for any breach of a director's loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law (relating to the liability of directors for unlawful payment of a dividend or an unlawful stock purchase or redemption) or (iv) for any transaction from which the director derived an improper personal benefit. A typical certificate of incorporation would also provide that if the Delaware General Corporation Law is amended so as to allow further elimination of, or limitations on, director liability, then the liability of directors will be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law as so amended.

Pursuant to the Singapore Companies Act, any provision (whether in the constitution, contract or otherwise) purporting to exempt a director (to any extent) from any liability which would otherwise attach to him in connection with any negligence, default, breach of duty or breach of trust in relation to Kenon will be void except as permitted under the Singapore Companies Act. Nevertheless, a director can be released by the shareholders of Kenon for breaches of duty to Kenon, except in the case of fraud, illegality, insolvency and oppression or disregard of minority interests.

Our constitution currently provides that, subject to the provisions of the Singapore Companies Act and every other act for the time being in force concerning companies and affecting Kenon, every director, auditor, secretary or other officer of Kenon and its subsidiaries and affiliates shall be entitled to be indemnified by Kenon against all liabilities incurred by him in the execution and discharge of his duties and where he serves at the request of Kenon as a director, officer, employee or agent of any subsidiary or affiliate of Kenon or in relation thereto, including any liability incurred by him in defending any proceedings, whether civil or criminal, which relate to anything done or omitted or alleged to have been done or omitted by him as an officer or employee of Kenon, and in which judgment is given in his favor (or the proceedings otherwise disposed of without any finding or admission of any material breach of duty on his part) or in which he is acquitted, or in connection with an application under statute in respect of such act or omission in which relief is granted to him by the court.

Interested Shareholders

Section 203 of the Delaware General Corporation Law generally prohibits a Delaware corporation from engaging in specified corporate transactions (such as mergers, stock and asset sales, and loans) with an "interested stockholder" for three years following the time that the stockholder becomes an interested stockholder. Subject to specified exceptions, an "interested stockholder" is a person or group that owns 15% or more of the corporation's outstanding voting stock (including any rights to acquire stock pursuant to an option, warrant, agreement, arrangement or understanding, or upon the exercise of conversion or exchange rights, and stock with respect to which the person has voting rights only), or is an affiliate or associate of the corporation and was the owner of 15% or more of the voting stock at any time within the previous three years.

A Delaware corporation may elect to "opt out" of, and not be governed by, Section 203 through a provision in either its original certificate of incorporation, or an amendment to its original certificate or bylaws that was approved by majority

There are no comparable provisions in Singapore with respect to public companies which are not listed on the Singapore Exchange Securities Trading Limited.

stockholder vote. With a limited exception, this amendment would not become effective until 12 months following its adoption.

Removal of Directors

A typical certificate of incorporation and bylaws provide that, subject to the rights of holders of any preferred stock, directors may be removed at any time by the affirmative vote of the holders of at least a majority, or in some instances a supermajority, of the voting power of all of the then outstanding shares entitled to vote generally in the election of directors, voting together as a single class. A certificate of incorporation could also provide that such a right is only exercisable when a director is being removed for cause (removal of a director only for cause is the default rule in the case of a classified board).

According to the Singapore Companies Act, directors of a public company may be removed before expiration of their term of office with or without cause by ordinary resolution (i.e., a resolution which is passed by a simple majority of those shareholders present and voting in person or by proxy). Notice of the intention to move such a resolution has to be given to Kenon not less than 28 days before the meeting at which it is moved. Kenon shall then give notice of such resolution to its shareholders not less than 14 days before the meeting. Where any director removed in this manner was appointed to represent the interests of any particular class of shareholders or debenture holders, the resolution to remove such director will not take effect until such director's successor has been appointed.

Our constitution provides that Kenon may by ordinary resolution of which special notice has been given, remove any director before the expiration of his period of office, notwithstanding anything in our constitution or in any agreement between Kenon and such director and appoint another person in place of the director so removed.

Filling Vacancies on the Board of Directors

A typical certificate of incorporation and bylaws provide that, subject to the rights of the holders of any preferred stock, any vacancy, whether arising through death, resignation, retirement, disqualification, removal, an increase in the number of directors or any other reason, may be filled by a majority vote of the remaining directors, even if such directors remaining in office constitute less than a quorum, or by the sole remaining director. Any newly elected director usually holds office for the remainder of the full term expiring at the annual meeting of stockholders at which the term of the class of directors to which the newly elected director has been elected expires.

The constitution of a Singapore company typically provides that the directors have the power to appoint any person to be a director, either to fill a vacancy or as an addition to the existing directors, but so that the total number of directors will not at any time exceed the maximum number fixed in the articles. Any newly elected director shall hold office until the next following annual general meeting, where such director will then be eligible for re-election. Our articles provide that the shareholders may by ordinary resolution, or the directors may, appoint any person to be a director as an additional director or to fill a vacancy provided that any person so appointed by the directors will only hold office until the next annual general meeting, and will then be eligible for re-election.

Amendment of Governing Documents

Under the Delaware General Corporation Law, amendments to a corporation's certificate of incorporation require the approval of stockholders holding a majority of the outstanding shares entitled to vote on the amendment. If a class vote on the amendment is required by the Delaware General Corporation Law, a majority of the outstanding stock of the class is required, unless a greater proportion is specified in the certificate of incorporation or by other provisions of the Delaware General

Our constitution may be altered by special resolution (i.e., a resolution passed by at least a three-fourths majority of the shares entitled to vote, present in person or by proxy at a meeting for which not less than 21 days written notice is given). The board of directors has no right to amend the constitution.

Corporation Law. Under the Delaware General Corporation Law, the board of directors may amend bylaws if so authorized in the charter. The stockholders of a Delaware corporation also have the power to amend bylaws.

Meetings of Shareholders

Annual and Special Meetings

Typical bylaws provide that annual meetings of stockholders are to be held on a date and at a time fixed by the board of directors. Under the Delaware General Corporation Law, a special meeting of stockholders may be called by the board of directors or by any other person authorized to do so in the certificate of incorporation or the bylaws.

Quorum Requirements

Under the Delaware General Corporation Law, a corporation's certificate of incorporation or bylaws can specify the number of shares which constitute the quorum required to conduct business at a meeting, provided that in no event shall a quorum consist of less than one-third of the shares entitled to vote at a meeting.

Annual General Meetings

All companies are required to hold an annual general meeting once every calendar year. The first annual general meeting was required to be held within 18 months of Kenon's incorporation and subsequently, annual general meetings must be held not more than 15 months after the holding of the last preceding annual general meeting, and in each case, not later than six months from Kenon's financial year end.

Extraordinary General Meetings

Any general meeting other than the annual general meeting is called an "extraordinary general meeting." Two or more members (shareholders) holding not less than 10% of the total number of issued shares (excluding treasury shares) may call an extraordinary general meeting. In addition, the constitution usually also provides that general meetings may be convened in accordance with the Singapore Companies Act by the directors.

Notwithstanding anything in the constitution, the directors are required to convene a general meeting if required to do so by requisition (i.e., written notice to directors requiring that a meeting be called) by shareholder(s) holding not less than 10% of the total number of paid-up shares of Kenon carrying voting rights.

Our constitution provides that the directors may, whenever they think fit, convene an extraordinary general meeting.

Quorum Requirements

Our constitution provides that shareholders entitled to vote holding 33 and 1/3 of our issued and paid-up shares, present in person or by proxy at a meeting, shall be a quorum. In the event a quorum is not present, the meeting may be adjourned for one week.

Indemnification of Officers, Directors and Employers

Under the Delaware General Corporation Law, subject to specified limitations in the case of derivative suits brought by a corporation's stockholders in its name, a corporation may indemnify any person who is made a party to any third-party action, suit or proceeding on account of being a director, officer, employee or agent of the corporation (or was serving at the

The Singapore Companies Act specifically provides that Kenon is allowed to:

- purchase and maintain for any officer insurance against any liability attaching to such officer in respect of any negligence, default, breach of duty or breach of trust in relation to Kenon;

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request of the corporation in such capacity for another corporation, partnership, joint venture, trust or other enterprise) against expenses, including attorney's fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with the action, suit or proceeding through, among other things, a majority vote of a quorum consisting of directors who were not parties to the suit or proceeding, if the person:

- acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation or, in some circumstances, at least not opposed to its best interests; and
- in a criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful.

Delaware corporate law permits indemnification by a corporation under similar circumstances for expenses (including attorneys' fees) actually and reasonably incurred by such persons in connection with the defense or settlement of a derivative action or suit, except that no indemnification may be made in respect of any claim, issue or matter as to which the person is adjudged to be liable to the corporation unless the Delaware Court of Chancery or the court in which the action or suit was brought determines upon application that the person is fairly and reasonably entitled to indemnity for the expenses which the court deems to be proper.

To the extent a director, officer, employee or agent is successful in the defense of such an action, suit or proceeding, the corporation is required by Delaware corporate law to indemnify such person for reasonable expenses incurred thereby. Expenses (including attorneys' fees) incurred by such persons in defending any action, suit or proceeding may be paid in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of that person to repay the amount if it is ultimately determined that that person is not entitled to be so indemnified.

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- indemnify such officer against liability incurred by a director to a person other than Kenon except when the indemnity is against (i) any liability of the director to pay a fine in criminal proceedings or a sum payable to a regulatory authority by way of a penalty in respect of non-compliance with any requirement of a regulatory nature (however arising); or (ii) any liability incurred by the officer (1) in defending criminal proceedings in which he is convicted, (2) in defending civil proceedings brought by Kenon or a related company of Kenon in which judgment is given against him or (3) in connection with an application for relief under specified sections of the Singapore Companies Act in which the court refuses to grant him relief.
- indemnify any auditor against any liability incurred or to be incurred by such auditor in defending any proceedings (whether civil or criminal) in which judgment is given in such auditor's favor or in which such auditor is acquitted; or
- indemnify any auditor against any liability incurred by such auditor in connection with any application under specified sections of the Singapore Companies Act in which relief is granted to such auditor by a court.

In cases where, inter alia, an officer is sued by Kenon the Singapore Companies Act gives the court the power to relieve directors either wholly or partially from the consequences of their negligence, default, breach of duty or breach of trust. However, Singapore case law has indicated that such relief will not be granted to a director who has benefited as a result of his or her breach of trust. In order for relief to be obtained, it must be shown that (i) the director acted reasonably; (ii) the director acted honestly; and (iii) it is fair, having regard to all the circumstances of the case including those connected with such director's appointment, to excuse the director.

Our constitution currently provides that, subject to the provisions of the Singapore Companies Act and every other act for the time being in force concerning companies and affecting Kenon, every director, auditor, secretary or other officer of Kenon and its subsidiaries and affiliates shall be entitled to be indemnified by Kenon against all liabilities incurred by him in the execution and discharge of his duties and where he serves at the request of Kenon as a director, officer, employee or agent of any subsidiary or affiliate of Kenon or in relation thereto, including any liability incurred by him in defending any proceedings, whether civil or criminal, which relate to anything done or omitted or alleged to have been done or omitted by him as an officer or employee of Kenon, and in which judgment is given in his favor (or the proceedings

otherwise disposed of without any finding or admission of any material breach of duty on his part) or in which he is acquitted, or in connection with an application under statute in respect of such act or omission in which relief is granted to him by the court.

Shareholder Approval of Business Combinations

Generally, under the Delaware General Corporation Law, completion of a merger, consolidation, or the sale, lease or exchange of substantially all of a corporation's assets or dissolution requires approval by the board of directors and by a majority (unless the certificate of incorporation requires a higher percentage) of outstanding stock of the corporation entitled to vote.

The Delaware General Corporation Law also requires a special vote of stockholders in connection with a business combination with an "interested stockholder" as defined in section 203 of the Delaware General Corporation Law. For further information on such provisions, see "*Interested Shareholders*" above.

The Singapore Companies Act mandates that specified corporate actions require approval by the shareholders in a general meeting, notably:

- notwithstanding anything in Kenon's constitution, directors are not permitted to carry into effect any proposals for disposing of the whole or substantially the whole of Kenon's undertaking or property unless those proposals have been approved by shareholders in a general meeting;
- subject to the constitution of each amalgamating company, an amalgamation proposal must be approved by the shareholders of each amalgamating company via special resolution at a general meeting; and
- notwithstanding anything in Kenon's constitution, the directors may not, without the prior approval of shareholders, issue shares, including shares being issued in connection with corporate actions.

Shareholder Action Without a Meeting

Under the Delaware General Corporation Law, unless otherwise provided in a corporation's certificate of incorporation, any action that may be taken at a meeting of stockholders may be taken without a meeting, without prior notice and without a vote if the holders of outstanding stock, having not less than the minimum number of votes that would be necessary to authorize such action, consent in writing. It is not uncommon for a corporation's certificate of incorporation to prohibit such action.

There are no equivalent provisions under the Singapore Companies Act in respect of passing shareholders' resolutions by written means that apply to public companies listed on a securities exchange.

Shareholder Suits

Under the Delaware General Corporation Law, a stockholder may bring a derivative action on behalf of the corporation to enforce the rights of the corporation. An individual also may commence a class action suit on behalf of himself or herself and other similarly situated stockholders where the requirements for maintaining a class action under the Delaware General Corporation Law have been met. A person may institute and maintain such a suit only if such person was a stockholder at the time of the transaction which is the subject of the suit or his or her shares thereafter devolved upon him or her by operation of law. Additionally, under Delaware case law, the plaintiff generally must be a stockholder not only at the time of the transaction which is the subject of the suit, but also through the duration of the derivative suit. The Delaware General Corporation Law also requires that the derivative plaintiff make

Derivative actions

The Singapore Companies Act has a provision which provides a mechanism enabling shareholders to apply to the court for leave to bring a derivative action on behalf of Kenon.

Applications are generally made by shareholders of Kenon or individual directors, but courts are given the discretion to allow such persons as they deem proper to apply (e.g., beneficial owner of shares).

It should be noted that this provision of the Singapore Companies Act is primarily used by minority shareholders to bring an action in the name and on

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a demand on the directors of the corporation to assert the corporate claim before the suit may be prosecuted by the derivative plaintiff, unless such demand would be futile.

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behalf of Kenon or intervene in an action to which Kenon is a party for the purpose of prosecuting, defending or discontinuing the action on behalf of Kenon.

Class actions

The concept of class action suits, which allows individual shareholders to bring an action seeking to represent the class or classes of shareholders, generally does not exist in Singapore. However, it is possible as a matter of procedure for a number of shareholders to lead an action and establish liability on behalf of themselves and other shareholders who join in or who are made parties to the action.

These shareholders are commonly known as “lead plaintiffs.” Further, there are circumstances under the provisions of certain Singapore statutes where shareholders may file and prove their claims for compensation in the event that Kenon has been convicted of a criminal offense or has a court order for the payment of a civil penalty made against it.

Additionally, for as long as Kenon is listed in the U.S. or in Israel, Kenon has undertaken not to claim that it is not subject to any derivative/class action that may be filed against it in the U.S. or Israel, as applicable, solely on the basis that it is a Singapore company.

Dividends or Other Distributions; Repurchases and Redemptions

The Delaware General Corporation Law permits a corporation to declare and pay dividends out of statutory surplus or, if there is no surplus, out of net profits for the fiscal year in which the dividend is declared and/or for the preceding fiscal year as long as the amount of capital of the corporation following the declaration and payment of the dividend is not less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets.

Under the Delaware General Corporation Law, any corporation may purchase or redeem its own shares, except that generally it may not purchase or redeem these shares if the capital of the corporation is impaired at the time or would become impaired as a result of the redemption. A corporation may, however, purchase or redeem out of capital shares that are entitled upon any distribution of its assets to a preference over another class or series of its shares if the shares are to be retired and the capital reduced.

The Singapore Companies Act provides that no dividends can be paid to shareholders except out of profits.

The Singapore Companies Act does not provide a definition on when profits are deemed to be available for the purpose of paying dividends and this is accordingly governed by case law. Our constitution provides that no dividend can be paid otherwise than out of profits of Kenon.

Acquisition of a company's own shares

The Singapore Companies Act generally prohibits a company from acquiring its own shares subject to certain exceptions. Any contract or transaction by which a company acquires or transfers its own shares is void. However, provided that it is expressly permitted to do so by its constitution and subject to the special conditions of each permitted acquisition contained in the Singapore Companies Act, Kenon may:

- redeem redeemable preference shares (the redemption of these shares will not reduce the capital of Kenon). Preference shares may be redeemed out of capital if all the directors make a solvency statement in relation to such redemption in accordance with the Singapore Companies Act;

- whether listed on a securities exchange (in Singapore or outside Singapore) or not, make an off-market purchase of its own shares in accordance with an equal access scheme authorized in advance at a general meeting;
- whether listed on a securities exchange (in Singapore or outside Singapore), make a selective off-market purchase of its own shares in accordance with an agreement authorized in advance at a general meeting by a special resolution where persons whose shares are to be acquired and their associated persons have abstained from voting; and
- whether listed on a securities exchange (in Singapore or outside Singapore) or not, make an acquisition of its own shares under a contingent purchase contract which has been authorized in advance at a general meeting by a special resolution.

Kenon may also purchase its own shares by an order of a Singapore court.

The total number of ordinary shares that may be acquired by Kenon in a relevant period may not exceed 20% of the total number of ordinary shares in that class as of the date of the resolution pursuant to the relevant share repurchase provisions under the Singapore Companies Act. Where, however, Kenon has reduced its share capital by a special resolution or a Singapore court made an order to such effect, the total number of ordinary shares shall be taken to be the total number of ordinary shares in that class as altered by the special resolution or the order of the court. Payment must be made out of Kenon's distributable profits or capital, provided that Kenon is solvent. Such payment may include any expenses (including brokerage or commission) incurred directly in the purchase or acquisition by Kenon of its ordinary shares.

Financial assistance for the acquisition of shares

Kenon may not give financial assistance to any person whether directly or indirectly for the purpose of:

- the acquisition or proposed acquisition of shares in Kenon or units of such shares; or
- the acquisition or proposed acquisition of shares in its holding company or ultimate holding company, as the case may be, or units of such shares.

Financial assistance may take the form of a loan, the giving of a guarantee, the provision of security, the release of an obligation, the release of a debt or otherwise.

However, it should be noted that Kenon may provide financial assistance for the acquisition of its shares or shares in its holding company if it complies with the requirements (including, where applicable, approval by the board of directors or by the passing of a special resolution by its shareholders) set out in the Singapore Companies Act. Our constitution provides that subject to the provisions of the Singapore Companies Act, we may purchase or otherwise acquire our own shares upon such terms and subject to such conditions as we may deem fit. These shares may be held as treasury shares or cancelled as provided in the Singapore Companies Act or dealt with in such manner as may be permitted under the Singapore Companies Act. On cancellation of the shares, the rights and privileges attached to those shares will expire.

Transactions with Officers and Directors

Under the Delaware General Corporation Law, some contracts or transactions in which one or more of a corporation's directors has an interest are not void or voidable because of such interest provided that some conditions, such as obtaining the required approval and fulfilling the requirements of good faith and full disclosure, are met. Under the Delaware General Corporation Law, either (a) the stockholders or the board of directors must approve in good faith any such contract or transaction after full disclosure of the material facts or (b) the contract or transaction must have been "fair" as to the corporation at the time it was approved. If board approval is sought, the contract or transaction must be approved in good faith by a majority of disinterested directors after full disclosure of material facts, even though less than a majority of a quorum.

Under the Singapore Companies Act, the chief executive officer and directors are not prohibited from dealing with Kenon, but where they have an interest in a transaction with Kenon, that interest must be disclosed to the board of directors. In particular, the chief executive officer and every director who is in any way, whether directly or indirectly, interested in a transaction or proposed transaction with Kenon must, as soon as practicable after the relevant facts have come to such officer or director's knowledge, declare the nature of such officer or director's interest at a board of directors' meeting or send a written notice to Kenon containing details on the nature, character and extent of his interest in the transaction or proposed transaction with Kenon.

In addition, a director or chief executive officer who holds any office or possesses any property which, directly or indirectly, duties or interests might be created in conflict with such officer's duties or interests as director or chief executive officer, is required to declare the fact and the nature, character and extent of the conflict at a meeting of directors or send a written notice to Kenon containing details on the nature, character and extent of the conflict.

The Singapore Companies Act extends the scope of this statutory duty of a director or chief executive officer to disclose any interests by pronouncing that an interest of a member of the director's or, as the case may be, the chief executive officer's family (including spouse, son, adopted son, step-son, daughter, adopted daughter and step-daughter) will be treated as an interest of the director.

There is however no requirement for disclosure where the interest of the director or chief executive officer (as

the case may be) consists only of being a member or creditor of a corporation which is interested in the proposed transaction with Kenon if the interest may properly be regarded as immaterial. Where the proposed transaction relates to any loan to Kenon, no disclosure need be made where the director or chief executive officer has only guaranteed or joined in guaranteeing the repayment of such loan, unless the constitution provides otherwise.

Further, where the proposed transaction is to be made with or for the benefit of a related corporation (i.e. the holding company, subsidiary or subsidiary of a common holding company) no disclosure need be made of the fact that the director or chief executive officer is also a director or chief executive officer of that corporation, unless the constitution provides otherwise.

Subject to specified exceptions, including a loan to a director for expenditure in defending criminal or civil proceedings, etc. or in connection with an investigation, or an action proposed to be taken by a regulatory authority in connection with any alleged negligence, default, breach of duty or breach of trust by him in relation to Kenon, the Singapore Companies Act prohibits Kenon from: (i) making a loan or quasi-loan to its directors or to directors of a related corporation (each, a “relevant director”); (ii) giving a guarantee or security in connection with a loan or quasi-loan made to a relevant director by any other person; (iii) entering into a credit transaction as creditor for the benefit of a relevant director; (iv) giving a guarantee or security in connection with such credit transaction entered into by any person for the benefit of a relevant director; (v) taking part in an arrangement where another person enters into any of the transactions in (i) to (iv) above or (vi) below and such person obtains a benefit from Kenon or a related corporation; or (vi) arranging for the assignment to Kenon or assumption by Kenon of any rights, obligations or liabilities under a transaction in (i) to (v) above. Kenon is also prohibited from entering into the transactions in (i) to (vi) above with or for the benefit of a relevant director’s spouse or children (whether adopted or naturally or step-children).

Dissenters’ Rights

Under the Delaware General Corporation Law, a stockholder of a corporation participating in some types of major corporate transactions may, under varying circumstances, be entitled to appraisal rights pursuant to which the stockholder may receive cash in the amount of the fair market value of his or her shares in lieu of the consideration he or she would otherwise receive in the transaction.

There are no equivalent provisions under the Singapore Companies Act.

Cumulative Voting

Under the Delaware General Corporation Law, a corporation may adopt in its bylaws that its directors shall be elected by cumulative voting. When directors are elected by cumulative voting, a stockholder has the number of votes equal to the number of shares held by such stockholder times the number of directors nominated for election. The stockholder may cast all of such votes for one director or among the directors in any proportion.

There is no equivalent provision under the Singapore Companies Act in respect of companies incorporated in Singapore.

Anti-Takeover Measures

Under the Delaware General Corporation Law, the certificate of incorporation of a corporation may give the board the right to issue new classes of preferred stock with voting, conversion, dividend distribution, and other rights to be determined by the board at the time of issuance, which could prevent a takeover attempt and thereby preclude shareholders from realizing a potential premium over the market value of their shares.

In addition, Delaware law does not prohibit a corporation from adopting a stockholder rights plan, or “poison pill,” which could prevent a takeover attempt and also preclude shareholders from realizing a potential premium over the market value of their shares.

The constitution of a Singapore company typically provides that the company may allot and issue new shares of a different class with preferential, deferred, qualified or other special rights as its board of directors may determine with the prior approval of the company’s shareholders in a general meeting. Our constitution provides that our shareholders may grant to our board the general authority to issue such preference shares until the next general meeting. For further information, see “*Item 3D. Risk Factors—Risks Relating to Our Ordinary Shares—Our directors have general authority to allot and issue new shares on terms and conditions and with any preferences, rights or restrictions as may be determined by our board of directors in its sole discretion,*” and “*Item 10B. Memorandum and Articles of Association—Preference Shares.*”

Singapore law does not generally prohibit a corporation from adopting “poison pill” arrangements which could prevent a takeover attempt and also preclude shareholders from realizing a potential premium over the market value of their shares.

However, under the Singapore Code on Take-overs and Mergers, if, in the course of an offer, or even before the date of the offer announcement, the board of the offeree company has reason to believe that a bona fide offer is imminent, the board must not, except pursuant to a contract entered into earlier, take any action, without the approval of shareholders at a general meeting, on the affairs of the offeree company that could effectively result in any bona fide offer being frustrated or the shareholders being denied an opportunity to decide on its merits.

For further information on the Singapore Code on Take-overs and Mergers, see “*Item 10B. Memorandum and Articles of Association—Takeovers.*”

C. Material Contracts

For information concerning our material contracts, see “*Item 4. Information on the Company*” and “*Item 5. Operating and Financial Review and Prospects.*”

D. Exchange Controls

There are currently no exchange control restrictions in effect in Singapore.

E. Taxation

The following summary of the United States federal income tax and Singapore tax consequences of ownership of our ordinary shares is based upon laws, regulations, decrees, rulings, income tax conventions (treaties), administrative practice and judicial decisions in effect at the date of this annual report. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of our ordinary shares. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of our ordinary shares. Each prospective holder is urged to consult its tax adviser as to the particular tax consequences to such holder of the ownership and disposition of our ordinary shares, including the applicability and effect of any other tax laws or tax treaties, of pending or proposed changes in applicable tax laws as of the date of this annual report, and of any actual changes in applicable tax laws after such date.

U.S. Federal Income Tax Considerations

The following summarizes U.S. federal income tax considerations of owning and disposing of our ordinary shares. This summary applies only to U.S. Holders that hold our ordinary shares as capital assets (generally, property held for investment) and that have the U.S. Dollar as their functional currency.

This summary is based on the Internal Revenue Code of 1986, as amended, or the Code, Treasury regulations promulgated thereunder and on judicial and administrative interpretations of the Code and the Treasury regulations, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. This summary does not purport to be a complete description of the consequences of the transactions described in this annual report, nor does it address the application of estate, gift or other non-income federal tax laws or any state, local or foreign tax laws. The tax treatment of a holder of our ordinary shares may vary depending upon that holder's particular situation. Moreover, this summary does not address certain holders that may be subject to special rules not discussed below, such as (but not limited to):

- persons that are not U.S. Holders;
- persons that are subject to alternative minimum taxes;
- insurance companies;
- tax-exempt entities;
- financial institutions;
- broker-dealers;
- persons that hold our ordinary shares through partnerships (or other entities classified as partnerships for U.S. federal income tax purposes);
- pass-through entities;
- persons that actually or constructively own 10% or more of the total combined voting power of all classes of our voting stock;
- traders in securities that elect to apply a mark-to-market method of accounting, holders that hold our ordinary shares as part of a "hedge," "straddle," "conversion," or other risk reduction transaction for U.S. federal income tax purposes; and
- individuals who receive our ordinary shares upon the exercise of compensatory options or otherwise as compensation.

Moreover, no advance rulings have been or will be sought from the U.S. Internal Revenue Service, or IRS, regarding any matter discussed in this annual report, and counsel to Kenon has not rendered any opinion with respect to any of the U.S. federal income tax consequences relating to the transactions addressed herein. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax aspects set forth below.

HOLDERS AND PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE, LOCAL, NON-U.S. AND OTHER TAX CONSEQUENCES TO THEM OF THE OWNERSHIP AND DISPOSITION OF OUR ORDINARY SHARES.

For purposes of this summary, a “U.S. Holder” is a beneficial owner of our ordinary shares that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in the United States or under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (or other entity taxable as a partnership for U.S. federal income tax purposes) holds our ordinary shares, the tax treatment of a partner in such partnership will generally depend upon the status of the partner and the activities of the partnership. If you are a partner in a partnership holding our ordinary shares, you should consult your tax advisor.

Taxation of Dividends and Other Distributions on the Ordinary Shares

The gross amount of any distribution made to a U.S. Holder with respect to our ordinary shares, including the amount of any non-U.S. taxes withheld from the distribution, generally will be includible in income on the day on which the distribution is actually or constructively received by a U.S. Holder as dividend income to the extent the distribution is paid out of our current or accumulated earnings and profits as determined for U.S. federal income tax purposes. A distribution in excess of our current and accumulated earnings and profits (as determined for U.S. federal income tax purposes), including the amount of any non-U.S. taxes withheld from the distribution, will be treated as a non-taxable return of capital to the extent of the U.S. Holder’s adjusted basis in our ordinary shares and as a capital gain to the extent it exceeds the U.S. Holder’s basis. We do not expect to maintain calculations of our earnings and profits under U.S. federal income tax principles, therefore, U.S. Holders should expect that distributions generally will be treated as dividends for U.S. federal income tax purposes. Such dividends will not be eligible for the dividends-received deduction generally allowed to U.S. corporations.

Distributions treated as dividends that are received by a non-corporate U.S. Holder (including an individual) from “qualified foreign corporations” generally qualify for a reduced maximum tax rate so long as certain holding period and other requirements are met. Dividends paid on our ordinary shares, should qualify for the reduced rate if we are treated as a “qualified foreign corporation.” For this purpose, a qualified foreign corporation means any foreign corporation provided that: (i) the corporation was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a PFIC (as discussed below), (ii) certain holding period requirements are met and (iii) either (A) the corporation is eligible for the benefits of a comprehensive income tax treaty with the United States that the IRS has approved for the purposes of the qualified dividend rules or (B) the stock with respect to which such dividend was paid is readily tradable on an established securities market in the United States. The United States does not currently have a comprehensive income tax treaty with Singapore. However, the ordinary shares should be considered to be readily tradable on established securities markets in the United States if they are listed on the NYSE. Therefore, we expect that our ordinary shares should generally be considered to be readily tradable on an established securities market in the United States, and we expect that dividends with respect to such ordinary shares should qualify for the reduced rate. U.S. Holders are encouraged to consult their tax advisors regarding the availability of the lower rate for dividends paid with respect to our ordinary shares.

If the dividends with respect to our ordinary shares are paid in foreign currency, such dividends will be included in the gross income of a U.S. Holder in an amount equal to the U.S. Dollar value of the foreign currency received calculated by reference to the spot exchange rate in effect on the date the dividend is actually or constructively received by the U.S. Holder, regardless of whether the foreign currency is converted into U.S. Dollars. If the foreign currency received as a dividend is not converted into U.S. Dollars on the date of receipt, a U.S. Holder will have a tax basis in the foreign currency equal to its U.S. Dollar value on the date of actual or constructive receipt. Any gain or loss recognized by a U.S. Holder on a subsequent conversion or other disposition of the foreign currency generally will be foreign currency gain or loss, which is treated as U.S. source ordinary income or loss, and will not be treated as a dividend. If dividends paid in foreign currency are converted into U.S. Dollars on the day they are actually or constructively received, the U.S. Holder generally will not be required to recognize foreign currency gain or loss in respect of the disposition of the foreign currency.

Dividends on our ordinary shares received by a U.S. Holder will generally be treated as foreign source income for U.S. foreign tax credit purposes. The rules with respect to foreign tax credits are complex and U.S. Holders should consult their tax advisors regarding the availability of the foreign tax credit in their particular circumstances.

Taxation of Dispositions of the Ordinary Shares

A U.S. Holder will recognize gain or loss on the sale or other taxable disposition of our ordinary shares in an amount equal to the difference between the amount realized on such sale or other taxable disposition and such U.S. Holder's adjusted tax basis in our ordinary shares. The initial tax basis of our ordinary shares to a U.S. Holder that received such ordinary shares in the distribution generally will equal the fair market value (in U.S. Dollars) of such ordinary shares on the distribution date. Such gain or loss generally will be long-term capital gain (taxable at a reduced rate for non-corporate U.S. Holders) or loss if, on the date of sale or disposition, such ordinary shares were held by such U.S. Holder for more than one year. The deductibility of capital losses is subject to significant limitations. Gain or loss, if any, recognized by a U.S. Holder generally will be treated as U.S. source gain or loss, as the case may be for foreign tax credit purposes.

The amount realized on a sale or other disposition of our ordinary shares for foreign currency generally will equal the U.S. Dollar value of the foreign currency at the spot exchange rate in effect on the date of sale or other disposition or, if the ordinary shares are traded on an established securities market (such as the NYSE or the TASE), in the case of a cash method or electing accrual method U.S. Holder of our ordinary shares, the settlement date. A U.S. Holder will have a tax basis in the foreign currency received equal to the U.S. Dollar amount realized. Any gain or loss realized by a U.S. Holder on a subsequent conversion or other disposition of the foreign currency will be foreign currency gain or loss, which is treated as U.S. source ordinary income or loss for foreign tax credit purposes.

Passive Foreign Investment Company

In general, a non-U.S. corporation will be classified as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for any taxable year in which either (i) 75% or more of its gross income consists of certain types of "passive" income or (ii) 50% or more of the fair market value of its assets (determined on the basis of a quarterly average) produce or are held for the production of passive income. For this purpose, cash is categorized as a passive asset and our unbooked intangibles will be taken into account and generally treated as non-passive assets. We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, 25% or more (by value) of the shares.

We do not believe that we were a PFIC for the taxable year ended December 31, 2015. We do not anticipate being a PFIC for our current taxable year or in the foreseeable future, although we can make no assurances in this regard. Our status as a PFIC in any year depends on our assets and activities in that year. We have no reason to believe that our assets or activities will change in a manner that would cause us to be classified as a PFIC for the current taxable year or for any future year. Because, however, PFIC status is factual in nature and generally cannot be determined until the close of the taxable year, there can be no assurance that we will not be considered a PFIC for any taxable year.

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ordinary shares, the U.S. Holder will generally be subject to imputed interest taxes, characterization of any gain from the sale or exchange of our ordinary shares as ordinary income, and other disadvantageous tax treatment with respect to our ordinary shares unless the U.S. Holder makes a mark-to-market election (as described below). Further, if we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ordinary shares and any of our non-U.S. subsidiaries is also a PFIC, such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of each such non-U.S. subsidiary classified as a PFIC (each such subsidiary, a lower tier PFIC) for purposes of the application of these rules. U.S. Holders should consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

As an alternative to the foregoing rules, a U.S. Holder of "marketable stock" in a PFIC may make a mark-to-market election. A mark-to-market election may be made with respect to our ordinary shares, provided they are actively traded, defined for this purpose as being traded on a "qualified exchange," other than in de minimis quantities, on at least 15 days during each calendar quarter. We anticipate that our ordinary shares should qualify as being actively traded, but no assurances may be given in this regard. If a U.S. Holder of our ordinary shares makes this election, the U.S. Holder will generally (i) include as income for each taxable year the excess, if any, of the fair market value of our ordinary shares held at the end of the taxable year over the adjusted tax basis of such ordinary shares and (ii) deduct as a loss the excess, if any, of the adjusted tax basis of our ordinary shares over the fair market value of such ordinary shares held at the end of the taxable year, but only to

the extent of the net amount previously included in income as a result of the mark-to-market election. The U.S. Holder's adjusted tax basis in our ordinary shares would be adjusted to reflect any income or loss resulting from the mark-to-market election. In addition, any gain such U.S. Holder recognizes upon the sale or other disposition of our ordinary shares will be treated as ordinary income and any loss will be treated as ordinary loss, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. If a U.S. Holder makes a mark-to-market election in respect of a corporation classified as a PFIC and such corporation ceases to be classified as a PFIC, the U.S. Holder will not be required to take into account the gain or loss described above during any period that such corporation is not classified as a PFIC. In the case of a U.S. Holder who has held our ordinary shares during any taxable year in respect of which we were classified as a PFIC and continues to hold such ordinary shares (or any portion thereof) and has not previously made a mark-to-market election, and who is considering making a mark-to-market election, special tax rules may apply relating to purging the PFIC taint of such ordinary shares. Because a mark-to-market election cannot be made for any lower tier PFICs that we may own, a U.S. Holder may continue to be subject to the PFIC rules with respect to such U.S. Holder's indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes.

We do not intend to provide the information necessary for U.S. Holders of our ordinary shares to make qualified electing fund elections, which, if available, would result in tax treatment different from the general tax treatment for PFICs described above.

If a U.S. Holder owns our ordinary shares during any taxable year that we are a PFIC, such U.S. Holder may be subject to certain reporting obligations with respect to our ordinary shares, including reporting on IRS Form 8621.

Each U.S. Holder should consult its tax adviser concerning the U.S. federal income tax consequences of purchasing, holding, and disposing of our ordinary shares if we are or become classified as a PFIC, including the possibility of making a mark-to-market election.

Material Singapore Tax Considerations

The following discussion is a summary of Singapore income tax, goods and services tax, or GST, stamp duty and estate duty considerations relevant to the acquisition, ownership and disposition of our ordinary shares by an investor who is not tax resident or domiciled in Singapore and who does not carry on business or otherwise have a presence in Singapore. The statements made herein regarding taxation are general in nature and based upon certain aspects of the current tax laws of Singapore and administrative guidelines issued by the relevant authorities in force as of the date hereof and are subject to any changes in such laws or administrative guidelines or the interpretation of such laws or guidelines occurring after such date, which changes could be made on a retrospective basis. The statements made herein do not purport to be a comprehensive or exhaustive description of all of the tax considerations that may be relevant to a decision to acquire, own or dispose of our ordinary shares and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules. Prospective shareholders are advised to consult their tax advisers as to the Singapore or other tax consequences of the acquisition, ownership of or disposal of our ordinary shares, taking into account their own particular circumstances. The statements below are based upon the assumption that Kenon is tax resident in Singapore for Singapore income tax purposes. It is emphasized that neither Kenon nor any other persons involved in this annual report accepts responsibility for any tax effects or liabilities resulting from the acquisition, holding or disposal of our ordinary shares.

Income Taxation Under Singapore Law

Dividends or Other Distributions with Respect to Ordinary Shares

Under the one-tier corporate tax system which currently applies to all Singapore tax resident companies, tax on corporate profits is final, and dividends paid by a Singapore tax resident company will be tax exempt in the hands of a shareholder, whether or not the shareholder is a company or an individual and whether or not the shareholder is a Singapore tax resident.

Capital Gains upon Disposition of Ordinary Shares

Under current Singapore tax laws, there is no tax on capital gains. There are no specific laws or regulations which deal with the characterization of whether a gain is income or capital in nature. Gains arising from the disposal of our ordinary shares may be construed to be of an income nature and subject to Singapore income tax, if they arise from activities which the Inland Revenue Authority of Singapore regards as the carrying on of a trade or business in Singapore. However, under Singapore tax laws, any gains derived by a divesting company from its disposal of ordinary shares in an investee company between June 1, 2012 and May 31, 2022 are generally not taxable if immediately prior to the date of the relevant disposal, the investing company has held at least 20% of the ordinary shares in the investee company for a continuous period of at least 24 months.

Goods and Services Tax

The issue or transfer of ownership of our ordinary shares should be exempt from Singapore GST. Hence, the holders would not incur any GST on the subscription or subsequent transfer of the shares.

Stamp Duty

Where our ordinary shares evidenced in certificated forms are acquired in Singapore, stamp duty is payable on the instrument of their transfer at the rate of 0.2% of the consideration for or market value of our ordinary shares, whichever is higher.

Where an instrument of transfer is executed outside Singapore or no instrument of transfer is executed, no stamp duty is payable on the acquisition of our ordinary shares. However, stamp duty may be payable if the instrument of transfer is executed outside Singapore and is received in Singapore. The stamp duty is borne by the purchaser unless there is an agreement to the contrary.

On the basis that any transfer instruments in respect of our ordinary shares traded on the NYSE and the TASE are executed outside Singapore through our transfer agent and share registrar in the United States for registration in our branch share register maintained in the United States (without any transfer instruments being received in Singapore), no stamp duty should be payable in Singapore on such transfers.

Tax Treaties Regarding Withholding Taxes

There is no comprehensive avoidance of double taxation agreement between the United States and Singapore which applies to withholding taxes on dividends or capital gains.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to the information reporting requirements of the Exchange Act applicable to foreign private issuers, and under those requirements will file reports with the SEC. Those other reports or other information and this annual report may be inspected without charge at 1 Temasek Avenue #36-01, Millenia Tower, Singapore 039192 and inspected and copied at the public reference facilities of the SEC located at 100 F Street, N.E., Washington, D.C. 20549. You may also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, N.E., Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC also maintains a website at <http://www.sec.gov> from which certain filings may be accessed.

As a foreign private issuer, we will be exempt from the rules under the Exchange Act related to the furnishing and content of proxy statements, and our officers, directors and principal shareholders will be exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we will not be required under the Exchange Act to file annual, quarterly and current reports and financial statements with the SEC as frequently or as promptly as United States companies whose securities are registered under the Exchange Act. However, for so long as we are listed on the NYSE, or any other U.S. exchange, and are registered with the SEC, we will file with the SEC, within 120 days after the end of each fiscal year, or such applicable time as required by the SEC, an annual report on Form 20-F containing financial statements audited by an independent registered public accounting firm, and will submit to the SEC, on a Form 6-K, unaudited quarterly financial information for the first three quarters of each year.

We maintain a corporate website at <http://www.kenon-holdings.com>. Information contained on, or that can be accessed through, our website does not constitute a part of this annual report on Form 20-F. We have included our website address in this annual report solely as an inactive textual reference.

I. Subsidiary Information

Not applicable.

ITEM 11. Quantitative and Qualitative Disclosures about Market Risk

Our multinational operations expose us to a variety of market risks, which embody the potential for changes in the fair value of the financial instruments or the cash flows deriving from them. Our risk management policies and those of each of our businesses seek to limit the adverse effects of these market risks on the financial performance of each of our businesses and, consequently, on our consolidated financial performance. Each of our businesses bear responsibility for the establishment and oversight of their financial risk management framework and have adopted individualized risk management policies to address those risks specific to their operations.

Our primary market risk exposures are to:

- currency risk, as a result of changes in the rates of exchange of various foreign currencies (in particular, the Euro and the New Israeli Shekel) in relation to the U.S. Dollar, our functional currency and the currency against which we measure our exposure;
- index risk, as a result of changes in the Consumer Price Index;
- interest rate risk, as a result of changes in the market interest rates affecting certain of our businesses' issuance of debt and related financial instruments; and
- price risk, as a result of changes in market prices, such as the price of certain commodities (e.g., natural gas and heavy fuel oil).

For further information on our market risks and the sensitivity analyses of these risks, see Note 30—Financial Instruments to our financial statements included in this annual report.

ITEM 12. Description of Securities Other than Equity Securities

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Not applicable.

PART II

ITEM 13. Defaults, Dividend Arrearages and Delinquencies

None.

ITEM 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

ITEM 15. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this annual report, as required by Rule 13a-15(b) under the Exchange Act. Based upon this evaluation, our management, with the participation of our chief executive officer and chief financial officer, has concluded that, as of the end of the period covered by this annual report, our disclosure controls and procedures were effective in ensuring that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in by the SEC's rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate "internal control over financial reporting," as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. These rules define internal control over financial reporting as a process designed by, or under the supervision of, a company's chief executive officer and chief financial officer and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Our management has assessed the design and operating effectiveness of our internal control over financial reporting as of December 31, 2015. This assessment was performed under the direction and supervision of our chief executive officer and chief financial officer, and based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, management concluded that as of December 31, 2015, our internal control over financial reporting was effective.

The effectiveness of our internal control over financial reporting as of December 31, 2015 has been audited by our independent registered public accounting firm and their report thereon is included elsewhere in this annual report.

Changes in Internal Control over Financial Reporting

In 2015, we commenced our plan to strengthen our internal controls over financial reporting within the Kenon group as part of our implementation of Section 404 of the Sarbanes-Oxley Act. As part of this process, we formalized (i) financial reporting policies for various key areas, including, disclosure controls and procedures; (ii) processes to promote effective upward communication between us and our subsidiaries and associated companies; and (iii) management review controls to identify, record, process and summarize both financial and non-financial information.

We believe these steps have enhanced the quality of our internal controls and procedures as of December 31, 2015.

Inherent Limitations of Disclosure Controls and Procedures in Internal Control over Financial Reporting

It should be noted that any system of controls, however well-designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Projections regarding the effectiveness of a system of controls in future periods are subject to the risk that such controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with the policies or procedures.

ITEM 16. [RESERVED]

ITEM 16A. Audit Committee Financial Expert

Our board of directors has determined that Mr. Laurence N. Charney is an “audit committee financial expert” as defined in Item 16A of Form 20-F under the Exchange Act. Our board of directors has also determined that Mr. Laurence N. Charney satisfies the NYSE’s listed company “independence” requirements.

ITEM 16B. Code of Ethics

We have adopted a Code of Ethics that applies to all our employees, officers and directors, including our chief executive officer and our chief financial officer. Our Code of Conduct is available on our website at www.kenon-holdings.com.

ITEM 16C. Principal Accountant Fees and Services

In 2015, KPMG LLP, a member firm of KPMG International, was appointed as our independent registered public accounting firm for the audit of the fiscal year ending December 31, 2015, for which audited financial statements appear in this annual report.

Our audit committee charter requires that all audit and non-audit services provided by our independent auditors are pre-approved by our audit committee, provided that certain de minimis non-audit services provided by our independent auditors do not need to be approved by our audit committee.

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by KPMG LLP, and other member firms within the KPMG network, for the period ended December 31, 2015 and by Somekh Chaikin, a member firm of KPMG International, and other member firms within this network, for the period ended December 31, 2014:

	Year ended December 31, 2015	2014
	<i>(in thousands of USD)</i>	
Audit Fees ¹	\$ 4,189	\$ 930
Audit-Related Fees ²	1,030	—
Tax Fees ³	\$ 394	\$ 158
All Other Fees	—	—
Total	\$ 5,613	\$ 1,088

1. Includes fees billed or accrued for professional services rendered by the principal accountant, and member firms in their respective network, for the audit of our annual financial statements, and those of our consolidated subsidiaries, as well as additional services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements, except for those not required by statute or regulation. The above audit fees for the year ended December 31, 2014 do not include fees of \$150,000 billed or accrued in connection with the principal accountant’s PCAOB audit of ZIM for the years 2012-2014 in connection with Kenon’s statutory and regulatory filings or engagements.
2. The audit-related fees for the year ended December 31, 2015 include fees billed or accrued in connection with IC Power Singapore’s filing of a registration statement on Form F-1 and its contemplated initial public offering.
3. Tax fees consist of fees for professional services rendered during the fiscal year by the principal accountant mainly for tax compliance and assistance with tax audits and appeals.

ITEM 16D. Exemptions from the Listing Standards for Audit Committees

None.

ITEM 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

ITEM 16F. Change in Registrant’s Certifying Accountant

In connection with our spin-off from IC, upon the recommendation of our audit committee and board of directors, on May 28, 2014, Kenon appointed Somekh Chaikin, or KPMG Israel, a member firm of KPMG International and IC’s principal auditor, to serve as the independent registered public accounting firm for the audit of our combined carve-out financial statements for the years ended December 31, 2013 and 2012. These financial statements appeared in our Registration Statement on Form 20-F, dated as of January 5, 2015, which we filed with the SEC in connection with the initial listing of our common shares on the NYSE.

On May 29, 2014, upon the recommendation of our audit committee and board of directors, Kenon appointed KPMG LLP, or KPMG Singapore, to serve as the statutory auditor for the audit of our standalone financial statements for the period ended December 31, 2014. Kenon consulted KPMG Singapore on customary matters relating to this audit and, upon its completion of the audit, KPMG Singapore delivered an independent auditors' report regarding Kenon's standalone financial statements for the period ended December 31, 2014, which report was filed as Exhibit 99.3 to Kenon's Report on Form 6-K, dated as of June 12, 2015.

On February 16, 2015, in connection with the preparation and audit of our financial statements for the year ended December 31, 2014, and upon the recommendation of our audit committee and board of directors, Kenon appointed KPMG Israel to serve as the independent registered public accounting firm for the audit of our combined carve-out financial statements for the years ended December 31, 2014, 2013 and 2012. These financial statements appeared in our Annual Report on Form 20-F for the year ended December 31, 2014.

On May 19, 2015, in connection with the preparation and audit of our financial statements for the year ended December 31, 2015, which financial statements appear in this Form 20-F, Kenon, upon the recommendation of our audit committee and board of directors, re-appointed KPMG Singapore to serve as the statutory auditor for the audit of our standalone financial statements for the year ended December 31, 2015. Kenon also appointed KPMG Singapore to serve as the independent registered public accounting firm for the audit of our consolidated financial statements for the year ended December 31, 2015, and this appointment constituted a dismissal of KPMG Israel as of such date.

Neither of KPMG Israel's report for our combined carve-out financial statements for the years ended December 31, 2014, 2013 and 2012 nor KPMG Israel's report for our combined carve-out financial statements for the years ended December 31, 2013 and 2012 contained an adverse opinion or a disclaimer of opinion, or was qualified or modified as to uncertainty, audit scope, or accounting principles. Additionally, from the date of Kenon's incorporation in March 2014, there were no disagreements between Kenon and KPMG Israel on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which, if not resolved to the satisfaction of KPMG Israel, would have caused KPMG Israel to make reference to the subject matter of such disagreement in connection with its report. None of the "reportable events" described in Item 16F(a)(1)(v) of Form 20-F have occurred since Kenon's incorporation in March 2014.

Other than as disclosed above, prior to May 19, 2015 (the date on which Kenon appointed KPMG Singapore to serve as the independent registered public accounting firm for the audit of our consolidated financial statements for the year ended December 31, 2015), neither Kenon nor anyone acting on its behalf consulted KPMG Singapore regarding the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on Kenon's financial statements, and KPMG Singapore did not provide either a written report or oral advice to Kenon that was an important factor considered by Kenon in reaching a decision as to any accounting, auditing, or financial reporting issue. Kenon has provided KPMG Israel with a copy of the foregoing disclosure and has requested that KPMG Israel furnish a letter addressed to the SEC stating whether KPMG Israel agrees with such disclosure and, if not, stating the respects in which KPMG Israel does not agree. A copy of KPMG Israel's letter is filed herewith as Exhibit 15.6.

ITEM 16G. Corporate Governance

None.

ITEM 16H. Mine Safety Disclosure

Not applicable.

PART III

ITEM 17. Financial Statements

Not applicable.

ITEM 18. Financial Statements

The financial statements and the related notes required by this Item 18 are included in this annual report beginning on page F-1.

ITEM 19. Exhibits

Index to Exhibits

Exhibit Number	Description of Document
1.1	Kenon Holdings Ltd.'s Constitution (Incorporated by reference to Exhibit 1.1 to Amendment No. 1 to Kenon's Registration Statement on Form 20-F, filed on December 19, 2014)
2.1	Form of Specimen Share Certificate for Kenon Holdings Ltd.'s Ordinary Shares (Incorporated by reference to Exhibit 2.1 to Kenon's Annual Report on Form 20-F for the fiscal year ended December 31, 2014, filed on March 31, 2015)
2.2	Registration Rights Agreement, dated as of January 7, 2015, between Kenon Holdings Ltd. and Millenium Investments Elad Ltd. (Incorporated by reference to Exhibit 99.5 to Kenon's Report on Form 6-K, furnished to the SEC on January 8, 2015)
2.3	Registration Rights Agreement, dated as of January 7, 2015, between Kenon Holdings Ltd. and Bank Leumi Le-Israel B.M. (Incorporated by reference to Exhibit 99.6 to Kenon's Report on Form 6-K, furnished to the SEC on January 8, 2015)
2.4	Registration Rights Agreement, dated as of January 7, 2015, between Kenon Holdings Ltd. and XT Investments Ltd. (Incorporated by reference to Exhibit 99.7 to Kenon's Report on Form 6-K, furnished to the SEC on January 8, 2015)
4.1	Sale, Separation and Distribution Agreement, dated as of January 7, 2015, between Israel Corporation Ltd. and Kenon Holdings Ltd. (Incorporated by reference to Exhibit 99.2 to Kenon's Report on Form 6-K, furnished to the SEC on January 8, 2015)
4.2*	Loan Agreement, dated as of January 7, 2015, between Israel Corporation Ltd. and Kenon Holdings Ltd, as supplemented by Supplement No. 1 to the Loan Agreement, dated March 17, 2016
4.3	English translation of Natural Gas Supply Agreement, dated as of January 2, 2006, as amended, among Kallpa Generación S.A., Pluspetrol Peru Corporation S.A., Pluspetrol Camisea S.A., Hunt Oil Company of Peru L.L.C. Sucursal del Peru, SK Corporation Sucursal Peruana, Sonatrach Peru Corporation S.A.C., Tecpetrol del Peru S.A.C. and Repsol Exploración Peru Sucursal del Peru (Incorporated by reference to Exhibit 4.3 to Amendment No. 1 to Kenon's Draft Registration Statement on Form 20-F, filed on August 14, 2014)
4.4	English translation of Natural Gas Transportation Agreement, dated as of December 10, 2007, as amended, between Kallpa Generación S.A. and Transportadora de Gas del Peru S.A. (Incorporated by reference to Exhibit 4.4 to Amendment No. 1 to Kenon's Draft Registration Statement on Form 20-F, filed on August 14, 2014)
4.5*	Turnkey Engineering, Procurement and Construction Contract, dated as of November 4, 2011, among Cerro del Águila S.A., Astaldi S.p.A. and GyM S.A., as amended
4.6	English translation of Contract of Concession, dated as of October 23, 2010, as amended, between the Government of Peru and Kallpa Generación S.A., relating to the provision of electric energy services to the public (Incorporated by reference to Exhibit 4.6 to Amendment No. 1 to Kenon's Draft Registration Statement on Form 20-F, filed on August 14, 2014)
4.7†	Joint Venture Contract, dated as of February 16, 2007, as amended, between Wuhu Chery Automobile Investment Co., Ltd. and Quantum (2007) LLC (Incorporated by reference to Exhibit 4.7 to Amendment No. 1 to Kenon's Registration Statement on Form 20-F, filed on December 19, 2014)
4.8†	Gas Sale and Purchase Agreement, dated as of November 25, 2012, among Noble Energy Mediterranean Ltd., Delek Drilling Limited Partnership, Isramco Negev 2 Limited Partnership, Avner Oil Exploration Limited Partnership, Dor Gas Exploration Limited Partnership, and O.P.C. Rotem Ltd. (Incorporated by reference to Exhibit 10.8 to Amendment No. 1 to IC Power Pte. Ltd.'s Form F-1, filed on November 2, 2015)
4.9	Indenture, dated as of April 4, 2011, between Inkia Energy Limited, as issuer, and Citibank, N.A.as trustee, relating to Inkia Energy Limited's 8.375% Senior Notes due 2021 (Incorporated by reference to Exhibit 4.9 to Kenon's Annual Report on Form 20-F for the fiscal year ended December 31, 2014, filed on March 31, 2015)
4.10	Facility Agreement, dated as of January 2, 2011, among O.P.C. Rotem Ltd., as borrower, Bank Leumi Le-Israel B.M., as arranger and agent, Bank Leumi Le-Israel Trust Company Ltd., as security trustee, and the senior lenders named therein (Incorporated by reference to Exhibit 4.10 to Kenon's Annual Report on Form 20-F for the fiscal year ended December 31, 2014, filed on March 31, 2015)

Exhibit Number	Description of Document
4.11	Credit Agreement, dated as of August 17, 2012, among Cerro del Águila S.A., as borrower, Sumitomo Mitsui Banking Corporation, as administrative agent, and other parties party thereto (Incorporated by reference to Exhibit 4.11 to Kenon's Annual Report on Form 20-F for the fiscal year ended December 31, 2014, filed on March 31, 2015)
4.12*	Guarantee Contract, dated as of June 9, 2015, between Kenon Holdings Ltd. and Chery Automobile Co. Ltd.
4.13*	Guarantee Contract, dated as of November 5, 2015, between Kenon Holdings Ltd. and Chery Automobile Co. Ltd.
4.14*	Stock Purchase Agreement, dated as of December 29, 2015, among IC Power Distribution Holdings PTE, Limited, as Purchaser, Inkia Energy, Limited, as Purchaser Guarantor, DEORSA-DEOCSA Holdings Limited, as Seller, and Estrella Cooperatief BA
4.15*	Pledge Agreement, dated as of March 17, 2016, between Israel Corporation Ltd. and IC Power Pte. Ltd.
4.16*	Security over Shares Agreement, dated as of March 17, 2016, between Israel Corporation Ltd. and Kenon Holdings Ltd.
4.17*	Loan Agreement, dated as of April 22, 2016, between Quantum (2007) LLC, as borrower, and Ansonia Holdings Singapore B.V., as lender
4.18*	Undertaking Agreement, dated as of April 22, 2016, among Qoros Automotive Co., Ltd., Quantum (2007) LLC, Kenon Holdings Ltd., Wuhu Chery Automobile Investment Co., Ltd., Chery Automobiles Limited, and Ansonia Holdings Singapore B.V.
4.19*	Second Amended and Restated Limited Liability Company Agreement of Quantum (2007) LLC, dated as of April 22, 2016
8.1*	List of subsidiaries of Kenon Holdings Ltd.
12.1*	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
12.2*	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
13.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of KPMG LLP, Independent Registered Public Accounting Firm of Kenon Holdings Ltd.
15.2*	Consent of Somekh Chaikin, a Member Firm of KPMG International
15.3*	Consent of KPMG Huazhen LLP, Independent Auditor of Qoros Automotive Co., Ltd.
15.4*	Consent of Caipo y Asociados S. Civil de R.L., Independent Auditors of Generandes Perú S.A.
15.5*	Consent of Brightman Almagor Zohar & Co., a Member Firm of Deloitte Touche Tohmatsu, independent auditor of Tower Semiconductor Ltd.
15.6*	Letter from Somekh Chaikin, a Member Firm of KPMG International, Regarding Item 16F
99.1	Unaudited consolidated financial Statements of Generandes Perú S.A. as of December 31, 2014 and 2013 and for the years ended December 31, 2014 and 2013, and the audited consolidated financial statements of Generandes Perú S.A. as of December 31, 2013, 2012 and 2011 and for the years ended December 31, 2013 and 2012, and the related independent auditors' report thereon, all included on pages F-120 – F-268 of IC Power Pte. Ltd.'s Amendment No. 1 to Registration Statement on Form F-1 (File No. 333-206667), filed on November 2, 2015, and incorporated by reference herein

* Filed herewith.

† Portions of this exhibit have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Exchange Act. Omitted information has been filed separately with the SEC.

Kenon Holdings Ltd and subsidiaries
Consolidated Financial Statements
As at December 31, 2015 and for the year then ended

Kenon Holdings Ltd and combined entities
Combined Financial Statements
As at December 31, 2014 and for the years ended December 31, 2014 and 2013

Kenon Holdings Ltd
Consolidated Financial Statements
as at December 31, 2015 and for the year then ended
Combined Financial Statements
as at December 31, 2014 and for the years ended December 31, 2014 and 2013
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Affiliate Financial Statements Filed Pursuant to Rule 3-09 of Regulation S-X

Qoros Automotive Co., Ltd.

Consolidated Financial Statements for the Year Ended December 31, 2015

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Kenon Holdings Ltd.:

We have audited the accompanying consolidated statement of financial position of Kenon Holdings Ltd. (the “Company”) and subsidiaries as of December 31, 2015, and the related consolidated statements of profit and loss, other comprehensive loss, changes in equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kenon Holdings Ltd. and subsidiaries as of December 31, 2015, and the results of their operations and their cash flows for the year then ended, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Kenon Holdings Ltd.’s internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 8, 2016 expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

/s/ KPMG LLP

Singapore

April 8, 2016

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Kenon Holdings Ltd.:

We have audited Kenon Holdings Ltd.'s internal control over financial reporting as of December 31, 2015, based on *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Kenon Holdings Ltd.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Kenon Holdings Ltd. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial position of Kenon Holdings Ltd. and subsidiaries as of December 31, 2015, and the related consolidated statements of profit and loss, other comprehensive loss, changes in equity, and cash flows for the year then ended, and our report dated April 8, 2016 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Singapore

April 8, 2016

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Kenon Holdings Ltd.:

We have audited the accompanying combined carve-out statements of financial position of the carved-out operations of certain holdings of Israel Corporation Ltd. (“Kenon Holdings, Carve-out”) as of December 31, 2014 and the related combined carve-out statements of income, other comprehensive income, changes in parent company investment and cash flows for each of the years in the two-year period ended December 31, 2014. These combined carve-out financial statements are the responsibility of Kenon Holdings, Carve-out’s management. Our responsibility is to express an opinion on these combined carve-out financial statements based on our audits.

We did not audit the financial statements of Tower Semiconductor Ltd. (Tower), (a 29% and 32% owned unconsolidated associated company as of December 31, 2014 and 2013, respectively). Kenon Holdings, Carve-out’s investment in Tower at December 31, 2014 was \$14 million and its equity in profit of Tower was \$18.3 million for the year 2014, and its equity in losses in the amount of \$31 million for the year 2013. The financial statements of Tower were audited by other auditors whose reports were furnished to us, and our opinion, insofar as it relates to the amounts included for Tower, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined carve-out financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined carve-out financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and on the report of the other auditors, the combined carve-out financial statements referred to above present fairly, in all material respects, the financial position of Kenon Holdings, Carve-out, as defined in Note 1C, as of December 31, 2014, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2014, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ Somekh Chaikin
Somekh Chaikin
Certified Public Accountants (Isr)
A member firm of KPMG International

Tel Aviv, Israel
March 31, 2015

Somekh Chaikin, an Israeli partnership and member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and the shareholders of
Tower Semiconductor Ltd.

We have audited the accompanying consolidated balance sheets of Tower Semiconductors Ltd. (the “Company”) and its subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive loss, shareholders’ equity and cash flows for each of the three years in the period ended December 31, 2015. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of the Company and its subsidiaries as of December 31, 2015 and 2014, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 23, the consolidated financial statements include a reconciliation of the company’s financial statements from the accounting principles generally accepted in the United States of America to International Financial Reporting Standards.

Brightman Almagor Zohar & Co.
Certified Public Accountants
A Member of Deloitte Touche Tohmatsu Limited

Tel Aviv, Israel
February 29, 2016

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Kenon Holdings Ltd and subsidiaries
Consolidated Statement of Financial Position as at December 31, 2015

Kenon Holdings Ltd and combined entities
Combined Statement of Financial Position as at December 31, 2014

		As at December 31	
		2015	2014*
	Note	US\$ thousands	
Current assets			
Cash and cash equivalents	5	383,953	610,056
Short-term investments and deposits	6	308,702	226,830
Trade receivables, net	7	123,273	181,358
Other current assets	8	45,260	59,064
Income tax receivable		3,926	3,418
Inventories	9	50,351	55,335
Total current assets		<u>915,465</u>	<u>1,136,061</u>
Non-current assets			
Investments in associated companies	10	369,022	435,783
Deposits, loans and other receivables, including financial instruments	12	88,475	74,658
Deferred taxes, net	25	2,693	25,743
Property, plant and equipment, net	13	2,959,878	2,502,787
Intangible assets, net	14	147,244	144,671
Total non-current assets		<u>3,567,312</u>	<u>3,183,642</u>
Total assets		<u>4,482,777</u>	<u>4,319,703</u>

(*) Revised – see Note 31.

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

Kenon Holdings Ltd and subsidiaries
Consolidated Statement of Financial Position as at December 31, 2015, continued

Kenon Holdings Ltd and combined entities
Combined Statement of Financial Position as at December 31, 2014, continued

		As at December 31	
		2015	2014*
	Note	US\$ thousands	
Current liabilities			
Loans and debentures	15	352,668	161,486
Trade payables	16	145,454	144,488
Other payables, including derivative instruments	17	108,873	114,165
Provisions	18	41,686	69,882
Income tax payable		4,705	6,766
Total current liabilities		<u>653,386</u>	<u>496,787</u>
Non-current liabilities			
Loans, excluding current portion	15	1,709,063	1,528,930
Debentures, excluding current portion	15	655,847	686,942
Derivative instruments	17	35,625	21,045
Deferred taxes, net	25	138,083	132,010
Other non-current liabilities		27,218	16,291
Total non-current liabilities		<u>2,565,836</u>	<u>2,385,218</u>
Total liabilities		<u>3,219,222</u>	<u>2,882,005</u>
Equity			
Share capital	20A	1,267,210	—
Former Parent company investment		—	1,227,325
Translation reserve	20B	(16,916)	28,440
Capital reserve	20C	2,212	(25,274)
Accumulated deficit		(191,292)	—
Equity attributable to owners of the Company		1,061,214	1,230,491
Non-controlling interests		202,341	207,207
Total equity		<u>1,263,555</u>	<u>1,437,698</u>
Total liabilities and equity		<u>4,482,777</u>	<u>4,319,703</u>

(*) Revised – see Note 31.

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

Kenon Holdings Ltd and subsidiaries
Consolidated Statement of Profit & Loss for the year ended December 31, 2015

Kenon Holdings Ltd and combined entities
Combined statements of Profit & Loss for the years ended December 31, 2014 and 2013

		For the year ended December 31		
	Note	2015	2014*	2013*
		US\$ thousands		
Continuing Operations				
Revenues from sale of electricity		1,289,068	1,372,230	873,394
Cost of sales and services (excluding depreciation)	21	(862,855)	(981,141)	(593,802)
Depreciation		<u>(110,917)</u>	<u>(100,434)</u>	<u>(70,404)</u>
Gross profit		315,296	290,655	209,188
Selling, general and administrative expenses	22	(103,823)	(131,118)	(72,955)
Gain from distribution of dividend in kind	10.C.c	209,710	—	—
Gain from disposal of investees	10.C.d	—	157,137	—
Gain on bargain purchase	11.A.1.e	—	68,210	1,320
Asset impairment		(6,541)	(47,844)	—
Dilution gains from reductions in equity interest held in associates	10.C.c	32,829	—	—
Other expenses	23	(7,076)	(13,970)	(5,338)
Other income	23	15,450	51,037	4,327
Operating profit from continuing operations		<u>455,845</u>	<u>374,107</u>	<u>136,542</u>
Financing expenses	24	(124,228)	(110,179)	(68,779)
Financing income	24	13,412	16,243	4,789
Financing expenses, net		(110,816)	(93,936)	(63,990)
Share in losses of associated companies, net of tax	10	(186,759)	(170,897)	(126,690)
Profit from continuing operations before income taxes		158,270	109,274	(54,138)
Income taxes	25	<u>(62,378)</u>	<u>(103,341)</u>	<u>(49,291)</u>
Profit/(loss) for the year from continuing operations		<u>95,892</u>	<u>5,933</u>	<u>(103,429)</u>
Profit/(loss) for the year from discontinued operations	27	—	470,421	(512,489)
Profit/(loss) for the year		<u>95,892</u>	<u>476,354</u>	<u>(615,918)</u>
Attributable to:				
Kenon's shareholders		72,992	458,161	(631,140)
Non-controlling interests		<u>22,900</u>	<u>18,193</u>	<u>15,222</u>
Profit for the year		<u>95,892</u>	<u>476,354</u>	<u>(615,918)</u>
Basic/diluted profit/(loss) per share attributable to Kenon's shareholders (in dollars):				
Basic/diluted profit/(loss) per share	26	1.36	8.58	(11.82)
Basic/diluted profit/(loss) per share from continuing operations	26	1.36	(0.23)	(2.13)
Basic/diluted profit/(loss) per share from discontinued operations	26	—	8.81	(9.69)

(*) Revised – see Note 31.

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

Kenon Holdings Ltd and subsidiaries
Consolidated Statement of Other Comprehensive Loss for the year ended December 31, 2015
Kenon Holdings Ltd and combined entities
Combined Statements of Other Comprehensive Loss for the years ended December 31, 2014 and 2013

	For the year ended December 31		
	2015	2014*	2013*
	US\$ thousands		
Profit/(loss) for the year	95,892	476,354	(615,918)
Items that will be subsequently reclassified to profit or loss			
Foreign currency translation differences in respect of foreign operations	(18,132)	(10,782)	(20,624)
Foreign currency translation differences in respect of foreign operations recognised in profit or loss	—	(24,891)	—
Change in fair value of derivatives used to hedge cash flows	(6,365)	(13,144)	(18,582)
Group's share in other comprehensive income/(loss) of associated companies	(623)	(7,306)	9,322
Income taxes in respect of components other comprehensive income/(loss)	773	2,303	5,554
Components of net other comprehensive loss in respect from discontinued operations	—	(4,025)	(5,168)
Total	(24,347)	(57,845)	(29,498)
Items that will not be reclassified to profit or loss			
Group's share in net other comprehensive loss of associate companies	—	(3,978)	—
Components of other comprehensive loss in respect of discontinued operations	—	—	(3,409)
Total other comprehensive loss for the year	(24,347)	(61,823)	(32,907)
Total comprehensive income/(loss) for the year	71,545	414,531	(648,825)
Attributable to:			
Kenon's shareholders	52,423	400,815	(660,579)
Non-controlling interests	19,122	13,716	11,754
Total comprehensive income/(loss) for the year	71,545	414,531	(648,825)

(*) Revised – see Note 31.

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

Kenon Holdings Ltd and subsidiaries
Consolidated Statement of Changes in Equity
For the year ended December 31, 2015

		Attributable to the Kenon's shareholders					Non-controlling interests	Total	
		Share Capital	Former Parent company investment	Translation reserve	Capital reserves	Accumulated deficit	Total		
	Note	\$ thousands							
Balance at January 1, 2015 *		—	1,227,325	28,440	(25,274)	—	1,230,491	207,207	1,437,698
Share based payments		—	—	—	556	—	556	320	876
Dividend to holders of non-controlling interests in a subsidiary		—	—	—	—	—	—	(12,340)	(12,340)
Acquisition of non- controlling interest in subsidiary		—	—	—	—	(1,222)	(1,222)	(18,078)	(19,300)
Reclassification of net loss (pre spin-off)		—	8,552	—	—	(8,552)	—	—	—
Contribution from former parent company		—	34,271	—	—	—	34,271	—	34,271
Issuance of shares of subsidiary to holders of non-controlling interests		—	—	—	—	—	—	6,110	6,110
Distribution of dividend in kind	10.C.c	(14,062)	—	498	—	(241,741)	(255,305)	—	(255,305)
Issuance of common stock and reclassification of former parent company investment in connection with the spin-off		1,281,272	(1,283,550)	(28,440)	30,718	—	—	—	—
Post spin-off adjustment *		—	13,402	—	—	(13,402)	—	—	—
Total comprehensive income for the year									
Net profit for the year		—	—	—	—	72,992	72,992	22,900	95,892
Other comprehensive (loss)/income for the year, net of tax		—	—	(17,414)	(3,788)	633	(20,569)	(3,778)	(24,347)
Balance at December 31, 2015		1,267,210	—	(16,916)	2,212	(191,292)	1,061,214	202,341	1,263,555

(*) Revised – see Note 31.

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

Kenon Holdings Ltd and combined entities
Combined Statements of Changes in Former Parent Company Investment
For the years ended December 31, 2014 and 2013

		Attributable to the Kenon's shareholders				Non-controlling interests	Total	
		Share Capital	Former Parent company investment	Translation reserve	Capital reserves \$ thousands	Total		
	Note							
Balance at January 1, 2014 *		—	658,654	72,181	(21,205)	709,630	236,180	945,810
Acquisition of shares of subsidiary from holders of rights not conferring control		—	—	—	—	—	5,550	5,550
Dividend to holders of non-controlling interests in a subsidiary		—	—	—	—	—	(17,518)	(17,518)
Loss of control in a subsidiary		—	—	—	—	—	(86,743)	(86,743)
Non-controlling interest in respect of business combination		—	—	—	—	—	35,800	35,800
Non-controlling shareholder contribution		—	—	—	—	—	19,577	19,577
Share based payments in a subsidiary		—	—	—	—	—	428	428
Share based payments in Kenon		—	—	—	5,444	5,444	—	5,444
Contribution from former parent company		—	414,649	—	—	414,649	—	414,649
Payments to former parent company		—	(300,047)	—	—	(300,047)	—	(300,047)
Transactions with controlling shareholders		—	—	—	—	—	217	217
Total comprehensive income for the year								
Income for the year *		—	458,161	—	—	458,161	18,193	476,354
Other comprehensive loss for the year, net of tax		—	(4,092)	(43,741)	(9,513)	(57,346)	(4,477)	(61,823)
Balance at December 31, 2014 *		—	1,227,325	28,440	(25,274)	1,230,491	207,207	1,437,698

(*) Revised – see Note 31.

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

Kenon Holdings Ltd and combined entities
Combined Statements of Changes in Former Parent Company Investment, continued
For the years ended December 31, 2014 and 2013

	Note	Attributable to the Kenon's shareholders					Non-controlling interests	Total
		Share Capital	Parent company investment	Translation reserve	Capital reserves	Total		
		\$ thousands						
Balance at January 1, 2013 *		—	1,136,296	91,000	(13,000)	1,214,296	236,309	1,450,605
Dividend to holders of non-controlling interests in a subsidiary		—	—	—	—	—	(28,250)	(28,250)
Loss of control in subsidiary		—	—	—	—	—	(12,575)	(12,575)
Issuance of shares of subsidiary to holders of non-controlling interests		—	—	—	—	—	27,602	27,602
Share-based payments in a subsidiary		—	—	—	—	—	1,340	1,340
Contribution from former parent company		—	154,482	—	—	154,482	—	154,482
Transactions with controlling shareholder		—	1,431	—	—	1,431	—	1,431
Total comprehensive income for the year								
Net loss for the year *		—	(631,140)	—	—	(631,140)	15,222	(615,918)
Other comprehensive loss for the year, net of tax		—	(2,415)	(18,819)	(8,205)	(29,439)	(3,468)	(32,907)
Balance at December 31, 2013 *		<u>—</u>	<u>658,654</u>	<u>72,181</u>	<u>(21,205)</u>	<u>709,630</u>	<u>236,180</u>	<u>945,810</u>

(*) Revised – see Note 31.

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

Kenon Holdings Ltd and subsidiaries
Consolidated Statement of Cash Flows
For the year ended December 31, 2015

Kenon Holdings Ltd and combined entities
Combined Statements of Cash Flows
For the years ended December 31, 2014 and 2013

	For the year ended December 31		
	2015	2014*	2013*
	US\$ thousands		
Cash flows from operating activities			
Profit/(loss) for the year	95,892	476,354	(615,918)
Adjustments:			
Depreciation and amortization	120,047	188,171	238,621
Impairment of tangible assets and other investments	6,541	47,844	7,000
Derecognition of payments on account of vessels	—	—	71,646
Financing expenses, net	110,816	195,405	377,157
Share in losses of associated companies, net	186,759	168,044	116,715
Capital gains, net	4,506	(767,216)	(67,230)
Gain from changes in interest held in associates	(32,829)	—	—
Gain from distribution of dividend in kind	(209,710)	—	—
Share-based payments	876	8,413	4,463
Gain on bargain purchase	—	(68,210)	(1,320)
Income taxes	62,378	112,825	70,703
	<u>345,276</u>	<u>361,630</u>	<u>201,837</u>
Change in inventories	4,361	21,991	16,932
Change in trade and other receivables	35,491	(21,523)	(122,186)
Change in trade and other payables	(29,800)	29,830	128,682
Change in provisions and employee benefits	(33,426)	49,872	26,030
Cash generated from operating activities	321,902	441,800	251,295
Income taxes paid, net	(36,218)	(66,198)	(47,441)
Dividends received from investments in associates	4,487	34,774	53,111
Net cash provided by operating activities	<u>290,171</u>	<u>410,376</u>	<u>256,965</u>

(*) Revised – see Note 31.

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

Kenon Holdings Ltd and subsidiaries
Consolidated Statement of Cash Flows, continued
For the year ended December 31, 2015

Kenon Holdings Ltd and combined entities
Combined Statements of Cash Flows, continued
For the years ended December 31, 2014 and 2013

	For the year ended December 31		
	2015	2014	2013
	US\$ thousands		
Cash flows from investing activities			
Proceeds from refund of payments on account vessels	—	—	30,000
Proceeds from sale of property, plant and equipment and intangible assets	539	17,449	95,934
Short-term deposits and loans, net	(83,408)	(253,097)	62,112
Cash paid for businesses purchased, less cash acquired	(9,441)	(67,180)	(27,850)
Disposal of subsidiary, net of cash disposed of and exit from combination	—	1,758	2,405
Investment in associates	(129,241)	(179,355)	(154,492)
Sale of securities held for trade and available for sale, net	13,217	—	—
Acquisition of property, plant and equipment	(515,838)	(425,184)	(311,517)
Acquisition of intangible assets	(16,844)	(11,496)	(9,135)
Cash disbursed – long-term loans	—	—	(628)
Interest received	7,924	3,934	3,949
Exit from the combination and transition to associate company less cash eliminated (See Note 27 (a))	—	(310,918)	—
Proceeds from sale of associate company	—	359,891	49,780
Payments for derivative investments used for hedging, net	—	(16,100)	(7,575)
Payment of consideration retained	(3,795)	—	—
Settlement of derivatives	—	(2,038)	(10,615)
Net cash used in investing activities	<u>(736,887)</u>	<u>(882,336)</u>	<u>(277,632)</u>
Cash flows from financing activities			
Dividend paid to non-controlling interests	(12,340)	(17,518)	(28,250)
Proceeds from issuance of shares to holders of non-controlling interests in subsidiaries	6,110	19,577	27,602
Receipt of long-term loans and issuance of debentures	333,549	744,183	360,552
Repayment of long-term loans and debentures	(138,270)	(173,868)	(213,758)
Short-term credit from banks and others, net	123,053	(86,072)	171,637
Contribution from former parent company	34,271	414,649	154,482
Payments for transactions in derivative for hedging, net	—	(427)	(126)
Payment to the former parent company	—	(300,047)	—
Purchase of non-controlling interest	(20,000)	—	—
Interest paid	(93,858)	(170,885)	(191,199)
Net cash provided by financing activities	<u>232,515</u>	<u>429,592</u>	<u>280,940</u>
(Decrease) / Increase in cash and cash equivalents	(214,201)	(42,368)	260,273
Cash and cash equivalents at beginning of the year	610,056	670,976	411,079
Effect of exchange rate fluctuations on balances of cash and cash equivalents	(11,902)	(18,552)	(376)
Cash and cash equivalents at end of the year	<u>383,953</u>	<u>610,056</u>	<u>670,976</u>
Significant non-cash investing transactions:			
Acquisition of fixed assets under lease contract	—	(107,688)	—
Purchase of fixed assets on credit and others	(46,327)	(9,000)	(17,923)

Significant non-cash investing and financing activity during the year ended December 31, 2015 relating to transfer of certain business interests to Kenon Holdings Ltd from Israel Corporation Ltd and the issuance of common stock and reclassification of former parent company investment in connection with the spin-off – refer to Note 1.B.

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

Kenon Holdings Ltd.
Notes to the consolidated/ combined financial statements

Note 1 – Financial Reporting Principles and Accounting Policies

A. The Reporting Entity

Kenon Holdings Ltd (the “Company” or “Kenon”) was incorporated on March 7, 2014 in the Republic of Singapore under the Singapore Companies Act. Our registered office and principal place of business is located at 1 Temasek Avenue #36-01, Millenia Tower, Singapore 039192.

The Company is a holding company and was incorporated to receive investments spun-off from its former parent company, Israel Corporation Ltd. (“IC”). The Company was formed to serve as the holding company of the businesses (together referred to as the “Group”). The primary focus will be to continue to grow and develop the primary businesses, I.C. Power Asia Development Ltd. (formerly known as I.C. Power Ltd.) (“I.C. Power”) and Qoros Automotive Co., Ltd. (“Qoros”).

B. The split-up of Israel Corporation’s holdings

The split-up of IC’s holdings on January 7, 2015 involved the contribution of IC’s holdings in I.C. Power, Qoros, ZIM Integrated Shipping Services Ltd (“ZIM”), Tower Semiconductor Ltd. (“Tower”) and other assets and entities, to Kenon, in exchange for shares of Kenon. Kenon’s shares were, in turn, distributed on January 9, 2015 to the shareholders of IC as a “dividend in kind”. IC’s debt to banks and debenture holders remain in IC, and were not transferred to Kenon.

The split-up was completed on January 7, 2015 and subsequently, Kenon shares were traded on New York Stock Exchange (NYSE) and on Tel Aviv Stock Exchange (TASE) (NYSE and TASE: KEN).

After the split-up the primary subsidiary that Kenon holds is I.C. Power. I.C. Power, through its operating subsidiaries and associates, provides electricity generation using different technologies such as hydroelectric, natural gas and diesel turbines and heavy fuel oil engines in Peru, Chile, Colombia, Dominican Republic, Bolivia, El Salvador, Jamaica, Nicaragua, Guatemala and Israel.

The split-up included:

- 1) IC’s undertaking in the separation agreement (as detailed in Note 29G) with its then wholly owned subsidiary, Kenon, which included (among other things): (i) transfer of the holdings in the companies being transferred to Kenon, as stated above, and transfer of certain rights and liabilities in connection with the companies being transferred from IC to Kenon; (ii) execution of an investment in the capital of Kenon in the amount of \$35 million and (iii) issuance of shares of Kenon to IC in respect of the assets and rights to be transferred from IC to Kenon and
- 2) IC’s undertaking in a loan agreement whereby, among other things, IC provided Kenon a credit framework in an aggregate amount of up to \$200 million, Kenon would pay an annual commitment fee equal to 2.1% of the undrawn amount of the credit facility and an annual interest of Libor+6% interest on the drawn amount, and in the framework thereof it will be provided that in a case of realization of guarantees that IC will remain responsible for with respect to Qoros, the amount for which IC will be liable in a case of realization of these guarantees will be considered a debt of Kenon to IC and the provisions of the loan agreement will apply to it. In 2015, Kenon drewdown \$110 million under its credit facility from IC and IC’s back-to-back guarantee of Qoros’ debt was fully released; on January 4, 2016, after the date of this report, Kenon drewdown \$40 million under this credit facility from IC; and on March 10, 2016, Kenon submitted a drawdown notice to IC for an additional \$50 million; and
- 3) Distribution to IC’s shareholders as a dividend in kind of the shares of Kenon; including registration of these shares for trading, both on NYSE and on TASE;

C. The reporting periods prior to January 1, 2015

The reporting periods prior to January 1, 2015 are presented as combined carve-out financial statements which have been derived from the consolidated financial statements of IC. The combined carve-out financial statements reflect the assets, liabilities, revenues and expenses directly attributable to the Company and its Combined Entities, as well as allocations deemed reasonable by management, to present the combined financial position, profit or loss and other comprehensive income, changes in former parent company investment and cash flows of the Company and its Combined Entities.

Outstanding balances, investments, transactions and cash flows between Group entities have been eliminated. Certain balances that were eliminated in the consolidation of the financial statements of IC were reinstated in the combined financial statements when they relate to transactions with entities held by IC that were not transferred to the Group.

The Combined Carve-out Financial Statements may not necessarily be indicative of Kenon’s financial position, results of operating activities or cash flows had it operated as a separate entity throughout the period presented or for future periods.

Note 1 – Financial Reporting Principles and Accounting Policies (Cont’d)

Significant allocation and assumptions of the comparative financial information (prior to January 1, 2015):

The assumptions in this report are based on the terms of the separation agreement between IC and Kenon with respect to the assets and liabilities that were transferred to Kenon. Management has used the following assumptions in developing the carve-out financial statements.

Allocation of expenses – Management allocated IC general and administrative expenses to the Group for the years ended December 31, 2014 and 2013 based on the time invested by IC management in the Group’s respective holdings. In addition, the general and administrative expenses includes specific split expenses such as registration expenses were allocated to Kenon.

Debt and financial instruments – IC’s outstanding debt at the holding company level, other financial instruments and related finance expenses will not be transferred to Kenon and therefore were not reflected in the combined financial statements.

Guarantees, Loans and Capital notes from IC – Guarantees and loans (including capital notes) from IC to the Group companies that were transferred to Kenon, were reflected in the combined financial statements. Kenon did not use this credit facility in the reporting period.

Contingent Liabilities – Existing IC contingent liabilities, including those related to litigation, were not transferred to Kenon.

Associates – Investments in associates which were transferred to Kenon are included in the combined financial statements.

Investments – Investments that have been made by IC in investee companies that were transferred to Kenon, and the financing of the Group, including holding company expenses, for the periods shown, were treated as Contributions from former parent company in the statement of changes in former parent company investment.

Profit (loss) per share – On January 7, 2015, the split-up was completed and 53,383,015 ordinary shares were issued by Kenon. Therefore, the Profit (loss) per share in the combined financial statements is based on this number of shares (in 2014 and 2013).

D. Definitions

In these consolidated/ combined financial statements –

1. Subsidiaries – Companies whose financial statements are fully consolidated with those of Kenon, directly or indirectly.
2. Combined Entities – Companies other than Kenon whose financial statements are fully combined with those of Kenon directly or indirectly.
3. Associates – Companies in which Kenon has significant influence and Kenon’s investment is stated, directly or indirectly, on the equity basis.
4. Investee companies – subsidiaries and/or associated companies.
5. Related parties – within the meaning thereof in International Accounting Standard (“IAS”) 24 “*Related Parties*”.

Note 2 – Basis of Preparation of the Financial Statements

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

The consolidated/ combined financial statements were prepared by management of the Group in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The consolidated/ combined financial statements were approved for issuance by the Company’s Board of Directors on April 1, 2016.

B. Functional and presentation currency

These consolidated/ combined financial statements are presented in US dollars, which is Kenon’s functional currency, and have been rounded to the nearest thousand, except when otherwise indicated. The US dollar is the currency that represents the principal economic environment in which Kenon and most of its investees operate.

C. Basis of measurement

The consolidated/ combined financial statements were prepared on the historical cost basis, with the exception of the following assets and liabilities:

- Derivative financial instruments.
- Deferred tax assets and liabilities.
- Provisions.
- Assets and liabilities in respect of employee benefits.
- Investments in associates.

For additional information regarding measurement of these assets and liabilities – see Note 3 “Significant Accounting Policies”.

D. Use of estimates and judgment

The preparation of consolidated/ combined 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. Actual results may differ from these estimates.

The preparation of accounting estimates used in the preparation of the consolidated/ combined financial statements requires management of the Group to make assumptions regarding circumstances and events that involve considerable uncertainty. Management prepares the estimates on the basis of past experience, various facts, external circumstances, and reasonable assumptions according to the pertinent circumstances of each estimate.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions made by management of the Group with respect to the future and other reasons for uncertainty with respect to estimates that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities in the next financial year are set forth below:

1. Useful life of property, plant and equipment

Property, plant and equipment is depreciated using the straight-line method over its estimated useful life.

At every year-end, or more often if necessary, management examines the estimated useful life of the property, plant and equipment by comparing it to the benchmark in the relevant industry, taking into account the level of maintenance and functioning over the years. If necessary, on the basis of this evaluation, the Group adjusts the estimated useful life of the property, plant and equipment. A change in estimates in subsequent periods could materially increase or decrease future depreciation expense.

Note 2 – Basis of Preparation of the Financial Statements (Cont'd)

2. Recoverable amount of non-financial assets and Cash Generating Units

Each reporting date, the management of the Group examines whether there have been any events or changes in circumstances which would indicate impairment of one or more of its non-financial assets or Cash Generating Units (“CGUs”). When there are indications of impairment, an examination is made as to whether the carrying amount of the non-financial assets or CGUs exceeds their recoverable amount, and if necessary, an impairment loss is recognized. Assessment of the impairment of goodwill and of other intangible assets having an indeterminable life is performed at least once a year or when signs of impairment exist.

The recoverable amount of the asset or CGU is determined based on the higher of the fair value less selling costs of the asset or CGU and the present value of the future cash flows expected from the continued use of the asset or CGU in its present condition, including the cash flows expected upon retiring the asset from service and its eventual sale (value in use).

The future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

The estimates regarding future cash flows are based on past experience with respect to this asset or similar assets (or CGUs), and on the Group’s best possible assessments regarding the economic conditions that will exist during the remaining useful life of the asset or CGU.

The estimate of the future cash flows relies on the Group’s budget and other forecasts. Since the actual cash flows may differ, the recoverable amount determined could change in subsequent periods, such that an additional impairment loss needs to be recognized or a previously recognized impairment loss needs to be reversed.

3. Fair value of derivative financial instruments

The Group is a party to derivative financial instruments used to hedge foreign currency risks, interest risks and price risks. The derivatives are recorded based on their respective fair values. The fair value of the derivative financial instruments is determined using acceptable valuation techniques that characterize the different derivatives, maximizing the use of observable inputs. Fair value measurement of long-term derivatives takes into account the counterparties credit risks. Changes in the economic assumptions and/or valuation techniques could give rise to significant changes in the fair value of the derivatives.

4. Separation of embedded derivatives

Management of the Group exercises significant judgment in determining whether it is necessary to separate an embedded derivative from a host contract. If it is determined that the embedded derivative is not closely related to the host contract and that it is necessary to separate the embedded derivative, this component is measured separately from the host contract as a financial instrument at fair value through profit or loss. Otherwise, the entire instrument is measured in accordance with the measurement principles applicable to the host contract.

Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss, as financing income or expenses.

5. Income Taxes

Deferred tax assets are recorded in connection with unutilized tax losses, as well as with respect to deductible temporary differences. Since such deferred tax assets may only be recognized where it is probable that there will be future taxable income against which said losses may be utilized, use of discretion by management of the Group is required in order to assess the probability that such future taxable income will exist. Management’s assessment is re-examined on a current basis and deferred tax assets are recognized if it is probable that future taxable income will permit recovery of the deferred tax assets.

Note 3 – Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated/ combined financial statements are set out below. The Group has consistently applied the following accounting policies to all periods presented in these consolidated/ combined financial statements, unless otherwise stated.

A. Basis for consolidation/ combination

(1) Business combinations

The Group accounts for all business combinations according to the acquisition method.

The acquisition date is the date on which the Group obtains control over an acquiree. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the acquiree and it has the ability to affect those returns through its power over the acquiree. Substantive rights held by the Group and others are taken into account when assessing control.

The Group recognizes goodwill on acquisition according to the fair value of the consideration transferred less the net amount of the fair value of identifiable assets acquired less the fair value of liabilities assumed.

If the Group pays a bargain price for the acquisition (meaning including negative goodwill), it recognizes the resulting gain in profit or loss on the acquisition date.

Furthermore, goodwill is not adjusted in respect of the utilization of carry-forward tax losses that existed on the date of the business combination.

Costs associated with acquisitions that were incurred by the acquirer in the business combination such as: finder's fees, advisory, legal, valuation and other professional or consulting fees are expensed in the period the services are received.

(2) Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control is lost. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

The Company has no interest in structured entities as of December 31, 2015 and 2014.

(3) Non-Controlling Interest ("NCI")

NCI comprises the equity of a subsidiary or combined entity that cannot be attributed, directly or indirectly, to the parent company, and they include additional components such as: share-based payments that will be settled with equity instruments of the subsidiaries and options for shares of subsidiaries.

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Transactions with NCI, while retaining control

Transactions with NCI while retaining control are accounted for as equity transactions. Any difference between the consideration paid or received and the change in NCI is included in the directly in equity.

Allocation of comprehensive income to the shareholders

Profit or loss and any part of other comprehensive income are allocated to the owners of the Group and the NCI. Total comprehensive income is allocated to the owners of the Group and the NCI even if the result is a negative balance of NCI.

Furthermore, when the holding interest in the subsidiary changes, while retaining control, the Group re-attributes the accumulated amounts that were recognized in other comprehensive income to the owners of the Group and the NCI.

Cash flows deriving from transactions with holders of NCI while retaining control are classified under "financing activities" in the statement of cash flows.

Note 3 – Significant Accounting Policies (Cont'd)

(4) Loss of control

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any NCI and the other components of equity related to the subsidiary. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. The difference between the sum of the proceeds and fair value of the retained interest, and the derecognized balances is recognized in profit or loss under other income or other expenses. Subsequently, the retained interest is accounted for as an equity-accounted investee or as an available-for-sale asset depending on the level of influence retained by the Group in the relevant company.

The amounts recognized in capital reserves through other comprehensive income with respect to the same subsidiary are reclassified to profit or loss or to retained earnings in the same manner that would have been applicable if the subsidiary had itself realized the same assets or liabilities.

(5) Investments in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint-venture.

Associates are entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of another entity. In assessing significant influence, potential voting rights that are currently exercisable or convertible into shares of the investee are taken into account.

Joint-venture is an arrangement in which the Group has joint control, whereby the Group has the rights to assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Associates and joint-venture are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the income and expenses in profit or loss and of other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term interests that form part thereof, is reduced to zero. When the Group's share of long-term interests that form a part of the investment in the investee is different from its share in the investee's equity, the Group continues to recognize its share of the investee's losses, after the equity investment was reduced to zero, according to its economic interest in the long-term interests, after the aforesaid interests were reduced to zero. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the entity's net investment in the associate, the recognition of further losses is discontinued except to the extent that the Group has an obligation to support the investee or has made payments on behalf of the investee.

(6) Loss of significant influence

The Group discontinues applying the equity method from the date it loses significant influence in an associate and it accounts for the retained investment as a financial asset, as relevant.

On the date of losing significant influence, the Group measures at fair value any retained interest it has in the former associate. The Group recognizes in profit or loss any difference between the sum of the fair value of the retained interest and any proceeds received from the partial disposal of the investment in the associate or joint venture, and the carrying amount of the investment on that date.

Amounts recognized in equity through other comprehensive income with respect to such associates are reclassified to profit or loss or to retained earnings in the same manner that would have been applicable if the associate had itself disposed the related assets or liabilities.

(7) Change in interest held in equity accounted investees while retaining significant influence

When the Group increases its interest in an equity accounted investee while retaining significant influence, it implements the acquisition method only with respect to the additional interest obtained whereas the previous interest remains the same.

Note 3 – Significant Accounting Policies (Cont'd)

When there is a decrease in the interest in an equity accounted investee while retaining significant influence, the Group derecognizes a proportionate part of its investment and recognizes in profit or loss a gain or loss from the sale under other income or other expenses.

Furthermore, on the same date, a proportionate part of the amounts recognized in equity through other comprehensive income with respect to the same equity accounted investee are reclassified to profit or loss or to retained earnings in the same manner that would have been applicable if the associate had itself realized the same assets or liabilities.

(8) Intra-group Transactions

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment

B. Foreign currency

(1) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items measured at historical cost would be reported using the exchange rate at the date of the transaction.

Foreign currency differences are generally recognized in profit or loss, except for differences relating to qualifying cash flow hedges to the extent the hedge is effective which are recognized in other comprehensive income.

(2) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into US dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated into US dollars at exchange rates at the dates of the transactions.

Foreign operation translation differences are recognized in other comprehensive income.

When the foreign operation is a non-wholly-owned subsidiary of the Group, then the relevant proportionate share of the foreign operation translation difference is allocated to the NCI.

When a foreign operation is disposed of such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as a part of the gain or loss on disposal.

Furthermore, when the Group's interest in a subsidiary that includes a foreign operation changes, while retaining control in the subsidiary, a proportionate part of the cumulative amount of the translation difference that was recognized in other comprehensive income is reattributed to NCI.

The Group disposes of only part of its investment in an associate that includes a foreign operation, while retaining significant influence, the proportionate part of the cumulative amount of the translation difference is reclassified to profit or loss.

Generally, foreign currency differences from a monetary item receivable from or payable to a foreign operation, including foreign operations that are subsidiaries, are recognized in profit or loss in the consolidated financial statements.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income, and are presented within equity in the translation reserve.

Note 3 – Significant Accounting Policies (Cont’d)

C. Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit and loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Group classifies non- financial liabilities into the other financial liabilities categories.

(1) Non-derivative financial assets and financial liabilities – recognition and de-recognition

The Group initially recognizes loans and receivables and debt securities issued on the date that they are originated. All other financial assets and financial liabilities are recognized initially on the trade date.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial asset that is created or retained by the Group is recognized as a separate asset or liability.

The Group derecognizes a financial liability when its contractual obligations are discharged, or cancelled or expire.

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(2) Non-derivative financial assets – measurement

Financial assets at fair value through profit and loss	A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, including any interest or dividend income, are recognized in profit or loss.
Held-to-maturity financial assets	These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.
Loans and receivables	These assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method, less any impairment losses.
Available-for-sale financial assets	These assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognized in Other Comprehensive Income (“OCI”) and accumulated in the fair value reserve. When these assets are derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

(3) Non-derivative financial liabilities—Measurement

Non-derivative financial liabilities include loans and credit from banks and others, debentures, trade and other payables and finance lease liabilities.

Non-derivative financial liabilities are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

(4) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

Derivatives are recognized initially at fair value; any directly attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

Note 3 – Significant Accounting Policies (Cont'd)

(5) Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in OCI and accumulated in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

The amount accumulated in equity is retained in OCI and reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

(6) Financial guarantees

A financial guarantee is initially recognized at fair value. In subsequent periods a financial guarantee is measured at the higher of the amount recognized in accordance with the guidelines of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the liability initially recognized after being amortized in accordance with the guidelines of IAS 18 *Revenue*. Any resulting adjustment of the liability is recognized in profit or loss.

D. Cash and Cash Equivalents

In the consolidated/ combined statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

E. Property, plant and equipment

(1) Recognition and measurement

Items of property, plant and equipment comprise mainly power station structures, power distribution facilities and related offices. These items are measured at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

- The cost of materials and direct labor;
- Any other costs directly attributable to bringing the assets to a working condition for their intended use;
- When the Group has an obligation to remove the assets or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- Capitalized borrowing costs.

If significant parts of an item of property, plant and equipment items have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss in the year the asset is derecognized.

(2) Subsequent Cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group, and its cost can be measured reliably.

(3) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Note 3 – Significant Accounting Policies (Cont'd)

The following useful lives shown on an average basis are applied across the Group:

	Years
Roads, buildings and leasehold improvements	3 – 50
Installation, machinery and equipment:	
Thermal power plants	10 – 35
Hydro-electric plants	70 – 90
Wind power plants	25
Power generation and electrical	20
Dams	18
Office furniture, motor vehicles and other equipment	3 – 16

Depreciation methods, useful lives and residual values are reviewed by management of the Group at each reporting date and adjusted if appropriate.

F. Intangible assets

(1) Recognition and measurement

Goodwill	Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment; and any impairment loss is allocated to the carrying amount of the equity investee as a whole.
Research and development	Expenditures on research activities is recognized in profit and loss as incurred. Development activities involve expenditures incurred in connection with the design and evaluation of future power plant projects before the technical feasibility and commercial viability is fully completed, however the Group intends to and has sufficient resources to complete the development and to use or sell the asset. At each reporting date, the management of the Group performs an evaluation of each project in order to identify facts and circumstances that suggest that the carrying amount of the assets may exceed their recoverable amount.
Customer relationships	Intangible assets acquired as part of a business combination and are recognized outside of goodwill if the assets are separable or arise from contractual or other legal rights and their fair value can be measured reliably. Customer relationships are measured at cost less accumulated amortization and any accumulated impairment losses.
Other intangible assets	Other intangible assets, including licenses, patents and trademarks, which are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(2) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill is expensed as incurred.

(3) Amortization

Amortization is calculated to write-off the cost of intangible assets less their estimated residual values using the straight-line method over their useful lives, and is generally recognized in profit or loss. Goodwill is not amortized.

Note 3 – Significant Accounting Policies (Cont'd)

The estimated useful lives for current and comparative year are as follows:

• Customer relationships	1-12 years
• Technology	5 years
• Software costs	5 years
• Others	5-27 years

Amortization methods and useful lives are reviewed by management of the Group at each reporting date and adjusted if appropriate.

G. Leases

(1) Determining whether an arrangement contains a lease

At inception of an arrangement, management of the Group determines whether the arrangement is or contains a lease. At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for the other elements on the basis of their relative fair values. If the Group concludes for a finance lease that is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the Group's incremental borrowing rate.

(2) Leased assets

Assets held by the Group under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Asset held under other leases are classified as operating leases and are not recognized in the Group's consolidated statement of financial position.

(3) Lease payments

Payments made under operating leases, other than conditional lease payments, are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

H. Inventories

Inventories are measured at the lower of cost and net realizable value. Inventories consist of fuel, spare parts, materials and supplies. Cost is determined by using the average cost method.

I. Trade Receivable

Trade receivables are amounts due from customers for the energy and capacity in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

J. Borrowing costs

Specific and non-specific borrowing costs are capitalized to qualifying assets throughout the period required for completion and construction until they are ready for their intended use. Non-specific borrowing costs are capitalized in the same manner to the same investment in qualifying assets, or portion thereof, which was not financed with specific credit by means of a rate which is the weighted-average cost of the credit sources which were not specifically capitalized. Foreign currency differences from credit in foreign currency are capitalized if they are considered an adjustment of interest costs. Other borrowing costs are expensed as incurred.

Note 3 – Significant Accounting Policies (Cont'd)

K. Impairment

(1) Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-account investee, are assessed by management of the Group at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- Default or delinquency by a debtor;
- Restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- Indications that a debtor or issuer will enter bankruptcy;
- Adverse changes in the payment status of borrowers or issuers;
- The disappearance of an active market for a security; or
- Observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

Financial Assets measured at amortized costs	The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics. In assessing collective impairment, the group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends. An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.
Available-for-sale financial assets	Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through OCI
Equity-account investees	An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in profit or loss, and is reversed if there has been a favorable change in the estimates used to determine the recoverable amount and only to the extent that the investment's carrying amount, after the reversal of the impairment loss, does not exceed the carrying amount of the investment that would have been determined by the equity method if no impairment loss had been recognized.

Note 3 – Significant Accounting Policies (Cont'd)

(2) Non-financial Assets

At each reporting date, management of the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment or whenever impairment indicators exist.

For impairment testing, assets are grouped together into smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Goodwill arising from a business combination is allocated to CGUs or group of CGUs that are expected to benefit from these synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an assessment is performed at each reporting date for any indications that these losses have decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

L. Employee benefits

(1) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. The employee benefits are classified, for measurement purposes, as short-term benefits or as other long-term benefits depending on when the Group expects the benefits to be wholly settled.

(2) Bonus plans transactions

The fair value of amount payable to employees in respect of Share Appreciation Rights ("SARs"), which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the SARs. Any changes in the liability are recognized in profit or loss.

I.C Power's senior executives receive remuneration in the form of SARs, which can only be settled in cash (cash-settled transactions). The cost of cash-settled transactions is measured initially at the grant date. With respect to grants made to the I.C. Power's senior executives, or the executives of certain of the I.C Power's subsidiaries, this benefit is calculated by dividing the price paid by the Former Parent Company for Inkia (\$543 million) by the number of Inkia shares outstanding on the grant date and is expensed over the period until the vesting date with recognition of a corresponding liability. With respect to grants made to OPC Rotem Ltd's ("OPC") senior executives, this benefit is calculated by determining the present value of the settlement (execution) price set forth in the plan. The liability is re-measured at each reporting date and at the settlement date based on the formulas described above. Any changes in the liability are recognized as operating expenses in profit or loss. For further information on the characteristics of the SARs provided to certain of the I.C Power's senior executives, see Note 17(c).

Note 3 – Significant Accounting Policies (Cont'd)

(3) Termination Benefits

Severance pay is charged to income statement when there is a clear obligation to pay termination of employees before they reach the customary age of retirement according to a formal, detailed plan, without any reasonable chance of cancellation. The benefits given to employees upon voluntary retirement are charged when the Group proposes a plan to the employees encouraging voluntary retirement, it is expected that the proposal will be accepted and the number of employee acceptances can be estimated reliably.

(4) Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(5) Share-based compensation plans

Qualifying employees are awarded grants of the Company's shares under the Company's 2014 Share Incentive Plan. The fair value of the grants are recognized as an employee compensation expense, with a corresponding increase in equity. The expense is amortised over the service period – the period that the employee must remain employed to receive the benefit of the award. At each balance sheet date, the Company revises its estimates of the number of grants that are expected to vest. It recognises the impact of the revision of original estimates in employee expenses and in a corresponding adjustment to equity over the remaining vesting period.

M. Provisions

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

N. Revenue recognition

(1) Revenue from electricity

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue comprises the fair value for the sale of electricity, net of value-added-tax ("VAT"), rebates and discounts and after eliminating sales within the Group.

Revenues from the sale of energy are recognized in the period during which the sale occurs. The revenues from the generation business are recorded based upon output delivered and capacity provided at rates specified pursuant to Power Purchase Agreements ("PPAs"), or at marginal costs determined on the spot market, if the sales are made on the spot market.

Revenues are determined substantially by long-term, U.S. dollar-linked PPAs. PPAs are usually entered into at prices that are equivalent to, or higher than, the prevailing spot market rates, the majority of which are indexed to the underlying fuel cost of the related long-term supply agreements. Under the terms of the majority of our PPAs, the power purchaser is contractually obligated to purchase its energy requirements, and sometimes capacity and/or ancillary services, from the power generator based upon a base price (denominated either in U.S. Dollars or in the local currency) that is generally adjusted for a combination of some of the following: (1) fluctuations in exchange rates, (2) the U.S. inflation index, (3) a local inflation index, (4) fluctuations in the cost of operating fuel, (5) supply costs of natural gas, and (6) transmission costs. Additionally, in Peru, PPAs include provisions that change the contractual unitary energy prices in the case of an interruption of the supply or transportation of natural gas through the use of a methodology based on spot prices existing on the dates in which the interruption event occurred. Many of the prices in our PPAs differentiate between peak and off-peak periods. As of December 31, 2015, the weighted average remaining life of our PPAs based on firm capacity was 10 years (including the remaining life of the PPAs for our assets in advanced stages of construction: Cerro del Aguila ("CDA"), Samay I and Kanan).

Note 3 – Significant Accounting Policies (Cont'd)

(2) Revenue from shipping services and related expenses (in associated company)

Revenue from cargo traffic is recognized in profit or loss in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed for each cargo by the reference to the time-based proportion. The operating expenses related to cargo traffic are recognized immediately as incurred. If the incremental expenses related to the cargo exceed the related revenue, the loss is recognized immediately in income statement.

(3) Revenue from vehicles (in associated company)

(i) Sales of vehicles

Revenue from the sale of vehicles in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of VAT or other sales taxes, returns or allowances, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customers, recovery of the consideration is probable, the associated costs and possible return of vehicles can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(ii) Rental income of vehicles

Rental income from operating leases is recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(iii) Licensing income

License fee and royalties received for the use of the Group's assets (such as platform technology and patent) are normally recognized in accordance with the substance of the agreement on a straight-line basis over the life of the platform.

(4) Revenue from biodiesel

Revenues are recorded if the material risks and rewards associated with ownership of the goods/merchandise sold have been assigned to the buyer. This usually occurs upon the delivery of products and merchandise.

Revenue is recorded to the extent that it is probable that the economic benefits will flow to the Group and the amount of the revenues can be reliably measured.

O. Financing Income and Expenses

Financing income includes income from interest on amounts invested and gains from exchange rate differences. Interest income is recognized as accrued, using the effective interest method.

Financing expenses include interest on loans received, commitment fees on borrowings, and changes in the fair value of derivatives financial instruments presented at fair value through profit or loss, and exchange rate losses. Borrowing costs, which are not capitalized, are recorded in the income statement using the effective interest method.

In the statements of cash flows, interest received is presented as part of cash flows from investing activities. Dividends received are presented as part of cash flows from operating activities. Interest paid and dividends paid are presented as part of cash flows from financing activities. Accordingly, financing costs that were capitalized to qualifying assets are presented together with interest paid as part of cash flows from financing activities. Gains and losses from exchange rate differences and gains and losses from derivative financial instruments are reported on a net basis as financing income or expenses, based on the fluctuations on the rate of exchange and their position (net gain or loss).

P. Income Taxes

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Note 3 – Significant Accounting Policies (Cont'd)

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax liability arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

(ii) Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries and associates where the Group is able to control the timing of the reversal of the temporary differences and it is not probable that they will reverse it in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profit improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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

Management of the Group regularly reviews its deferred tax assets for recoverability, taking into consideration all available evidence, both positive and negative, including historical pre-tax and taxable income, projected future pre-tax and taxable income and the expected timing of the reversals of existing temporary differences. In arriving at these judgments, the weight given to the potential effect of all positive and negative evidence is commensurate with the extent to which it can be objectively verified.

Management believes the Group's tax positions are in compliance with applicable tax laws and regulations. Tax benefits are recognized only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The Group believes that its liabilities for unrecognized tax benefits, including related interest, are adequate in relation to the potential for additional tax assessments. There is a risk, however, that the amounts ultimately paid upon resolution of audits could be materially different from the amounts previously included in our income tax expense and, therefore, could have a material impact on our tax provision, net income and cash flows.

(iii) Uncertain tax positions

A provision for uncertain tax positions, including additional tax and interest expenses, is recognized when it is more probable than not that the Group will have to use its economic resources to pay the obligation.

Q. Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary share capital. The basic earnings per share are calculated by dividing income or loss allocable to the Group's ordinary equity holders by the weighted-average number of ordinary shares outstanding during the period. The diluted earnings per share are determined by adjusting the income or loss allocable to ordinary equity holders and the weighted-average number of ordinary shares outstanding for the effect of all potentially dilutive ordinary shares including options for shares granted to employees.

Note 3 – Significant Accounting Policies (Cont'd)

R. Share Capital – Ordinary Shares

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognized as a deduction from equity.

Distribution of Non-Cash Assets to owners of the Company

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Group at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting date and at the settlement date, with any changes recognized directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognized the difference, if any, between the carrying amounts of the assets distributed and the carrying amount of the liability in profit or loss. Distribution of non-cash assets are distributed to shareholders when the shareholder is given a choice of taking cash in lieu of the non-cash assets.

S. Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- Represents a separate major line of business or geographic area of operations,
- Is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- Is a subsidiary acquired exclusively with a view to re-sell.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

In the cash flow, the cash balance from discontinued operation is disclosed in a separate line. The changes based on operating, investing and financing activities are reported in Note 27.

T. Transactions with Controlling Shareholders

Assets, liabilities and benefits with respect to which a transaction is executed with the controlling shareholders are measured at fair value on the transaction date. The Group records the difference between the fair value and the consideration in equity.

U. Standards required to be applied in Later Periods

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- 1) **International Financial Accounting Standard IFRS 9 (2014) “Financial Instruments”** – replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

The Standard is to be applied for annual periods commencing on or after January 1, 2018, with the possibility of early adoption. The Standard is to be applied retroactively, except in a number of circumstances. Management of the Group is examining the effects of IFRS 9 (2014) on the financial statements with no plans for early adoption.

- 2) **International Financial Accounting Standard IFRS 15 “Revenues from Contracts with Customers”** – the Standard replaces the presently existing guidelines regarding recognition of revenue from contracts with customers and provides two approaches for recognition of revenue: at one point in time or over time. The model includes five stages for analysis of transactions in order to determine the timing of recognition of the revenue and the amount thereof. In addition, the Standard provides new disclosure requirements that are more extensive than those currently in effect.

Note 3 – Significant Accounting Policies (Cont'd)

The Standard is to be applied for annual periods commencing on January 1, 2018, with the possibility of early adoption. The Standard includes various alternatives with respect to the transitional rules, such that companies may choose one of the following alternatives when applying the Standard for the first time: full retroactive application, full retroactive application with practical relaxations or application of the Standard commencing from the initial application date, while adjusting the balance of the retained earnings as at this date for transactions that have not yet been completed. Management of the Group has not yet commenced examining the impacts of adoption of the Standard on its financial statements.

- 3) **International Financial Accounting Standard IFRS 16 “Leases”** 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 of this, for lessees, the new standard presents a unified model for the accounting treatment of all leases according to which the lessee has to recognize an asset and liability in respect of the lease in its financial statements. Similarly, the standard determines new and expanded disclosure requirements from those required at present. The standard will become effective for annual periods commencing on or after January 1, 2019, with the possibility of early adoption, so long as the Group has also early adopted IFRS 15 – Revenue from contracts with customers. The standard includes a number of alternatives for the implementation of transitional provisions, so that companies can choose one of the following alternatives at the implementation date: full retrospective implementation or implementation from the effective date while adjusting the balance of retained earnings at that date. Management of the Group has not yet commenced examining the effects of adopting the amendments on the financial statements.

There are no other IFRSs or International Financial Reporting Interpretations Committee (“IFRIC”) interpretations that are not yet effective that would be expected to have a material impact on the Group.

Note 4 – Determination of Fair Value

As part of its accounting policies and disclosure requirements, management of the Group is required to determine the fair value of both financial and non-financial assets and liabilities. The fair values have been determined for purposes of measurement and/or disclosure based on the following methods. Additional information regarding the assumptions used in determining the fair values is disclosed in the notes relating to that asset or liability. A number of the Group’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values.

When relevant observable market data does not exist, or when observable inputs require significant adjustment based on unobservable inputs, fair values are determined using a valuation technique based primarily on the Company’s internal assumptions about future cash flows and appropriately risk-adjusted discount rates. Regardless of the valuation technique used, that technique should not ignore relevant information and reflect appropriate risk adjustments that market participants would make for credit and liquidity risks.

Based on each valuation scenario, management of the Group will decide on the use of observable transaction prices to the extent they represent the fair value of the instrument and consider using unobservable inputs when it is more appropriate than using observable inputs. If they do not represent the fair value of the instrument, and significant adjustments need to be made to the observable transaction prices, it might be more appropriate for the Group to use a valuation technique based on unobservable inputs.

In other scenarios, multiple inputs from different sources may collectively provide the best evidence of fair value with the expected cash flows considered alongside such information. The weighting of these inputs in the fair value measurement would depend on the extent to which they provide information about the fair value of the instrument and are relevant in developing a reasonable estimate of fair value.

A. Cash Generating Unit for impairment testing

See Note 14.C.

B. Derivatives

See Note 30 regarding “Financial Instruments”.

C. Non-derivative financial liabilities

Non-derivative financial liabilities are measured at their respective fair values, at initial recognition and for disclosure purposes, at each reporting date. Fair value for disclosure purposes, is determined based on the quoted trading price in the market for traded debentures, whereas for non-traded loans, debentures and other financial liabilities is determined by discounting the future cash flows in respect of the principal and interest component using the market interest rate as at the date of the report.

Note 5 – Cash and Cash Equivalents

	As at December 31	
	2015	2014
	US\$ thousands	
Cash in banks	277,442	420,391
Time deposits (a)	106,511	189,665
Cash and cash equivalents for purposes of the statement of cash flows	<u>383,953</u>	<u>610,056</u>

- (a) Time deposits corresponds to short-term investments made for periods ranging from one day to three months, depending on immediate cash requirements of the Group, and earn interest at short-term deposit rates in US Dollars and other currencies ranging from 0.23% to 10.55% per annum.

The Group's exposure to credit risk, interest rate risk and currency risk and a sensitivity analysis with respect to the financial assets and liabilities is detailed in Note 30 "Financial Instruments".

Note 6 – Short-Term investments and deposits

	As at December 31	
	2015	2014
	US\$ thousands	
Short-term bank deposits (a)	50,000	119,915
Restricted Cash (b)	251,955	88,330
	<u>301,955</u>	<u>208,245</u>
Other	6,747	18,585
	<u>308,702</u>	<u>226,830</u>

- (a) Corresponds to 180-day time deposits set by Inkia Americas Holdings Ltd from the proceeds of the Inkia Holdings Limited ("Acter sale") (See Note 10.C.d).
- (b) Corresponds to amounts held in escrow accounts as collateral for loans and contractual obligations, such as debt service reserve accounts and time deposits that guarantee letters of credit. These amounts held in escrow earn interest at market interest rates of 0.03% to 6.2%. This is comprising mainly of: (i) \$117,395 thousand, I.C. Power Distribution Holdings Pte. Ltd.'s reserve for the acquisition of four acquired businesses ("Energuate") (See Note 32.C.2); and, (ii) \$50,231 thousand, OPC's guarantee for the amortization of mezzanine Loan-Tranche A under ICPI.

Note 7 – Trade Receivables, Net

	As at December 31	
	2015	2014
	US\$ thousands	
Trade Receivables	123,377	194,337
Less – allowance for doubtful debts	(104)	(12,979)
	<u>123,273</u>	<u>181,358</u>

Note 8 – Other Current Assets

	As at December 31	
	2015	2014
	US\$ thousands	
Government agencies (a)	23,267	31,848
Insurance recoveries (b)	3,944	8,040
Advances to suppliers	306	26
Prepaid expenses	9,489	10,922
Other receivables	8,254	8,228
	<u>45,260</u>	<u>59,064</u>

- a. The balance corresponds mainly to the VAT incurred in the construction of CDA and Samay I (“Puerto Bravo”) projects. Both projects have the tax benefit of recovering the VAT incurred during the construction stage on a regular basis.
- b. As of December 31, 2015, the amount comprises of receivables recorded in Amayo II and Cobee in connection with their insurance claims for business interruption and property damage of \$ 1,615 thousand and \$ 2,329 thousand, respectively (\$8,040 thousand relates mainly to Amayo II insurance claims in relation to the damage of three wind towers in 2014).

Note 9 – Inventories

	As at December 31	
	2015	2014
	US\$ thousands	
Fuel (a)	5,786	11,873
Spare parts (b)	44,565	43,462
	<u>50,351</u>	<u>55,335</u>

- a. The plants in El Salvador, Nicaragua, Guatemala, Jamaica and Dominican Republic consume heavy fuel and the plants in Chile consume diesel for the generation of electric energy. These plants purchase fuel in the international market and import it into the respective countries taking into considerations transportation costs and timeliness of purchases, demand and supply of the market.
- b. Corresponds to spare parts held in storage to be used in maintenance work.

During 2015, the Group recognized fuel inventory write-downs to net realizable value of \$623 thousand in cost of sales (\$1,991 thousand and \$558 thousand during 2014 and 2013 respectively).

Note 10 – Investment in Associated Companies

A. Condensed information regarding significant associated companies

1. Condensed financial information with respect to the statement of financial position

	ZIM**		Tower***	Qoros****	
			As at December 31		
	2015	2014	2014	2015	2014
			US\$ thousands		
Principal place of business	International		International	China	
Proportion of ownership interest	32%	32%	29%*	50%	50%
Current assets	616,279	762,507	394,084	235,084	342,357
Non-current assets	1,296,035	1,393,767	479,650	1,430,156	1,467,668
Current liabilities	(610,933)	(788,626)	(325,947)	(888,354)	(1,005,603)
Non-current liabilities	(1,222,639)	(1,288,258)	(412,335)	(746,740)	(664,034)
Non-controlling interests	(3,976)	(7,118)	9,418	—	—
Total net assets attributable to the Group	74,766	72,272	144,870	30,146	140,388
Share of Group in net assets	23,925	23,127	42,012	15,073	70,194
Adjustments:					
Excess cost	177,360	167,942	4,524	—	—
Loans	—	—	—	109,393	129,134
Non-controlling interests	—	—	(32,475)	—	—
Others	—	—	—	34,263	21,710
Book value of investment	201,285	191,069	14,061	158,729	221,038

* The ownership percentage assumes the impact of the conversion of convertible capital notes and shares.

** Became an associate in 2014 (See Note 10.C.a).

*** Distributed as dividend-in-kind in July 2015 (See Note 10.C.c).

**** Qoros is a joint venture (See Note 10.C.b). The current assets include cash and cash equivalent of \$39,610 thousand (2014: \$121,215 thousand). The current and non-current liabilities excluding trade and other payables and provisions amount to \$1,229,166 thousand (2014: \$1,210,875 thousand).

Note 10 – Investment in Associated Companies (Cont'd)

2. Condensed financial information with respect to results of operations

	<u>ZIM*</u>		<u>Tower**</u>		<u>Qoros****</u>			<u>Generandes***</u>		
	<u>For the year ended December 31</u>									
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>US\$ thousands</u>									
Revenues	<u>2,991,135</u>	<u>1,667,107</u>	<u>461,778</u>	<u>828,008</u>	<u>505,009</u>	<u>232,114</u>	<u>138,260</u>	<u>2,170</u>	<u>193,000</u>	<u>512,685</u>
Income (loss)	<u>2,253</u>	<u>(72,515)</u>	<u>(737)</u>	<u>24,723</u>	<u>(108,786)</u>	<u>(392,427)</u>	<u>(349,612)</u>	<u>(255,420)</u>	<u>29,628</u>	<u>85,855</u>
Other comprehensive income (loss)	<u>(1,948)</u>	<u>2,399</u>	<u>—</u>	<u>(8,287)</u>	<u>(12,651)</u>	<u>(19)</u>	<u>(25)</u>	<u>21,990</u>	<u>—</u>	<u>—</u>
Total comprehensive income (loss)	<u>305</u>	<u>(70,116)</u>	<u>(737)</u>	<u>16,436</u>	<u>(121,437)</u>	<u>(392,446)</u>	<u>(349,637)</u>	<u>(233,430)</u>	<u>29,628</u>	<u>85,855</u>
Kenon's share of comprehensive income (loss)	<u>98</u>	<u>(22,437)</u>	<u>(189)</u>	<u>4,696</u>	<u>(38,860)</u>	<u>(196,223)</u>	<u>(174,818)</u>	<u>(116,715)</u>	<u>11,554</u>	<u>33,483</u>
Adjustments	<u>9,418</u>	<u>9,665</u>	<u>(609)</u>	<u>13,687</u>	<u>7,852</u>	<u>—</u>	<u>12</u>	<u>—</u>	<u>(12)</u>	<u>(3,394)</u>
Kenon's share of comprehensive income (loss) presented in the books	<u>9,516</u>	<u>(12,772)</u>	<u>(798)</u>	<u>18,383</u>	<u>(31,008)</u>	<u>(196,223)</u>	<u>(174,806)</u>	<u>(116,715)</u>	<u>11,542</u>	<u>30,089</u>

* Became an associate in 2014, hence, results of operations for 2013 is not presented (See Note 10.C.a).

** Distributed as dividend-in-kind in July 2015 (see Note 10.C.c). Results of operations for the current period are for the six months ended June 30, 2015.

*** Sold in 2014. (See Note 10.C.e)

**** Qoros is a joint venture (See Note 10.C.d). The depreciation and amortization, interest income, interest expense and income tax expenses recorded by Qoros during the year were \$74,509 thousand, \$2,109 thousand, \$2,137 thousand and \$92 thousand (2014: \$32,465 thousand, \$2,804 thousand, \$35,224 thousand and \$86 thousand; 2013: \$7,853 thousand, \$2,951 thousand, \$3,483 thousand and \$32 thousand) respectively.

Note 10 – Investment in Associated Companies (Cont'd)

B. Associated companies that are individually immaterial

	Associated Companies		
	As at December 31		
	2015	2014	2013
	US\$ thousands		
Book value of investments as at December 31	9,008	9,615	
Share of Group in income	123	8,334	2,348
Share of Group in other comprehensive (loss)/income	—	(10,398)	2,375
Share of Group in total comprehensive (loss)/income	123	(2,064)	4,723

C. Additional information

a. ZIM

1. Upon completion of the debt arrangement in ZIM, on July 16, 2014, the Group declined to a rate of holdings of 32% of ZIM's equity and as a result it ceased to control ZIM. Commencing from this date, IC presents its investment in ZIM as an associated company. ZIM's results up to the completion date of the debt arrangement, together with the income due to loss of control and the loss due to waiving all ZIM's debts, were presented separately in the consolidated profit and loss statements in the category "profit for the year from discontinued operations".

ZIM's debt restructuring, which was completed on July 16, 2014 ("the effective date of the restructuring"), involved representatives of the majority of ZIM's financial creditors, related parties and additional stakeholders. As a result of the restructuring, among other things, ZIM's outstanding indebtedness and liabilities (face value, including future commitments in respect of operating leases, and with regard to those parties participating in the restructuring) were reduced from approximately \$ 3.4 billion to approximately \$ 2 billion.

As part of this restructuring the financial creditors and ship owners received shares amounting, in aggregate, to 68% of ZIM's issued share capital (post-restructuring, after IC's investment in ZIM as set forth in (1) below). All of ZIM's existing shares and options, including any such shares held by IC, became null and void.

IC's participation in the restructuring is as follows:

1. IC invested an amount of \$200 million in ZIM's share capital, such that following the completion of the restructuring IC holds approximately 32% of ZIM's issued share capital. This investment will be transferred to Kenon; and
2. IC waived and discharged all ZIM's liabilities towards it. Such liabilities arose mainly from the 2009 restructuring of ZIM and comprised subordinated debt with a nominal face value of \$240 million.

A waiver in the amount of approximately \$12 million (NIS 45 million) deferred debt owed by IC to ZIM in connection with a certain derivative claim shall be terminated, although the debt will be reinstated if the court determines that the waiver was not valid. In such an event, the debt would be repaid following the full repayment of debts under the restructuring (Tranche A, the Series C Notes, the Series D Notes and Tranche E); and
3. IC has further agreed to provide a receivable-backed credit line of \$50 million ("IC's credit line obligation") for a period of two years as of the restructuring date. It was also agreed that IC has the right to terminate IC's credit line obligation following the lapse of nine months from the restructuring date (i.e., April 15, 2015) if certain conditions set forth in the respective agreement were not met. This credit line was not transferred to Kenon.

Note 10 – Investment in Associated Companies (Cont'd)

In addition, all previous covenants were cancelled and a new set of financial covenants was agreed as follows:

- (i) *Minimum Liquidity*: ZIM is required to meet monthly minimum liquidity (including amounts held in the reserve account available for general corporate purposes) in an amount of at least \$125 million (tested on the last business day of each calendar month).
- (ii) *Fixed Charge Cover*: ZIM is required to have a certain Fixed Charge Cover ratio, which is defined as Consolidated EBITDAL to Fixed Charges. EBITDAL means Consolidated EBITDA (ZIM's Consolidated EBITDA after certain adjustments as specifically defined in the facility agreements), after adding back charter hire lease costs. Fixed Charges mean mainly cash interest, scheduled repayments of indebtedness and charter hire lease costs.

This ratio will gradually increase from 1.02:1 on December 31, 2015 to 1.07:1 on December 31, 2018 (based on the previous twelve-month periods). Ratio levels will be tested quarterly from December 31, 2015;

- (iii) *Total Leverage*: ZIM is required to have a certain Total Leverage ratio, which is defined as Total Debt to Consolidated EBITDA. This ratio will gradually decrease from 8.8:1 on June 30, 2015 to 4.9:1 on December 31, 2018 (based on the previous twelve-month periods). Ratio levels will be tested quarterly from June 30, 2015.

During 2015, due to deteriorating market conditions, ZIM obtained amendments to the financial covenants described above, valid as from September 30, 2015. Following the balance sheet date, as a result of further deterioration in the market, ZIM obtained further amendments valid from March 31, 2016 through (and including) December 31, 2017. Accordingly, below are the current financial covenants that is required of ZIM:

- 1) Fixed Charge Cover ratio – During 2016 and through (and including) September 30, 2016 all prior requirements are waived. On December 31, 2016 and as of each quarter end during 2017, ZIM will be required to stand a minimum Fixed Charge Cover ratio ranging from 0.82 to 0.84.

During 2018, the required ratio will gradually increase from 0.96:1 to 0.99:1 and remain in that level thereafter.

- 2) Total Leverage ratio – During 2016, and through (and including) September 30, 2016 all prior requirements are waived. On December 31, 2016 and as of each quarter end during 2017, ZIM will be required to stand a maximum Total Leverage ratio ranging from 17.17:1 to 11.73:1.

During 2018, the required ratio will gradually decrease from 7.68:1 to 6.64:1 and remain in that level thereafter.

- 3) Minimum Liquidity – This covenant was amended as from March 31, 2016 to include all cash and cash equivalents available to ZIM without any restrictions, in addition, during 2016 and through (and including) September 30, 2016 ZIM will be required to stand a minimum liquidity of \$ 150 million. Starting December 31, 2016 the minimum Liquidity required will be reinstated at \$ 125 million.

Under these amendments, it was also determined that if ZIM's performance improves and certain conditions are met, the Fixed Cover ratio levels and the Total Leverage ratio levels, as agreed at the restructuring, will be reinstated.

As at December 31, 2015, ZIM is in compliance with its financial covenants. According to its consolidated financial statements, ZIM's liquidity amounts to \$220 million (Minimum Liquidity required is \$ 125 million), the Fixed Charge Cover ratio amounts was 1.01:1 (Fixed Charge cover as at December 31, 2015 should not be lower than 0.94:1) and the Total Leverage ratio was 6.85:1 (Total Leverage ratio as at December 31, 2015 should not exceed 10.28:1).

Furthermore, ZIM is obligated under the Tranche A agreements to have a committed receivable-backed credit facility either from IC or from an alternative source for a period of two years as of the restructuring date ("the period"). During 2015, agreements were amended to allow ZIM to arrange the alternative credit facility for the period by September 30, 2015 instead of April 15, 2015.

Note 10 – Investment in Associated Companies (Cont'd)

On April 15, 2015, IC's credit line obligation was terminated. However, during the reported period, Tranche A agreements were amended to allow ZIM to arrange the alternative credit facility by September 30, 2015 instead of April 15, 2015. In 2015, the alternative facility was concluded.

In the opinion of ZIM management, and its Board of Directors, the updated forecast enables ZIM to meet its liabilities and operational needs and to comply with the new set of financial covenants for a period of at least 12 months after the balance sheet date.

Execution of IC's part in the restructuring (as described above) was subject, inter alia, to updating the terms of the Special State Share, such that it will not restrict the transfer of ZIM's shares and will not prevent completion of the restructuring with all its conditions due to the restrictions provided by the Special State Share relating to the holding of a minimum fleet of ships owned by ZIM.

Upon completion of the debt arrangement in ZIM, on July 16, 2014, IC ceased to control ZIM and, therefore, in the third quarter of 2014 IC recorded income in the amount of \$796 million as a result of loss of control of ZIM and presentation of its investment in ZIM as an associated company based on its fair value as derived from the amount of IC's investment in ZIM's equity in accordance with the arrangement, and also recorded a loss of \$187 million due to IC's waiver of all of ZIM's debts, as noted above. The resulting amount of the income created, in the amount of \$609 million, as stated, was presented in the statement of profit and loss in the category "profit for the year from discontinued operations".

As part of the debt arrangement, as stated above, IC invested \$200 million in the shareholders' equity of ZIM. Based on a PPA (purchase price allocation) study made by an external appraiser, the excess cost was allocated, primarily, as follows: negative excess cost to ships, in the amount of \$104 million, negative excess cost in respect of unfavorable operating lease contracts, in the amount of \$39 million, positive excess cost in respect of containers and equipment, in the amount of \$30 million, positive excess cost in respect of a brand name, in the amount of \$80 million, and goodwill, in the amount of \$219 million.

2. Following the recent trends in the shipping industry, in particular the decline in freight rates that also have an adverse effect on ZIM's results, Kenon performed a valuation of its 32% equity investment in ZIM as of December 31, 2015 in accordance with IAS 36 *Impairment of Assets* and IAS 28 *Investments in Associates*. Kenon concluded that, as of December 31, 2015, the recoverable amount of its investment in ZIM exceeded the carrying amount and, therefore, Kenon did not recognize an impairment in its financial statements in respect of its investment in ZIM.

For the purposes of management's impairment evaluation of the Group's investment, ZIM, which operates integrated network liner activity, has one CGU, which consists of all of ZIM's assets. The recoverable amount is based on the higher of the value in use and the fair value less costs to sell ("FVLCTS"). The valuation is predominantly based on publically available information and set of accounts as at December 31, 2015.

ZIM's valuation was based on a variety of valuation multiples that is applicable to ZIM's peers in the wider container shipping industry and the extent these multiples are applicable to ZIM.

- Applying an increase to the mid-point analysis of 2014 Valuation, which was based on detailed cash flow forecast for 5 years based upon ZIM's business plan with other factors like bunker price, freight rates, average Twenty-Foot Equivalent Unit ("TEU") chartered rates and long-term growth.
- Application of EBITDA multiple range of 10.5x to 11.5x to the normalized EBITDA of \$170 million where the multiples used are within the lower range of peers;
- Share prices: according to comparable quoted shipping companies -9% over 12 months ended December 31, 2015;
- Forward average Enterprise Value ("EV") / EBITDA: multiples of comparable companies increased 14% from 14.8x to 16.8x – mainly due to share prices decrease not proportionate to decline in EBITDA;
- Broker forecasts of comparable peer EBITDA margins for the year ended December 31, 2015, where ZIM's performance is in the middle of this range and expected to outperform its peers.

Note 10 – Investment in Associated Companies (Cont'd)

3. In 2015, ZIM recognized an impairment of the vessels held for sale in an amount of \$7 million as impairment under other operating expenses.
4. As part of the July 2014 group debt restructuring, ZIM undertook to scrap eight vessels during the period of 16 months from the effective date of the restructuring. In 2015, ZIM disposed two vessels, and obtained an extension through December 16, 2015, to dispose the last vessel. As of December 31, 2015 all of such vessels were disposed.
Upon the effective date of the restructuring, those vessels were classified as held for sale and as a result, an impairment loss in an amount of \$ 110 million was recorded under other operating expenses (as included in the Day 1 Effect).
5. The container shipping industry is volatile and has been experiencing a sustained cyclical downturn in the recent period, which continues subsequent to the balance sheet date. Continuation of this trend could negatively affect the entire industry and also affect ZIM's business, financial position, results of operations, cash flows and ZIM's compliance with certain financial covenants.
6. During 2015, ZIM sold all of its holdings in an associated company which resulted in a disposal gain of \$32 million recognized in ZIM's financial statements. Kenon's share of the disposal gain is \$10 million and is recognized in share of net income and losses from associated companies.

b. Qoros Automotive Co. Ltd. ("Qoros")

1. As at December 31, 2015, the Group holds, through a wholly-owned and controlled company, Quantum (2007) LLC ("Quantum") the equity interest of Qoros in a 50/50 agreement with a Chinese vehicle manufacturer – Chery Automobiles Limited ("Chery"), which is engaged in manufacture of vehicles using advanced technology, and marketing and distribution of the vehicles worldwide under a quality brand name.
2. As at December 31, 2015, the balance of Kenon's investment in Qoros amounts to \$159 million (December 31, 2014 – \$221 million).
3. During 2015, Kenon and Chery each, through a subsidiary, provided a RMB800 million (\$130 million) convertible loan to Qoros to support its ongoing development. Subsequent to date of the report, in January and February 2016, Kenon invested an additional accumulated amount of about \$40 million in Qoros.
4. Set forth below is an overview of the guarantees provided by Kenon in respect of Qoros' debt:

<u>Date Granted</u>	<u>Qoros Credit Facility</u>	<u>Kenon Guarantee Amount</u>
Spin-Off / November 2015	RMB3 billion credit facility	RMB750 million (\$115 million), see (5) below
May and November 2015	RMB700 million EXIM Bank loan facility	RMB350 million (\$54 million), plus interest and fees of up to RMB60 million (\$10 million), see (6) below
Total		RMB 1,160 million (\$179 million)

Note 10 – Investment in Associated Companies (Cont'd)

5. In July 2012, Chery provided a guarantee to the banks, in the amount of RMB1.5 billion (\$242 million), in connection with an agreement with the banks to provide Qoros a loan, in the amount of RMB3 billion (\$482 million). In November 2015, Kenon has provided back-to-back guarantees to Chery of RMB750 million (approximately \$115 million) in respect of certain of Qoros' indebtedness and has committed to negotiate with Chery in good faith to find a solution so that Kenon's and Chery's liabilities for the indebtedness of Qoros under Qoros' RMB3 billion credit facility are equal in proportion; Kenon has similarly agreed to try to find an acceptable solution in respect of Kenon's and Chery's liabilities for the indebtedness of Qoros under Qoros' 1.5 RMB billion facility, but without any obligation on Kenon to be liable for more than the amount set forth in its back-to-back guarantee to Chery. As a result, if Qoros is unable to meet its operating expenses or is unable to comply with the terms of certain of its debt agreements, Kenon may be required to make payments under its guarantees to Chery. In a back-to-back arrangement Kenon committed to Chery to pay half of every amount it will be required to pay with respect to the above-mentioned guarantee ("the 2012 Guarantee"). The fair value of the guarantee has been recorded in the financial statements.

Prior to Kenon's spin-off from IC, IC provided the 2012 Guarantee to Qoros. This guarantee by IC is a back-to-back guarantee of Chery's guarantee of up to RMB1.5 billion (approximately \$240 million) under this credit facility, and the obligation of IC under this back-to-back guarantee is up to RMB888 million (approximately \$142 million), including related interest and fees. In connection with Kenon's spin-off from IC, IC continued to provide this guarantee and Kenon entered into a \$200 million credit facility with IC, and to the extent that IC is required to make payments under its back-to-back guarantee in respect of Qoros' credit facility, the amount of the loans owed by Kenon to IC under the credit facility will be increased accordingly.

On February 12, 2015, Kenon has agreed to provide a RMB400,000 thousand (\$64,360 thousand) loan to Qoros to support its ongoing development, and in connection with the provision of this loan, IC's back-to-back guarantee of Qoros' debt was released in full. Chery's guarantee under the Qoros facility of up to RMB1.5 billion (approximately \$240 million) is not being released in connection with the release of IC's back-to-back guarantees and, as described above, in November 2015 Kenon has provided back-to-back guarantees to Chery of RMB750 million.

6. On May 12, 2015, Qoros has signed a Consortium Loan Agreement with the Export-Import Bank of China, and China Construction Bank Co., LTD, Suzhou Branch, concerning the Project of Research and Development of Hybrid Model ("Loan Agreement"), for an amount of RMB700 million (\$108 million) or in USD not exceeding the equivalent to RMB480 million (\$78 million) (the "Facility").

On June 15, 2015, this Facility was secured by Chery Automobile Co., Ltd ("Chery Guarantee Deed") and pledged with Qoros' 90 vehicle patents with an appraisal value of minimum RMB3.1 billion (\$0.5 billion). The Loan Agreement's term of 102 months bears a 5-years interest rate quoted by the People's Bank of China in RMB at LIBOR+10%, or in USD at LIBOR+3.50% per annum.

With relation to the above, Kenon provided a RMB350 million (\$54 million) guarantee of this financing agreement to Chery for up to 50% of Chery's Guarantee. As at December 31, 2015, Qoros had drawn down the Facility of RMB700 million (\$108 million) with an interest rate of 5.39%. The fair value of the guarantee has been recorded in the financial statements.

7. On May 15, 2015, Kenon and Chery each provided a RMB400 million (\$65 million) loan to Qoros to support its ongoing development. RMB25 million (\$5 million) of each loan can be converted into equity on conditions set out in the agreement. As a result, Kenon's ownership percentage in Qoros will not increase upon Qoros' full, or partial, conversion of Kenon's RMB400 million (\$65 million) shareholder loan into equity.

Kenon expects all, or a portion, of the shareholder loans to convert into additional equity in Qoros upon the satisfaction of certain conditions, including the approval by the relevant Chinese authority.

Kenon funded the RMB400 million (\$65 million) shareholder loan through drawdowns of \$65 million under a Credit Facility with its former parent, IC as disclosed in Note 1.B.(2). Under the terms of the Credit Facility, these drawdowns required Kenon to pledge an additional 6.50% of its interest in I.C. Power to IC. As a result of these drawdowns, the aggregate drawdowns under the Credit Facility is \$110 million and an aggregate 59.50% of Kenon's equity interest in I.C. Power will be pledged to IC.

Note 10 – Investment in Associated Companies (Cont'd)

8. On July 31, 2014, in order to secure additional funding for Qoros of approximately RMB 1.2 billion (\$200 million as of August 7, 2014) IC pledged a portion of its shares (including dividends derived therefrom) in Qoros, in proportion to its share in Qoros's capital, in favor of the Chinese bank providing Qoros with such financing. Simultaneously, the subsidiary of Chery that holds Chery's rights in Qoros also pledged a proportionate part of its rights in Qoros. Such financing agreement includes, inter alia, liabilities, provisions regarding covenants, events of immediate payment and/or early payment for violations and/or events specified in the agreement. The lien agreement includes, inter alia, provisions concerning the ratio of securities and the pledging of further securities in certain circumstances, including pledges of up to all of Quantum's shares in Qoros (or cash), provisions regarding events that would entitle the Chinese Bank to exercise the lien, certain representations and covenants, and provisions regarding the registration and approval of the lien.

As of December 31, 2015 Kenon and Chery have each pledged 28% of its equity interest in Qoros.

9. Qoros incurred a net loss of RMB 2.48 billion and had net current liabilities of approximately RMB 4.24 billion as of and for the year ended 31 December 2015.

Qoros had given careful consideration to the future of liquidity of Qoros and its available sources of finance in assessing whether Qoros will have sufficient financial resources to continue as a going concern.

10. In September 2014, Qoros' board of directors reviewed a new business development plan for the next ten years. Subsequently, Qoros' board of directors approved a five-year business plan, which reflected lower forecasted sales volumes and assumed the minimal level of capital expenditure necessary for such sales volumes. Based on 2014 business plan which was updated in 2015, Qoros management performed impairment tests in October 2015 and February 2016 on Qoros' operating assets (primarily its Property, Plant and Equipment ("PP&E") and intangible assets).

Qoros, has one CGU, which consists of all of Qoros' assets. The carrying amount of the CGU's assets (adjusted for depreciation and amortization) was approximately RMB9.3 billion (\$1.4 billion) as of December 31, 2015.

Qoros concluded that the recoverable amount of its CGU was higher than the carrying amount of its CGU (adjusted for depreciation and amortization). The recoverable amount was estimated based on fair value of Qoros' assets less the costs of disposal and its value in use, using discounted cashflow method. Therefore, no impairment was recognized in Qoros' December 31, 2015 financial statements in respect of its CGU.

Although Qoros believes the assumptions used to evaluate the potential impairment of its assets are reasonable and appropriate, such assumptions are highly subjective. There can be no assurance as to future levels of cars produced or sold by Qoros, the development of Qoros' distribution and dealer network, and Qoros' utilization of its facility.

The analysis for the impairment test is sensitive to variances in each of the assumptions used and if the assumptions used by Qoros to evaluate the potential impairment of its assets change, Qoros may recognize significant impairment charges in its financial statements in the future. Qoros management has determined that the forecasted volume of sales and Qoros' receipt of certain subsidies from local Chinese governments are the most important elements of Qoros' business plan and accordingly are the most sensitive key assumptions for which there reasonably could be a possible change that could cause the carrying amount of Qoros' CGU to exceed the recoverable amount.

Note 10 – Investment in Associated Companies (Cont'd)

c. Tower

1. In March 2015, Tower accelerated the conversion of \$80 million of its outstanding Series F Bonds into ordinary shares of Tower. As a result of the issuance of shares, Kenon's interest in Tower was reduced from 29% to 23% of Tower's equity and Kenon realized a dilution gain of \$32 million.
2. On May 27, 2015, Kenon's shareholders approved a capital reduction, contingent upon the approval of the High Court of the Republic of Singapore, to enable Kenon to distribute, on a pro rata basis, some, or all, of the 18,030,041 ordinary shares of Tower held by Kenon, as well as 1,669,795 ordinary shares of Tower underlying the 1,669,795 Series 9 Warrants of Tower held by Kenon, to holders of Kenon's ordinary shares. On June 25, 2015, the High Court of the Republic of Singapore approved the reduction of Kenon's issued share capital, enabling Kenon to declare a distribution of some, or all, of its interest in Tower by distribution in specie. On June 30, 2015, the investment in Tower was reclassified to Assets held for distribution.
3. On July 7, 2015, Kenon's board of directors declared a pro rata distribution (the "Distribution") in specie of 18,030,041 ordinary shares of Tower (the "Tower Shares") to Kenon's shareholders of record as of the close of trading on July 20, 2015 (the "Record Date"). The Distribution occurred on July 23, 2015 (the "Distribution Date") and is one of the first key steps in the implementation of Kenon's strategy, which provided Kenon Shareholders with direct access to Tower, which Kenon believes is in the best interests of its shareholders.
4. The Tower Shares to be distributed in the Distribution represent all of the shares in Tower owned by Kenon, excluding the 1,669,795 shares in Tower underlying certain warrants held by Kenon. As of July 7, 2015, Kenon had 53,682,994 ordinary shares outstanding. Accordingly, each Kenon Shareholder as of the Record Date received approximately 0.335861 of a Tower Share for every Kenon Share held by such shareholder as of the Record Date. The fair value of the distribution in kind amounts to \$255 million. As a result of this distribution, the Group recognized a gain from distribution of dividend in kind of \$210 million. The gain arose from the difference between the fair value of the distribution and the carrying amount of the investment as required by IFRIC 17 *Distributions of non-cash assets to owners*.
5. After the distribution, Kenon beneficially owns 1,669,795 Warrants representing approximately 2.0% of outstanding Ordinary Shares of Tower as of December 31, 2015.

d. Generandes Peru S.A

During the last quarter of 2013, Inkia announced its decision to sell its 39.01% direct equity in Generandes Peru S.A. (Holding of Edegel S.A.A.)

In April 2014, the board of directors of I.C. Power approved the sale of Generandes Peru S.A. I.C. Power recorded its investment in Generandes Peru S.A. as an associate, applying the equity method until April 30, 2014.

On April 30, 2014, Inkia Americas Holdings Ltd. (the "Seller") and I.C. Power Ltd as guarantor of the Seller, signed a share purchase agreement with Enersis SA (Enersis) for the sale of its shares in Inkia Holdings (Acter) Limited that owns 21.14% indirect equity in Edegel S.A.A. for a sale price of \$413,000 thousand.

On September 3, 2014, Inkia Americas Holdings Ltd. completed the sale of its shares in Inkia Holdings (Acter) Limited, that had directly the equivalent of 39.01% of Generandes Peru S. A., see note 11A.1.g.

As a result of this sale the Group recorded a capital gain of \$132,246 thousand (net of tax \$84,981 thousand). In addition, the Group recorded a gain from recycling of foreign exchange of \$24,891 thousand.

D. Details regarding securities registered for trading

	As at	
	December 31, 2014	
	Book value	Market value
	US\$ thousands	
Shares of Tower	14,062	240,340

No Tower shares in 2015 due to distribution of dividend in-kind (See 10.C.c.4)

Note 10 – Investment in Associated Companies (Cont'd)

E. Details regarding dividends received from associated companies

	For the Year Ended December 31		
	2015	2014	2013
	US\$ thousands		
From associated companies	<u>4,487</u>	<u>32,227</u>	<u>45,217</u>

F. Restrictions

Qoros

Qoros has restrictions with respect to distribution of dividends and sale of assets deriving from legal and regulatory restrictions, restrictions under the joint venture agreement and the Articles of Association and restrictions stemming from credit received.

ZIM

The holders of ordinary shares of ZIM are entitled to receive dividends when declared and are entitled to one vote per share at meetings of ZIM. All shares rank equally with regard to the ZIM's residual assets, except as disclosed below.

In the framework of the process of privatizing ZIM, all the State of Israel's holdings in ZIM (about 48.6%) were acquired by IC pursuant to an agreement from February 5, 2004. As part of the process, ZIM allotted to the State of Israel a special State share so that it could protect the vital interests of the State.

On July 14, 2014 the State and ZIM have reached a settlement agreement (the "Settlement Agreement") that has been validated as a judgment by the Supreme Court. The Settlement Agreement provides, inter alia, the following arrangement shall apply: State's consent is required to any transfer of the shares in ZIM which confers on the holder a holding of 35% and more of the ZIM's share capital. In addition, any transfer of shares which confers on the holders a holding exceeding 24% but not exceeding 35%, shall require prior notice to the State. To the extent the State determines that the transfer involves a potential damage to the State's security or any of its vital interests or if the State did not receive the relevant information in order to formulate a decision regarding the transfer, the State shall be entitled to inform, within 30 days, that it objects to the transfer, and it will be required to reason its objection. In such an event, the transferor shall be entitled to approach a competent court on this matter.

The Special State Share, and the permit which accompanies it, also imposes transferability restrictions on our equity interest in ZIM. Furthermore, although there are no contractual restrictions on any sales of our shares by our controlling shareholders, if major shareholders' ownership interest in Kenon (controlling shareholders of Kenon) is less than 36%, or major shareholders cease to be the controlling shareholder, or sole controlling shareholder of Kenon, then Kenon's rights with respect to its shares in ZIM (e.g., Kenon's right to vote and receive dividends in respect of its ZIM shares), will be limited to the rights applicable to an ownership of 24% of ZIM, until or unless the State of Israel provides its consent, or does not object to, this decrease in major shareholders' ownership or "control" (as defined in the State of Israel consent received by IC in connection with the spin-off). The State of Israel may also revoke Kenon's permit if there is a material change in the facts upon which the State of Israel's consent was based, upon a breach of the provisions of the Special State Share by Kenon, Mr. Ofer, or ZIM, or if the cancellation of the provisions of the Special State Share with respect to a person holding shares in ZIM contrary to the Special State Share's provisions apply (without limitation).

The Special State Share is non-transferable. Except for the rights attached to the said share, it does not confer upon its holder voting rights or any share capital related rights.

Note 11 – Subsidiaries

A. Investments

1. I.C. Power

a. Subsidiaries acquired in 2015

1. Advanced Integrated Energy Ltd.

On June 8, 2015 I.C. Power executed an agreement with Hadera Paper Ltd (“Hadera Paper”), pursuant to which I.C. Power agreed to acquire from Hadera Paper 100% of the shares in Advanced Integrated Energy Ltd. (“AIE”) and the Hadera Paper’s energy center. AIE holds a conditional license for the construction of a 120MW cogeneration power station in Israel. The total payment amounts to NIS 60 million (approximately \$15.7 million) which involves two transactions:

- i. A business combination in the amount of NIS 36,000 thousand (\$ 9,441 thousand) as follows: (i) On August 10, 2015, after fulfilling the conditions precedent contemplated in the aforementioned agreement, I.C. Power completed the acquisition of AIE and paid NIS 1,755 thousand (approximately \$ 460 thousand) to Hadera Paper Ltd. for the acquisition of the shares. (ii) I.C. Power through AIE paid NIS 34,245 thousand (approximately \$ 8,981 thousand) for the repayment of the loan between Hadera Paper Ltd. and its former shareholder.

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition:

	US\$ thousands
Property, plant and equipment	8,981
Intangible	464
Deferred income tax liabilities	(123)
Total net assets	9,322
Total consideration	(9,441)
Goodwill	119

- ii. AIE acquired Hadera Paper’s energy center in the aggregate amount of NIS 24,000 (approximately \$ 6,294 thousand). The Hadera Paper’s energy center generates electricity with a 18MW steam turbine.

Additional investments by I.C. Power will be required to enable AIE to complete construction of the power plant, which is expected to commence operations in the second half of 2018.

b. During 2014, I.C. Power acquired the following companies:

1. AEI Nicaragua Holdings Ltd., AEI Jamaica Holdings Ltd.

On February 18, 2014, I.C.Power entered into an agreement with AEI Power Ltd. to acquire all of the shares of AEI Nicaragua Holdings Ltd. and AEI Jamaica Holdings Ltd. for a purchase price of \$54,144 thousand. On March 12, 2014, Inkia took control of AEI Nicaragua Holdings and paid \$36,644 thousand to AEI Power Ltd. in connection with the acquisition. As a result of the post-closing purchase price adjustments, AEI Power Ltd. refunded \$6,523 thousand to I.C. Power on April 14, 2014, therefore, the final purchase price of AEI Nicaragua Holdings was \$30,121 thousand.

On May 30, 2014, I.C.Power took control of AEI Jamaica Holdings and paid \$17,500 thousand to AEI Power Ltd. in connection with the acquisition. As a result of the post-closing purchase price adjustments, I.C. Power paid an additional \$3,177 thousand to AEI Power Ltd. on July 1, 2014; therefore, the final purchase price of AEI Jamaica Holdings was \$20,677 thousand.

Note 11 – Subsidiaries (Cont'd)

As of result of this transaction, I.C. Power increased its ownership from 15.57% to 100% in Jamaica Private Power Company (a subsidiary of AEI Jamaica Holdings). The measurement to fair value of I.C. Power's pre-existing share in Jamaica Power Company resulted in a gain of \$2,674 thousand (\$6,044 thousand less \$3,370 thousand carrying amount of such investment at the acquisition date).

2. Surpetroil S.A.S ("Surpetroil")

On March 12, 2014, I.C. Power through its subsidiary Samay III signed a share purchase agreement to acquire a 60% stake of Surpetroil, involved in power generation, natural gas transport and distribution using Colombia's stranded gas, as well as a 60% stake in two companies: Surenergy S.A.S. E.S.P. (Colombia) and Surpetroil S.A.S. (Peru) for a total purchase price of \$18,000 thousand. On March 28, 2014, I.C. Power took control of Surpetroil and paid \$12,000 thousand at closing. The remaining \$6,000 thousand has been retained by I.C. Power to be reinvested by the minority shareholders in new projects.

3. AEI Guatemala Holdings Ltd.

On August 13, 2014, I.C. Power entered into an agreement with AEI Power Ltd. to acquire all of the shares of AEI Guatemala Holdings Ltd for a purchase price of \$29,000 thousand. On September 17, 2014, I.C. Power completed the acquisition of AEI Guatemala Holdings and paid \$29,000 thousand to AEI Power Ltd.

On October 22, 2014, I.C. Power paid an additional of \$5,568 thousand as a result of the post-closing purchase price adjustments, and \$350 thousand for reorganization costs. Therefore, the final purchase price of AEI Guatemala Holdings was \$34,918 thousand.

c. Identifiable assets acquired and liabilities assumed

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition:

	AEI Nicaragua	AEI Jamaica	Surpetroil \$ thousands	AEI Guatemala	Total
Property, plant and equipment	157,211	39,585	15,173	60,896	272,865
Intangible	20,783	3,305	5,168	925	30,181
Deferred income tax assets	2,375	179	201	76	2,831
Trade receivables, net	29,072	5,998	900	31,939	67,909
Other assets	40,716	24,325	1,835	38,777	105,653
Short-term borrowings	—	(1,722)	(2,361)	(17,500)	(21,583)
Long-term debt	(115,241)	(10,199)	(2,390)	(23,021)	(150,851)
Deferred income tax liabilities	(33,722)	(1,102)	(2,671)	(7,550)	(45,045)
Other liabilities	(16,804)	(9,532)	(2,901)	(29,181)	(58,418)
Non-controlling interest	(30,618)	—	(5,182)	—	(35,800)
Total net assets	53,772	50,837	7,772	55,361	167,742
Fair value of pre-existing share	—	(6,044)	—	—	(6,044)
Total consideration	(30,121)	(20,677)	(18,000)	(34,918)	(103,716)
Gain on bargain purchase	23,651	24,116	—	20,443	68,210
Goodwill	—	—	10,228	—	10,228
Cash consideration	30,121	20,677	12,000	34,918	97,716
Consideration retained by I.C. Power	—	—	6,000	—	6,000
Total consideration transferred	30,121	20,677	12,000	34,918	97,716
Cash and cash equivalent acquired	(19,310)	(5,371)	(168)	(2,881)	(27,730)
Net cash flow on acquisition	<u>10,811</u>	<u>15,306</u>	<u>11,832</u>	<u>32,037</u>	<u>69,986</u>

d. Measurement of fair values

I.C. Power has established the value of the acquired assets, liabilities, and contingent liabilities considering the fair value basis on March 12, 2014; March 28, 2014; May 30, 2014; and on September 17, 2014, dates in which

Note 11 – Subsidiaries (Cont'd)

I.C. Power took control of AEI Nicaragua Holdings, Surpetroil, AEI Jamaica Holdings and AEI Guatemala Holdings, respectively. The criteria considered to establish the fair value of the main items were the following:

- Fixed assets were valued considering the market value established by an appraiser;
- Intangibles consider the valuation of its PPAs;
- Contingent liabilities were determined over the average probability established by third party legal processes;
- Deferred tax was valued over the temporary differences between the accounting and tax basis of the business combination; and,
- Non-controlling interest was calculated over a proportional basis of the net assets identified on the acquisition date.

e. Gain of bargain purchase

After reviewing and analyzing the fair values of the Nicaraguan, Jamaican and Guatemalan assets and compare them to the carrying value, a gain on bargain purchase of \$23,651 thousand, \$24,116 thousand and \$20,443 thousand, respectively, was determined. The differences between fair value and carrying value are derived in principal:

- Seller's need to complete transaction.
- Lack of alternative buyers.
- Regions low interest from international power players.

f. Recognition of Revenues and Profit or Loss

During the period from the acquisition date to December 31, 2014, the revenues and profit or loss contributed by these acquired companies to the consolidated results are as follows:

<u>Companies acquired</u>	<u>Control Date</u>	<u>Revenues</u>	<u>Profit (loss)*</u>
		<u>US\$ thousands</u>	
AEI Nicaragua Holdings Ltd	March 12, 2014	124,578	5,874
Surpetroil S.A.S.	March 28, 2014	9,263	1,759
AEI Jamaica Holdings Ltd.	May 30, 2014	40,752	(2,242)
AEI Guatemala Holdings Ltd.	September 17, 2014	33,302	(1,028)
Total		<u>207,895</u>	<u>4,363</u>

* These figures do not include any effect arising from the purchase price allocation adjustments and from non-controlling interest.

- g. On September 3, 2014, Inkia Americas Holdings Ltd. (the "Seller"), and I.C. Power as guarantor of the Seller, closed the sale of its shares in Inkia Holdings (Acter) Limited ("Acter"), that indirectly holds the equivalent of 39.01% of Generandes Peru SA, the holding company of Edegel SAA for a total consideration of \$413,000 thousand in cash.

As a consequence of the sale of Acter, I.C. Power transferred all the following companies to Enersis: Southern Cone Power Ltd., Latin America Holding I Ltd., Latin America Holding II Ltd. and Southern Cone Power Peru S.A.A.

Pursuant to the terms of the Share Purchase Agreement, prior to the consummation of the Acter Disposition, Acter was required to repay the outstanding indebtedness (the "Acter Debt") held with Credit Suisse AG, Cayman Islands Branch. In order to repay the Acter Debt, Seller received a short-term loan from I.C. Power on August 26, 2014 in an amount of \$125,000 thousand (the "Acter Contribution"), and used the proceeds to repay the Acter Debt on September 22, 2014.

On April 30, 2015, Inkia received \$3,850 thousand as a final dividend from Enersis equivalent to the remaining portion on 2014 Generandes' earnings as of September 3, 2014.

Note 11 – Subsidiaries (Cont'd)

- h. In May and June 2014, I.C. Power repaid \$167,811 thousand of intercompany debt owed to IC, repaid \$94,865 thousand of capital notes to IC, and made a dividend distribution to IC of \$37,324 thousand. As a result of I.C. Power's \$167,811 thousand repayment of loans and \$94,865 thousand repayment of capital notes to IC, no debt currently exists between I.C. Power and IC. In this report this amount (approximately \$300 million) was recorded as a payment to former parent company.
- i. In September 2014, a subsidiary of Inkia updated its five-year budget as a result of a downward trend in its results combined with anticipated impacts of recent political changes in the country in which the subsidiary operates, which affects the power generation business therein, and expectations of an increase in operating costs and unchanged electricity prices, which will lead to a decrease in its profitability. As a result, Inkia considered a potential impairment in this subsidiary and conducted an impairment analysis using the value in use method and a discount rate of 7.6%. Accordingly, Inkia determined that the book value of the subsidiary's assets exceeded its recoverable amount and therefore recorded an impairment loss of \$34,673 thousand.

2. I.C. Green

- a. On December 9, 2014, I.C. Green Energy ("ICG") signed an agreement for the sale of all its holdings (about 69%) in the shares of Petrotec AG ("Petrotec"), a public company traded on the Frankfurt stock exchange, to the Renewable Energy Group ("REG"), a public company traded on the NASDAQ. As part of the agreement, REG paid ICG in exchange for Petrotec's shares, the amount of \$20.9 million, by means of an issuance of shares of REG, along with payment of an additional amount in cash, of \$15.8 million, in respect of the balance of loans and accrued interest ICG granted to Petrotec. The number of shares REG issued to ICG is 2 million shares (about 4.6% of REG's capital). The shares issued will be restricted for trading and will be released in three equal portions after six, nine and twelve months from the issuance date.

On December 24, 2014 ("the Closing Date"), all the approvals required for execution of the agreement were received and the Group ceased to control Petrotec.

The fair value of the restricted shares was \$18 million. As a result of the sale, the Group reported a capital loss of \$5 million in its financial statements.

During 2014, ICG received 2,070,538 REG shares at a price of \$10.1133 per share. Due to restrictions on the shares, they were recorded in ICG's books in a value of \$18,439 thousands.

During 2015, ICG sold 1,380,358 shares in a total sum of \$12,670 thousands and ICG recorded a finance income of \$587 thousands from adjustment of REG shares to fair value.

The value of REG shares in ICG's books as of December 31, 2015 is \$6,412 thousands.

- b. In 2014, due a lack of sufficient sources of financing for 2015, the Board of Directors of HelioFocus decided to reduce HelioFocus' activities and to maintain only a minimum number of personnel until new investors are recruited.

As a result, the Group examined the amount of its investment in HelioFocus and decided to write down the balance to the amount of about \$1.5 million in 2014, representing the cash equivalents less the pension liabilities. As a result of the write down, the Group recorded a capital loss of \$13,171 thousand in 2014.
- c. As of December 31, 2015, ICG held 90.85% of the shares of Primus Green Energy Inc. ("PGE"), the total convertible loans including interest, owed by PGE to ICG, were consolidated to a convertible bridge financing agreement of \$11 million with interest of 7% annually and will be repayable on July 1, 2016.
- d. PGE's future is highly dependent on combination of factors, such as the timeliness and successful completion of additional financing; the success of its research and development activities; designing, constructing and operating successful production plants; and continued accessibility to funding from investment agreement with ICG and subject to price of available technologies and energy sources. As a result of above uncertainties, ICG decided to write-off its goodwill in PGE in the amount of \$6 million in 2015.

Note 11 – Subsidiaries (Cont’d)

3. I.C. Power Pte Ltd

On August 31, 2015, I.C. Power Pte Ltd (“I.C. Power Singapore”) a wholly-owned subsidiary of Kenon and intended holding company of I.C. Power, filed a Registration Statement on Form F-1 (the “Registration Statement”) with the U.S. Securities and Exchange Commission (the “SEC”) relating to the proposed initial public offering (“IPO”) of ordinary shares of I.C. Power Singapore (the “Ordinary Shares”).

The number and price of the shares has yet to be determined. I.C. Power Singapore intends to use the net proceeds of the proposed IPO, along with readily available cash, to develop greenfield projects, acquire companies or assets in the electricity sector, repay an intercompany note payable by I.C. Power Singapore to Kenon of up to \$220 million (which note will be issued by I.C. Power to Kenon prior to the IPO), and for general corporate purposes.

The proposed IPO represents a key step in Kenon’s implementation of its strategy to provide its investors with direct access to its primary businesses. Following the proposed IPO, Kenon will remain the majority shareholder of I.C. Power Singapore.

I.C. Power Singapore filed Amendment No.1 to above Registration Statement with SEC on November 2, 2015. The amendment contains new and updated business, regulatory, operating and financial information relating to I.C. Power’s businesses.

Note 11 – Subsidiaries (Cont'd)

- B. The following table summarizes the information relating to each of the Group's subsidiaries in 2015 and combined entities in 2014 and 2013 that has material NCI:**

	As at and for the year ended December 31									
	2015				2014				2013	
	Samay I.S.A	Nicaragua Energy Holding	Kallpa Generacion S.A.	Cerro del Aguila S.A.	Samay I.S.A	Nicaragua Energy Holding	Kallpa Generacion S.A.	Cerro del Aguila S.A.	Kallpa Generacion S.A.	Cerro del Aguila S.A.
	US\$ thousands									
NCI percentage	25.10%	35.42%	25.10%	25.10%	25.10%	35.42%	25.10%	25.10%	25.10%	25.10%
Current assets	47,766	43,390	92,120	23,841	138,153	52,850	83,954	128,242	71,948	72,670
Non-current assets	344,052	172,917	638,325	847,015	102,668	172,240	645,927	662,055	541,079	378,012
Current liabilities	(36,075)	(22,044)	(188,291)	(25,909)	(18,713)	(23,376)	(153,302)	(25,138)	(113,532)	(30,767)
Non-current liabilities	(289,560)	(121,142)	(356,900)	(556,277)	(144,679)	(131,327)	(405,360)	(460,081)	(352,515)	(114,864)
Net assets	66,183	73,121	185,254	288,670	77,429	70,387	171,219	305,078	146,980	305,051
Carrying amount of NCI	16,612	25,899	46,499	72,456	19,435	24,931	42,976	76,575	36,892	76,568
Revenues	—	111,428	447,679	—	—	124,578	436,673	—	394,055	—
Profit/(loss)	(4,049)	14,469	44,088	(8,579)	(311)	4,472	53,090	6,964	43,665	264
Other comprehensive income (loss)	(6,057)	—	(53)	(1,079)	(245)	—	1,150	(6,938)	1,396	(13,805)
Profit attributable to NCI	(1,016)	5,125	11,066	(2,153)	(78)	1,584	13,326	1,748	10,960	66
OCI attributable to NCI	(1,520)	—	(13)	(271)	(62)	—	289	(1,742)	350	(3,465)
Cash flows from operating activities	—	42,480	120,438	—	—	16,605	116,915	—	142,495	—
Cash flows from investing activities	(236,207)	(5,088)	(13,589)	(180,771)	(88,644)	19,522	(26,259)	(247,724)	(16,566)	(178,664)
Cash flows from financing activities excluding dividends paid to non-controlling interests	138,000	(26,139)	(91,084)	95,000	195,135	(20,445)	(78,982)	296,868	(135,043)	235,090
Dividends paid to non-controlling interests	—	(4,401)	(7,530)	—	—	—	—	—	(23,266)	—
Effect of changes in the exchange rate on cash and cash equivalents	(3,266)	(489)	(5,334)	(2,929)	(265)	411	(824)	—	(1,245)	—
Net increase (decrease) in cash equivalents	(101,473)	6,363	2,901	(88,700)	106,226	16,093	10,850	49,144	(33,625)	56,426

Note 11 – Subsidiaries (Cont'd)

C. Restrictions

I.C. Power

Inkia's subsidiaries have no restrictions to transfer cash or other assets to the parent company as long as each subsidiary is in compliance with the covenants derived from the borrowing agreements described in note 15.

OPC originally had restrictions to transfer cash or paid dividends up to the third anniversary of Construction Completion. On October 13, 2015, OPC and its senior lenders amended this restriction in order to allow OPC to transfer cash and pay dividends. Therefore, on October 19, 2015, OPC paid NIS 295,000 thousand (equivalent to \$76,783 thousand). Out of this total, NIS222,496 thousand (equivalent to \$57,912 thousand) was paid as repayment of capital notes and NIS 72,504 thousand (equivalent to \$18,871 thousand) as intercompany loan. As of December 31, 2015 and 2014, the cash and cash equivalents at OPC's financial statements amounted to \$111,301 thousands and \$157,668 thousands respectively.

Inkia has restrictions to transfer cash or other assets to I.C. Power. Pursuant to its senior notes agreement, dividend payments are treated as restricted payments and are subject to mainly the following conditions:

- Inkia is able to incur at least \$1.00 of additional indebtedness pursuant to satisfying a covenant test (unconsolidated interest coverage ratio is equal or greater than 2.0 to 1.0); and
- The amount (dividend payments) cannot exceed the sum of: 100% of cumulative consolidated net income of I.C. Power accrued on a cumulative basis, beginning on January 1, 2011 to the end of the most recent fiscal quarter, deducting any non-cash charges or expense (other than depreciation and amortization), non-cash gains and the cumulative effect of changes in accounting principles.

Note 12 – Deposits, Loans and Other Receivables, including Financial Instruments

Composition:

	As at December 31	
	2015	2014
	US\$ thousands	
Deposits in banks and others – restricted cash	16,521	29,700
Financial derivatives not used for hedging	2,863	322
Tower-series 9 options (1)	12,175	10,056
Other receivables (2)	56,916	34,580
	<u>88,475</u>	<u>74,658</u>

- (1) 1,669,795 series 9 options of Tower are held by Kenon to purchase 1,699,795 shares of Tower exercisable up to June 27, 2017 at an exercise price of \$7.33 per option.
- (2) As of December 31, 2015 and 2014, other receivables correspond mainly to non-current prepaid expenses (connecting to high voltage and gas contract) in OPC.

Note 13 – Property, Plant and Equipment, Net

A. Composition

	As at December 31, 2015						
	Balance at beginning of year	Additions	Disposals	Differences in translation reserves US\$ thousands	Companies entering the combination	Transfers and Reclassifications	Balance at end of year
Cost							
Roads, buildings and leasehold improvements	280,618	4,792	(144)	(503)	—	3,775	288,538
Installations, machinery and equipment	1,779,476	35,148	(5,775)	(4,954)	—	36,859	1,840,754
Dams	138,260	—	(929)	—	—	979	138,310
Office furniture and equipment, motor vehicles and other equipment	43,381	9,140	(1,866)	(508)	—	1,977	52,124
	2,241,735	49,080	(8,714)	(5,965)	—	43,590	2,319,726
Plants under construction	789,681	477,231	(176)	(393)	8,981	(14,949)	1,260,375
Spare parts for installations	27,084	48,078	(116)	(40)	—	(30,707)	44,299
	<u>3,058,500</u>	<u>574,389</u>	<u>(9,006)</u>	<u>(6,398)</u>	<u>8,981</u>	<u>(2,066)</u>	<u>3,624,400</u>
Accumulated depreciation							
Roads, buildings and leasehold improvements	64,473	6,744	(34)	(56)	—	826	71,953
Installations, machinery and equipment	429,499	102,214	(2,077)	(677)	—	1,365	530,324
Dams	45,489	1,499	(224)	—	—	—	46,764
Office furniture and equipment, motor vehicles and other equipment	20,829	3,499	(1,661)	(95)	—	(1,034)	21,538
	<u>560,290</u>	<u>113,956</u>	<u>(3,996)</u>	<u>(828)</u>	<u>—</u>	<u>1,157</u>	<u>670,579</u>
	<u>2,498,210</u>	<u>460,433</u>	<u>(5,010)</u>	<u>(5,570)</u>	<u>8,981</u>	<u>(3,223)</u>	<u>2,953,821</u>
Prepayments on account of property, plant & equipment							
	4,577						6,057
	<u>2,502,787</u>						<u>2,959,878</u>

Note 13 – Property, Plant and Equipment, Net (Cont'd)

	As at December 31, 2014							
	Balance at beginning of year	Additions	Disposals	Impairment	Differences in translation reserves	Companies entering the combination	Companies exiting the combination	Balance at end of year
	US\$ thousands							
Cost								
Roads, buildings and leasehold improvements	297,115	24,991	(511)	—	(4,935)	7,062	(43,104)	280,618
Installations, machinery and equipment	1,513,921	110,413	(8,704)	—	(58,677)	259,194	(36,671)	1,779,476
Dams	138,538	—	(278)	—	—	—	—	138,260
Office furniture and equipment, motor vehicles and other equipment	90,788	6,803	(3,129)	—	(1,651)	3,707	(53,137)	43,381
Vessels	2,317,153	3,545	—	—	—	—	(2,320,698)	—
Containers	683,311	3,208	(11,891)	—	—	—	(674,628)	—
	5,040,826	148,960	(24,513)	—	(65,263)	269,963	(3,128,238)	2,241,735
Plants under construction	387,773	405,771	(314)	—	(23)	480	(4,006)	789,681
Spare parts for installations	17,438	28,677	(861)	—	(1,099)	3,004	(20,075)	27,084
	<u>5,446,037</u>	<u>583,408</u>	<u>(25,688)</u>	<u>—</u>	<u>(66,385)</u>	<u>273,447</u>	<u>(3,152,319)</u>	<u>3,058,500</u>
Accumulated depreciation								
Roads, buildings and leasehold improvements	81,719	7,538	(222)	2,229	(193)	52	(26,650)	64,473
Installations, machinery and equipment	360,101	94,657	(2,205)	17,356	(3,596)	—	(36,814)	429,499
Dams	28,944	1,674	(30)	14,901	—	—	—	45,489
Office furniture and equipment, motor vehicles and other equipment	58,959	5,154	(1,328)	187	(95)	267	(42,315)	20,829
Vessels	714,828	44,017	—	—	—	—	(758,845)	—
Containers	341,011	23,266	(8,886)	—	—	—	(355,391)	—
	<u>1,585,562</u>	<u>176,306</u>	<u>(12,671)</u>	<u>34,673</u>	<u>(3,884)</u>	<u>319</u>	<u>(1,220,015)</u>	<u>560,290</u>
	<u>3,860,475</u>	<u>407,102</u>	<u>(13,017)</u>	<u>(34,673)</u>	<u>(62,501)</u>	<u>273,128</u>	<u>(1,932,304)</u>	<u>2,498,210</u>
Prepayments on account of property, plant & equipment	—							4,577
	<u>3,860,475</u>							<u>2,502,787</u>

B. Depreciated balances

	As at December 31	
	2015	2014
	US\$ thousands	
Roads, buildings and leasehold improvements	216,585	216,145
Installations, machinery and equipment	1,310,430	1,349,977
Dams	91,546	92,771
Office furniture and equipment, motor vehicles and other equipment	30,586	22,552
Plants under construction	1,260,375	789,681
Spare parts for installations	44,299	27,084
	<u>2,953,821</u>	<u>2,498,210</u>

Note 13 – Property, Plant and Equipment, Net (Cont'd)

- C. During the period ended December 31, 2015, the Group acquired assets with a cost of \$574,389 thousand, mainly for the construction of the CDA, Samay I and Kanan projects.

During the period ended December 31, 2014, the Group acquired assets with a cost of \$583,408 thousand, mainly for the construction of the CDA and Samay I projects, the acquisition of Las Flores power plant, and \$272,865 thousand in connection with AEI Nicaragua Holdings Ltd, AEI Jamaica Holdings Ltd, AEI Guatemala Holdings Ltd and Surpetroil business combinations, see note 11.A.1.b.

CDA is a run-of-the-river hydroelectric project on the Mantaro River located in Huancavelica, in central Peru. The plant will have an installed capacity of 510 MW. Construction of the hydroelectric plant is underway (approximately 90% advanced as of December 31, 2015). It is expected that CDA will commence commercial operation during the second half of 2016 and it is estimated to cost approximately \$959,000 thousand. The CDA Project is financed with a \$591,000 thousand syndicated credit facility, representing 62% of the total estimated cost of the project, with export credit agencies, development banks and private banks, and is collateralized by the assets of the project. The remaining 38% of the CDA Project's cost will be financed with equity from each of Inkia and Energía del Pacífico (the minority shareholder of Kallpa, CDA and Samay I), in proportion to their ownership interests in CDA. As of December 31, 2015, CDA shareholders has already funded \$328,000 thousand.

On November 29, 2013, Samay I won a public bid auction conducted by the Peruvian Investment Promotion Agency to build an open cycle diesel and natural gas (dual-fired) thermoelectric plant in Mollendo, Arequipa (southern Peru), with an installed capacity of approximately 600 MW at an estimated cost of \$380,000 thousand, approximately 82% of which is to be financed with a \$311,000 thousand seven-year syndicated secured loan agreement with Bank of Tokyo, Sumitomo and HSBC and approximately 18% of which has been financed with equity from each of Inkia and Energía del Pacífico. Samay I's agreement with the Peruvian government is for a 20-year period, with fixed monthly capacity payments and pass-through of all variable costs. Construction of Samay I's thermoelectric plant is in its early stages and it is expected that Samay I will commence commercial operations in mid-2016, in accordance with the terms of its agreement with the Peruvian government.

In April 2014, Kallpa Generacion S.A., a subsidiary of Inkia, completed its \$114,000 thousand purchase of the 193 MW single turbine natural gas fired plant "Las Flores", located in Chilca, Peru. Las Flores, which commenced its commercial operation in May 2010, permits for a future 190 MW gas-fired expansion and has sufficient space to locate such a facility, as well as a combined cycle expansion, on its existing premises.

- D. In September 2014, a subsidiary of Inkia updated its five-year budget; as a result of a downward trend in its results combined with anticipated impacts of recent political changes in the country in which the subsidiary operates, which affects the power generation business therein, and expectations of an increase in operating costs and unchanged electricity prices, which will lead to a decrease in its forecast profitability. As a result, Inkia considered a potential impairment in this subsidiary and conducted an impairment analysis using the value in use method and a discount rate of 7.6%. Accordingly, Inkia determined that the book value of the subsidiary's assets exceeded its recoverable amount and therefore recorded an impairment loss of \$34,673 thousand. At the end of 2015, Inkia performed an impairment test on the long lived assets of this subsidiary in order to identify whether the impairment loss is reversed or whether an additional impairment loss is required. As a result of this, no additional impairment loss is required as of December 31, 2015. However, due to the sensitivity of the assumptions used, I.C. Power management believes that minor changes in the key assumptions may affect materially the carrying value of this subsidiary in the future.
- E. The amount of borrowing costs capitalized during 2015 was \$31,596 thousand (\$52,124 thousand during 2014).

Note 13 – Property, Plant and Equipment, Net (Cont'd)

- F. In I.C. Power, property, plant and equipment includes assets acquired through financing leases. As at December 31, 2015 and 2014, the cost and corresponding accumulated depreciation of such assets are as follows:

	US\$ thousand					
	As of December 31, 2015			As of December 31, 2014		
	Cost	Accumulated depreciation	Net cost	Cost	Accumulated Depreciation	Net cost
Roads, buildings and leasehold improvements	42,281	(5,545)	36,736	42,280	(4,488)	37,792
Installations, machinery and equipment	275,674	(104,401)	171,273	277,272	(88,679)	188,593
	<u>317,955</u>	<u>(109,946)</u>	<u>208,009</u>	<u>319,552</u>	<u>(93,167)</u>	<u>226,385</u>

- G. The composition of the depreciation expense is as follows:

	As at December 31	
	2015	2014
	\$ thousands	
Depreciation charged to results	114,855	104,337
Depreciation charged to fixed assets*	(899)	298
	<u>113,956</u>	<u>104,635</u>

- * Depreciation expenses on motor vehicles of projects under construction (CDA and Samay I) are capitalized.

	As at December 31	
	2015	2014
	\$ thousands	
Depreciation charged to cost of sales	105,725	96,920
Depreciation charged to general, selling and administrative expenses	9,130	7,417
Depreciation charged to results	114,855	104,337
Amortization of intangibles	5,192	4,076
Depreciation and amortization	<u>120,047</u>	<u>108,413</u>

- H. The Group has fully depreciated assets that are still in operation. As at December 31, 2015, the original cost of such assets was \$88,804 thousand (\$66,387 as at December 31, 2014).

Note 14 – Intangible Assets

A. Composition:

	<u>Goodwill</u>	<u>Customer relationship*</u>	<u>Software</u>	<u>Others**</u>	<u>Total</u>
	US\$ thousands				
Cost					
Balance as at January 1, 2015	81,484	41,074	1,522	53,459	177,539
Acquisitions as part of business combinations	119	—	—	464	583
Acquisitions – self development	—	—	194	15,070	15,264
Disposals	—	—	(8)	—	(8)
Reclassification	—	—	71	(177)	(106)
Translation differences	(2,022)	—	(3)	(10)	(2,035)
Balance as at December 31, 2015	<u>79,581</u>	<u>41,074</u>	<u>1,776</u>	<u>68,806</u>	<u>191,237</u>
Amortization and impairment					
Balance as at January 1, 2015	15,537	12,591	709	4,031	32,868
Amortization for the year	—	4,297	214	681	5,192
Acquisitions – business combination	—	—	—	—	—
Disposals	—	—	(8)	—	(8)
Reclassification	—	—	22	—	22
Impairment	5,918	—	—	—	5,918
Translation differences	—	—	—	1	1
Balance as at December 31, 2015	<u>21,455</u>	<u>16,888</u>	<u>937</u>	<u>4,713</u>	<u>43,993</u>
Carrying value					
As at January 1, 2015	<u>65,947</u>	<u>28,483</u>	<u>813</u>	<u>49,428</u>	<u>144,671</u>
As at December 31, 2015	<u>58,126</u>	<u>24,186</u>	<u>839</u>	<u>64,093</u>	<u>147,244</u>

* Comprise mainly identified intangible assets as a result of the business combination such as the acquisition of “customer relationships” and others in the purchase of its subsidiaries and associates.

** The 2015 additions in the caption “others” include mainly development cost. Expenditures incurred in the design and evaluation of future power plant facilities in the countries in which the I.C. Power currently operates.

As of December 31, 2015, balance of “others” intangible assets mainly corresponds to cost incurred in the construction and improvements of public access roads in connection with the CDA project.

Note 14 – Intangible Assets (Cont'd)

A. Composition (Cont'd)

	<u>Goodwill</u>	<u>Customer relationship*</u>	<u>Technology*</u>	<u>Software</u>	<u>Others**</u>	<u>Total</u>
	US\$ thousands					
Cost						
Balance as at January 1, 2014	85,650	16,601	50,534	114,855	37,685	305,325
Acquisitions as part of business combinations	25,765	24,473	—	137	5,708	56,083
Acquisitions – self development	—	—	—	2,939	15,537	18,476
Disposals	—	—	—	(196)	—	(196)
Reclassification	(28,367)	—	(50,534)	(116,142)	(5,472)	(200,515)
Translation differences	(1,564)	—	—	(71)	1	(1,634)
Balance as at December 31, 2014	<u>81,484</u>	<u>41,074</u>	<u>—</u>	<u>1,522</u>	<u>53,459</u>	<u>177,539</u>
Amortization and impairment						
Balance as at January 1, 2014	12,931	9,196	47,436	67,883	6,296	143,742
Amortization for the year	—	3,395	843	5,513	747	10,498
Acquisitions – business combination	—	—	—	109	—	109
Disposals	—	—	—	(196)	—	(196)
Reclassification	(12,931)	—	(48,986)	(72,582)	(3,012)	(137,511)
Impairment	15,537	—	—	—	—	15,537
Translation differences	—	—	707	(18)	—	689
Balance as at December 31, 2014	<u>15,537</u>	<u>12,591</u>	<u>—</u>	<u>709</u>	<u>4,031</u>	<u>32,868</u>
Carrying value						
As at January 1, 2014	<u>72,719</u>	<u>7,405</u>	<u>3,098</u>	<u>46,972</u>	<u>31,389</u>	<u>161,583</u>
As at December 31, 2014	<u>65,947</u>	<u>28,483</u>	<u>—</u>	<u>813</u>	<u>49,428</u>	<u>144,671</u>

* Comprise mainly identified intangible assets as a result of the business combination such as the acquisition of “customer relationships” and others in the purchase of its subsidiaries and associates.

** The 2014 additions in the caption “others” include mainly development cost. Expenditures incurred in the design and evaluation of future power plant facilities in the countries in which the I.C. Power currently operates.

As of December 31, 2014, balance of “others” intangible assets mainly corresponds to cost incurred in the construction and improvements of public access roads in connection with the CDA project.

Note 14 – Intangible Assets (Cont'd)

B. The total carrying amounts of intangible assets with a finite useful life and with an indefinite useful life or not yet available for use

	As at December 31	
	2015	2014
	US\$ thousands	
Intangible assets with a finite useful life	25,673	30,002
Intangible assets with an indefinite useful life or not yet available for use	121,571	114,669
	<u>147,244</u>	<u>144,671</u>

C. Examination of impairment of cash generating units containing goodwill

For the purpose of testing impairment, goodwill is allocated to the Group's cash-generating units that represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill is allocated to the cash-generating units are as follows:

	As at December 31	
	2015	2014
	US\$ thousands	
Goodwill		
I.C. Power and its subsidiaries	58,126	60,029*
Other	—	5,918**
	<u>58,126</u>	<u>65,947</u>

* Goodwill arises from the following Group entities in I.C. Power (cash generating unit):

	As at December 31	
	2015	2014
	US\$ thousands	
Nejapa	40,693	40,693
Kallpa	10,934	10,934
Surpetroil	6,383	8,402
AIE	116	—
	<u>58,126</u>	<u>60,029</u>

* Goodwill in Colombia and Israel's subsidiary recorded in Columbian pesos and New Israeli shekels, respectively; translated into US dollars at the exchange rate at the reporting date.

** Goodwill in PGE of \$6 million was impaired in 2015 (See Note 11.A.2.d)

D. Impairment testing

The recoverable amount of each CGU is based on the estimated value in use using discounted cash flows. The cash flows are derived from the 5-year budget.

The key assumptions used in the estimation of the recoverable amount are shown below. The values assigned to key assumptions represent management of the Group's assessment of future trends in the power sector and have been based on historic data from external and internal sources.

	2015	2014
	In percent	
Discount rate		
Peru	7.4	6.9
El Salvador	10.0	9.2
Colombia	9.2	11.1
Terminal value growth rate	<u>1.2-2.0</u>	<u>1.2-2.0</u>

The discount rate is a post-tax measure based on the characteristics of each CGU with a possible debt leveraging of 48% in 2015 and 43% in 2014.

Note 14 – Intangible Assets (Cont'd)

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management of the Group's estimate of the long term inflation.

In addition to the discount and growth rates, the key assumptions used to estimate future cash flows, based on past experience and current sector forecasts, are as follows:

- Existing PPA signed
- Investment schedule – The management has used the updated investment schedule in countries in which those companies operate, in order that the supply satisfies the demand growth in an efficient manner.
- The production mix of each country was determined using specifically-developed internal forecast models that consider factors such as prices and availability of commodities, forecast demand of electricity, planned construction or the commissioning of new capacity in the country's various technologies.
- Fuel prices have been calculated based on existing supply contracts and on estimated future prices including a price differential adjustment specific to every product according to local characteristics.
- Assumptions for energy sale and purchase prices and output of generation facilities are made based on complex specifically-developed internal forecast models for each country.
- Demand – Demand forecast has taken into consideration the most probable economic performance as well as growth forecasts of different sources.
- Technical performance- The forecast take into consideration that the power plants have an appropriate preventive maintenance that permits their proper functioning.

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the CGUs, the management of the Group believes that minor changes in the above key assumptions may affect materially the recoverable amount of Surpetroil such that the carrying value (\$6,383 thousand as of December 31, 2015) may exceed its recoverable amount. Other than that, management of the Group believes that no reasonably possible change in any of the above key assumptions would cause the recoverable amounts to be materially below the respective carrying values of Nejapa, Kallpa and AIE.

Note 15 – Loans and Debentures

Following are the contractual conditions of the Group's interest bearing loans and credit, which are measured based on amortized cost. Additional information regarding the Group's exposure to interest risks, foreign currency and liquidity risk is provided in Note 30, in connection with financial instruments.

	As at December 31	
	2015	2014
	US\$ thousands	
Current liabilities		
Short-term credit:		
Short-term loans from banks and financial institutions	179,317	58,137
	<u>179,317</u>	<u>58,137</u>
Current maturities of long-term liabilities:		
Loans from banks and financial institutions	132,222	56,757
Non-convertible debentures	15,400	17,010
Liability in respect of financing lease	25,729	29,582
	<u>173,351</u>	<u>103,349</u>
Total current liabilities	<u>352,668</u>	<u>161,486</u>
Non-current liabilities		
Loans from banks and financial institutions	1,550,480	1,373,245
Non-convertible debentures	671,247	703,952
Liability in respect of financing lease	163,774	193,538
Other long-term balances*	152,760	48,486
Total other long-term liabilities	2,538,261	2,319,221
Less current maturities	<u>(173,351)</u>	<u>(103,349)</u>
Total non-current liabilities	<u>2,364,910</u>	<u>2,215,872</u>

* Included in the Other long-term balances were mainly the loan payable of \$118,497 thousand to IC (See Note 1.B.2) and financial guarantees liability of \$34,263 thousand (See Note 19.A.1)

Note 15 – Loans and Debentures (Cont'd)

Following are the contractual conditions of the Group's interest bearing loans and credit, which are measured based on amortized cost. Additional information regarding the Group's exposure to interest risks, foreign currency and liquidity risk, is provided in Note 30, in connection with financial instruments.

A. Composition of I.C. Power loans from Banks and Others

				As at December 31, 2015 \$ thousands		As at December 31, 2014 \$ thousands	
	Nominal annual Interest rate	Currency	Maturity	Current	Non- Current	Current	Non- Current
<u>Short-term loans from banks and financial institutions</u>							
<u>I.C. Power Distribution Holdings</u>							
Credit Suisse (D)	LIBOR + 4%	USD	2016	117,334	—	—	—
<u>Compañía de Electricidad de Puerto Plata (“CEPP”)</u>							
BHD Bank	2.48% / 3.80%	USD	2016/2015	3,000	—	5,000	—
<u>Kallpa Generación</u>							
Banco de Crédito del Perú	1.15%	USD	2015	—	—	29,107	—
Banco de Crédito del Perú	0.69%	USD	2016	30,000	—	—	—
Scotiabank Perú	0.63%	USD	2016	15,000	—	—	—
<u>Cobee</u>							
Various entities	5.50% / 6.00%	BOB	2016/2015	4,525	—	12,503	—
<u>Nejapa</u>							
Scotiabank El Salvador	5.50%	USD	2016	5,000	—	—	—
Banco America Central	4.25%	USD	2016	1,200	—	—	—
<u>I.C. Power Chile Inv</u>							
Scotiabank	TAB + 1.20%	CLP	2016	489	—	—	—
<u>Cenergica</u>							
Banco America Central	4.25%	USD	2016	700	—	—	—
<u>Surpetroil</u>							
Various entities	DTF+2.95%/4.15% IBR+4.25%	COP	2016/2015	2,069	—	1,527	—
<u>POP</u>							
Banco Industrial Guatemala	4.75%	USD	2015	—	—	10,000	—
Subtotal				179,317	—	58,137	—
<u>Long-term loans from Banks and others</u>							
Financial institutions:							
<u>Cerro del Aguila (E)</u>							
Tranche A	LIBOR+4.25% – LIBOR +5.50%	USD	2024	4,199	306,064	—	257,022
Tranche B	LIBOR+4.25% – LIBOR +6.25%	USD	2024	2,261	164,803	—	138,396
Tranche 1D	LIBOR+2.75% – LIBOR +3.60%	USD	2024	519	37,827	—	31,766
Tranche 2D	LIBOR+2.75% – LIBOR +3.60%	USD	2027	280	20,369	—	17,105
<u>Samay I (F)</u>							
Sumitomo /HSBC / Bank of Tokyo	LIBOR+2.125% – LIBOR +2.625%	USD	2021	3,030	282,369	—	144,636
<u>Kallpa Generación (G)</u>							
Syndicated Loan – Various entities	LIBOR+6.00%	USD	2019	17,384	41,279	13,895	58,663
<u>Central Cardones (H)</u>							
<u>Tranche One</u>							
BCI / Banco Itaú	LIBOR+1.9%	USD	2021	3,535	22,008	3,276	25,536

Note 15 – Loans and Debentures (Cont'd)

A. Composition of I.C. Power loans from Banks and Others (Cont'd)

	Nominal annual Interest rate	Currency	Maturity	As at December 31, 2015		As at December 31, 2014	
				\$ thousands		\$ thousands	
				Current	Non- Current	Current	Non- Current
Tranche Two							
BCI / Banco Itaú	LIBOR+2.75%	USD	2017	—	17,884	—	19,384
Colmito (I)							
Banco Bice	7.90%	CLP	2028	524	15,799	622	19,176
Consorcio Eólico Amayo, S.A.(J)							
Banco Centroamericano de Integración Económica	8.45% -LIBOR +4%	USD	2023	4,428	42,704	4,533	47,147
Consorcio Eólico Amayo (Fase II), S.A.(K)							
Various entities	LIBOR+5.75%,8.53%,10.76%	USD	2025	2,930	31,279	2,838	34,209
Empresa Energética Corinto, Ltd.							
Banco de América Central (BAC)	8.35%	USD	2018	2,865	6,527	2,634	9,392
Tipitapa Power Company, Ltd.							
Banco de América Central (BAC)	8.35%	USD	2018	2,568	6,130	1,951	5,781
Jamaica Private Power Company							
Royal Bank of Canada	LIBOR + 5.50%	USD	2017	4,011	—	2,983	3,990
Burmeister & Wain Scandinavian Contractor A/S	3.59%	USD	2018	326	571	315	897
POP (L)							
Banco Industrial	LIBOR + 4.50%	USD	2019	4,268	10,743	4,757	17,034
Surpetroil S.A.S							
Banco Corpbanca Colombia S.A	3.95%	COP	2015	—	—	135	—
Banco Pichincha	7.33%	COP	2017	128	95	—	—
OPC Rotem Ltd							
Lenders Consortium (M)	4.85% - 5.36%	NIS	2031	16,272	360,295	18,818	381,246
Veolia Energy Israel Ltd. (N)			2016	5,080	—	—	19,060
I.C. Power Israel Ltd (O)							
Facility A – Amitim and Menora Pension Funds	4.85%/7.75%	NIS	2016	41,313	—	—	39,902
Facility B – Amitim and Menora Pension Funds	7.75%	NIS	2029	4,251	51,020	—	53,203
I.C. Power Ltd							
Bank Hapoalim New York	1.25%	NIS	2016	12,000	—	—	12,003
AGS							
Veolia Energy Israel Ltd		NIS	2017	—	414	—	—
Sub total				<u>132,172</u>	<u>1,418,180</u>	<u>56,757</u>	<u>1,335,548</u>
Liabilities in respect of finance leases:							
Kallpa Generación							
Banco de Crédito del Perú/ Citibank (P)	LIBOR+3.00%	USD	2016	2,334	—	8,901	2,335
Banco de Crédito del Perú (Q)	LIBOR+2.05%	USD	2017	8,802	19,865	6,473	28,667
Scotiabank Perú (R)	7.57%	USD	2018	7,508	30,248	7,140	37,755
Banco de Crédito del Perú (S)	7.15%	USD	2023	6,624	87,816	6,624	94,440
Surpetroil S.A.S.							
Banco de Occidente S.A.	DTF + 3.5%	COP	2017	461	116	444	759
Sub total				<u>25,729</u>	<u>138,045</u>	<u>29,582</u>	<u>163,956</u>

Note 15 – Loans and Debentures (Cont'd)

A. Composition of I.C. Power loans from Banks and Others (Cont'd)

	Nominal annual Interest rate	Currency	Maturity	As at December 31, 2015		As at December 31, 2014	
				\$ thousands		\$ thousands	
				Current	Non- Current	Current	Non- Current
Debentures							
Cobee							
Bonds Cobee II (T)	9.40%	USD	2015	—	—	6,803	—
Bonds Cobee III-1B (U)	6.50%	USD	2017	1,750	1,750	—	3,500
Bonds Cobee III-1C (bolivianos) (U)	9.00%	BOB	2020	—	6,343	—	6,343
Bonds Cobee III-2 (U)	6.75%	USD	2017	—	5,000	—	5,000
Bonds Cobee III-3 (bolivianos) (U)	7.00%	BOB	2022	—	6,160	—	6,160
Bonds Cobee IV-1A (V)	6.00%	USD	2018	—	3,977	—	3,967
Bonds Cobee IV-1B (V)	7.00%	USD	2020	—	3,972	—	3,964
Bonds Cobee IV-1C (bolivianos) (V)	7.80%	BOB	2024	—	12,023	—	12,020
Cobee Bonds-IV Issuance 3 (V)	6.70%	USD	2019	—	4,961	—	4,950
Cobee Bonds-IV Issuance 4 (bolivianos) (V)	7.80%	BOB	2024	—	15,035	—	15,029
Kallpa Generación							
Kallpa Bonds (W)	8.50%	USD	2022	13,650	135,455	10,207	149,105
Inkia Energy Ltd							
Inkia Bonds (X)	8.375%	USD	2021	—	447,524	—	447,357
Cepp							
Cepp Bonds (Y)	6.00%	USD	2019	—	9,924	—	24,755
Cobee							
Cobee Bonds (Premium)		USD-BOB	2017-2024	—	3,723	—	4,792
Subtotal				15,400	655,847	17,010	686,942
Total				352,618	2,212,072	161,486	2,186,446

DTF: “*Depósitos a Término Fijo*”. Fixed-term deposits rate calculated by Colombia’s Central Bank.

IBR: “*Indicador Bancario de Referencia*”. Bank Indicator of Reference calculated by Colombia’s Central Bank.

TAB: “*Tasa Activa Bancaria*”. Short-term credits average interest rate calculated by Chile’s Bank’s Association.

TRE: “*Tasa de Referencia*”. Weighted average for time deposits rates, calculated by Bolivia’s Central Bank.

Note 15 – Loans and Debentures (Cont'd)

B. Classification based on currencies and interest rates

	Weighted- average interest rate December 31	As at December 31	
	2015	2015	2014
	%	US\$ thousands	
Current liabilities (without current maturities)			
Short-term loans from financial institutions			
In dollars	3.57%	172,234	15,000
In other currencies	6.13%	7,083	43,137
		<u>179,317</u>	<u>58,137</u>
Long-term liabilities (including current maturities)			
Non-convertible debentures			
In dollars	8.21%	629,014	661,200
In other currencies	6.14%	42,233	42,752
		<u>671,247</u>	<u>703,952</u>
Loans from financial institutions			
In dollars	5.10%	1,043,289	860,145
In unlinked shekels	5.69%	490,645	493,169
In other currencies	7.87%	16,546	19,931
		<u>1,550,480</u>	<u>1,373,245</u>
		<u>2,221,727</u>	<u>2,077,197</u>

C. Liability in respect of financing lease

Information regarding the financing lease liability broken down by payment dates is presented below:

	As at December 31, 2015			As at December 31, 2014		
	Minimum future lease rentals	Interest component	Present value of minimum lease rentals	Minimum future lease rentals	Interest component	Present value of minimum lease rentals
	US\$ thousands					
Less than one year	35,501	9,772	25,729	40,722	11,140	29,582
From one year to five years	134,976	26,053	108,923	153,396	33,122	120,274
More than five years	31,454	2,332	29,122	48,725	5,043	43,682
	<u>201,931</u>	<u>38,157</u>	<u>163,774</u>	<u>242,843</u>	<u>49,305</u>	<u>193,538</u>

Note 15 – Loans and Debentures (Cont'd)

Short-term loans from banks

- D. *Credit Suisse* – On December 29, 2015, I.C. Power Distribution Holdings Pte. Ltd., together with certain of its subsidiaries, executed a one-year secured credit agreement with Credit Suisse AG in an aggregate principal amount of \$ 120,000 thousand to finance a portion of the acquisition of Estrella Cooperatief B.A., a holding company that indirectly owns 90.6% and 92.7% of two operating companies that operate an electricity distribution business in Guatemala and 100% of two smaller related businesses (the acquired businesses are referred to as “Energuate”). The loan under this facility bears interest on a quarterly basis at LIBOR plus a margin of 4% per annum and was secured with the shares of Estrella Cooperatief B.A. For additional information see Note 32.

As of December 31, 2015, the outstanding principal amount under this facility was \$ 120,000 thousand. (\$ 117,334 thousand, net of transaction costs).

Long term loans from banks and others

- E. In August 2012, CDA, as borrower, Sumitomo Mitsui Banking Corporation, as administrative agent, Sumitomo Mitsui Banking Corporation, as SACE agent, the Bank of Nova Scotia, as Offshore Collateral Agent, Scotiabank Perú, S.A.A., as onshore collateral agent, and certain financial institutions, as lenders, entered into a senior secured syndicated credit facility for an aggregate principal amount not to exceed \$ 591,000 thousand to finance the construction of CDA’s project. Loans under this facility will be disbursed in three tranches.

The loans under this credit agreement are secured by CDA’s power plant and related assets, comprise three tranches and bear interest payable on quarterly basis in arrears at a rate of LIBOR plus a margin. The margin applicable to each tranche is as follows:

Tranche	Amount* (\$)	From July 2014 to August 2017	From August 2017 to August 2020	From August 2020 to August 2023	From August 2023 to maturity
A	341,843	4.25%	4.75%	5.25%	5.50%
B	184,070	4.25%	5.00%	5.75%	6.25%
D	65,000	2.75%	3.25%	3.60%	3.60%

* Up to

Tranche A loans under this facility, in an aggregate principal amount of up to \$ 341,843 thousand, will initially bear interest at the rate of LIBOR plus 4.25% per annum, increasing over time beginning on the date after the interest payment date occurring after August 17, 2017 to LIBOR plus 5.50% per annum from the date after the interest payment date occurring after August 17, 2023 through maturity. Principal of the Tranche A loans will be payable in 33 quarterly installments commencing on the first quarterly payment date occurring after the project acceptance by CDA. Tranche A loans will be guaranteed by Corporación Financiera de Desarrollo S.A. (COFIDE).

Tranche B loans under this facility, in an aggregate principal amount of up to \$ 184,070 thousand, will initially bear interest at the rate of LIBOR plus 4.25% per annum, increasing over time beginning on the date after the interest payment date occurring after August 17, 2017 to LIBOR plus 6.25% per annum from the date after the interest payment date occurring after August 17, 2023 through maturity. Principal of the Tranche B loans are payable on August 17, 2024. Tranche B loans are guaranteed by COFIDE.

Note 15 – Loans and Debentures (Cont'd)

Long term loans from banks and others (cont'd)

Tranche D loans under this facility, in an aggregate principal amount of up to \$ 65,000 thousand, are divided in two parts: Tranche 1D, in an aggregate principal amount of up to \$ 42,250 thousand and Tranche 2D, in an aggregate principal amount of up to \$ 22,750 thousand. Both parts will initially bear interest at the rate of LIBOR plus 2.75% per annum, increasing over time beginning on the date the interest payment date occurring after August 17, 2017 to LIBOR plus 3.60% per annum from the date after the interest payment date occurring after August 17, 2023 through maturity. Principal of Tranche 1D and Tranche 2D will be payable in 33 and 12 quarterly installments, respectively. Tranche 1D payments will commence on the first quarterly payment date occurring after the project acceptance by CDA and Tranche 2D payments will commence 33 quarters after project acceptance by CDA. All Tranche D loans are secured by a credit insurance policy provided by SACE S.p.A. – Servizi Assicurativi del Commercio Estero, or SACE.

On August 17, 2013 CDA entered into interest rate swap closings: 100% of Tranche A was swapped at a fixed all-in interest rate of 7.2450% until August 2024 and 50% of Tranche B was swapped at a fixed all-in interest rate of 5.3777% until February 2016.

As of December 31, 2015, CDA has received proceeds from these facilities in the aggregate amount of \$ 547,000 thousand (\$ 85,000 thousand, \$ 319,000 thousand and \$ 143,000 during 2015, 2014 and 2013, respectively). This amount is shown net of \$ 10,678 thousand of transaction costs.

- F.** In December 2014, Samay I S.A. signed a project finance credit agreement with: The Bank of Tokyo-Mitsubishi, Sumitomo Mitsui Banking Corporation and HSBC Bank in order to finance \$ 311,000 thousand, approximately 82% of the total cost of the project. This loan will initially bear interest at the rate of LIBOR plus 2.125% per annum, increasing to LIBOR plus 2.375% in December 2017 and to LIBOR plus 2.625% in December 2020 through maturity in December 2021. On December 18, 2014 Samay entered into an interest rate swap closing at a fixed all-in interest rate of 2.919% (Libor at 0.794 plus 2.125%) for 40% of total notional and only during the construction period. On September 16, 2015 Samay entered into an interest rate swap closing at a fixed all-in interest rate of 4.2343% for 93% of total notional beginning after the construction period. Samay has received proceeds from this facility in the aggregate amount of \$ 291,000 thousand (\$ 138,000 thousand and \$ 153,000 thousand, during 2015 and 2014, respectively). This amount is shown net of \$ 5,601 thousand of transaction costs.
- G.** *Kallpa Syndicated Loan* - In November 2009, Kallpa entered into a secured credit agreement in the aggregate amount of \$ 105,000 thousand to finance capital expenditures related to Kallpa's combined-cycle plant. The loans under this credit agreement are secured by Kallpa's combined-cycle plant substantially all of Kallpa's other assets, including Kallpa's revenues under its PPAs. The loan under this credit agreement bears interest payable monthly in arrears at a rate of LIBOR plus a margin of 5.50% per annum through November 2012, 5.75% per annum from November 2012 through November 2015 and 6.00% from November 2015 through maturity in October 2019. Scheduled amortizations of principal are payable monthly commencing in February 2013 through maturity in October 2019. As of December 31, 2015, the outstanding balance under this credit agreement was \$ 58,663 thousand (\$ 72,558 thousand as of December 31, 2014).
- H.** In connection with Inkia's acquisition of Central Cardones in December 2011, Inkia consolidated the amounts outstanding under Central Cardones' credit agreement entered with Banco de Crédito e Inversiones and Banco Itaú Chile. The loans under this credit agreement were issued in two tranches of \$ 37,296 thousand and \$ 20,884 thousand, respectively. Loans under the first tranche bear interest at the rate of LIBOR plus 1.9% per annum, and the principal of this tranche is payable in 20 semi-annual installments through maturity in August 2021. Interest rate under these loans is swapped at an all-in rate of 6.80%. Loans under the second tranche bear interest at the rate of LIBOR plus 2.75% per annum, interest is payable semi-annually, and the loan matures in February 2017. As of December 31, 2015, the outstanding principal amount under these loans was \$ 43,427 thousand (\$ 48,196 thousand as of December 31, 2014).

Note 15 – Loans and Debentures (Cont'd)

Long term loans from banks and others (cont'd)

- I.** In January 2014, Colmito Spa signed a credit agreement with Banco Bice in an aggregate amount of Chilean pesos 12,579,160 thousand (\$ 22,600 thousand). This loan bears an interest rate of 7.9% in Chilean pesos and is paid semiannually until final maturity in December 2028. In February 2014 Colmito entered into a cross currency swap closing at a fixed interest rate of 6.025% in U.S. Dollars. As of December 31, 2015, the outstanding balance under this loan was \$ 16,323 thousand (\$ 19,798 thousand as of December 31, 2014).
- J.** Consorcio Eolico Amayo S.A. – In October 2007, Amayo I entered into a 15 year \$ 71,250 thousand loan agreement with Banco Centroamericano de Integración Económica (CABEI). This loan is secured by a first degree mortgage over all the improvements executed on Amayo I's project site, cessation of all the project contracts and the creation and maintenance of a reserve account for \$ 2,400 thousand, to be controlled by CABEI. Part of this loan (\$ 50,343 thousand) bears an interest rate of 8.45% and the other part (\$ 20,907 thousand) an interest rate of LIBOR+4%, and is payable in quarterly installments until final maturity in February 2023. As of December 31, 2015, the outstanding balance under this loan was \$ 47,131 thousand (\$ 51,680 thousand as of December 31, 2014).
- K.** *Consorcio Eolico Amayo (Fase II) S.A.* – In November 2010, Amayo II entered into a 15 year \$ 45,000 thousand loan agreement with Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V (FMO) Banco Centroamericano de Integración Económica (CABEI). This syndicated loan is secured by a list of guarantees. Loans under this credit agreement bear interest rates of 10.76%, 8.53% and LIBOR+5.75%. Loans with variable interest rate are swapped at an all-in rate of 8.31% until December 2019 and 8.25% from December 2019 until September 2022. All three loans are payable in quarterly installments until final maturity in September 2025. As of December 31, 2015, the outstanding balance under this loan was \$ 34,210 thousand (\$ 37,047 thousand as of December 31, 2014).
- L.** Puerto Quetzal Power LLC – In March 2012, Puerto Quetzal Power LLC ("PQP") signed a loan agreement with seven financial institutions for an amount of \$ 35.0 million. The loan is payable in quarterly installments until September 2019. Interest is accrued at LIBOR plus 4.5% annually. PQP entered into an interest rate swap contract to fix its interest at a rate of 6.0% per annum. The loan is secured by a pledge of substantially all of the assets of PQP and Poliwatt Ltd ("Poliwatt"), including PQP and its subsidiaries shares. As of December 31, 2015, the outstanding balance under this loan was \$ 15,011 thousand (\$ 21,791 thousand as of December 31, 2014).
- M.** *OPC Lenders Consortium*

In January 2011, OPC entered into a financing agreement with a consortium of lenders led by Bank Leumi L'Israel Ltd ("Bank Leumi") (shareholder of Kenon – 14% shareholding) for the financing of its power plant project. The financing consortium includes Bank Leumi and institutional entities from the following groups: Clal Insurance Company Ltd.; Amitim Senior Pension Funds; Phoenix Insurance Company Ltd.; and Harel Insurance Company Ltd ("OPC's lenders"). As part of the financing agreement, the lenders committed to provide OPC a long-term credit facility (including a facility for variances in the construction costs), a working capital facility, and a facility for financing the debt service, in the overall amount of approximately NIS 1,800 million (approximately \$460 million). The loans are CPI linked and are repaid on a quarterly basis beginning in the fourth quarter of 2013 until 2031. As part of the financing agreement, OPC had certain restrictions to make distributions of dividends and repayments of shareholders' loans, only after the third year after the completion of OPC's power plant. On October 13, 2015, OPC and the senior lenders amended the Facility Agreement to remove this restriction.

As part of the Facility Agreement, OPC is required to keep a Debt Service Reserve equivalent to the following two quarterly debt payments (hereinafter- "the reserve") within the period of two years following power plant construction completion. As of December 31, 2015 the amount of the reserve is NIS 66,210 thousand (equivalent to \$ 16,968 thousand).

As of December 31, 2015 and 2014, the outstanding balance under this facility was NIS 1,469,363 thousand (\$ 376,567 thousand) and NIS 1,555,847 thousand (\$ 400,064 thousand), respectively.

Note 15 – Loans and Debentures (Cont'd)

- N. *Veolia Energy Israel Ltd.* – It corresponds to equity contributions made by Veolia Energy Israel Ltd. (previously Dalkia Israel Ltd.) (OPC's minority shareholder) and presented as a capital note.

On October 19, 2015, OPC paid to its shareholders in the amount of NIS 222,496 thousands (approximately \$ 57,911 thousand) as repayment of these capital notes, of which NIS 59,000 thousand (approximately \$ 15,357 thousand) were paid to Veolia Energy Israel Ltd.

As of December 31, 2015 and 2014 the balance of the capital notes is NIS 19,821 thousands (\$ 5,080 thousand) and NIS 71,649 thousands (\$ 19,060 thousand), respectively.

- O. *I.C. Power Israel Ltd. ("ICPI")* – On June 22, 2014, ICPI entered into a mezzanine financing agreement with Mivtachim Social Insurance and Makefet Fund Pension ("Amitim Pension Funds") and Menora Mivtachim Insurance Ltd in the aggregate amount of NIS 350,000 thousand (\$ 93,105 thousand), consisting of three Facilities: (i) Tranche A bridge loan for NIS 150,000 thousand, bearing interest of 4.85% p.a. to be repaid until March 31, 2017; (ii) Tranche B long-term loan for NIS 200,000 thousand, bearing interest of 7.75% p.a., repayable on annual basis until March 2029; and (iii) Tranche C (only to cover shortfall amounts) for NIS 350,000 thousand. As of December 31, 2015, no disbursements have been made under Tranche C. These loans are linked to CPI.

As of December 31, 2015 and 2014, the outstanding balance under this facility was NIS 376,872 thousand (\$ 96,584 thousand) and NIS 362,085 thousand (\$ 93,105 thousand), respectively.

During January 2016, Tranche A was prepaid for a total of NIS 161,746 thousand (approximately \$ 40,680 thousand).

Liabilities in respect of finance leases

- P. Citibank Perú and Banco de Crédito del Perú—In March 2006, Kallpa entered into a capital lease agreement with Citibank del Perú S.A., Citileasing S.A. and Banco de Crédito del Perú under which the lessors provided financing for the construction of the Kallpa I facility at Chilca in an aggregate amount of \$ 56,000 thousand. Under the lease agreements, Kallpa will make monthly payments beginning in December 2007 until the expiry of the lease in March 2016. These leases are secured by the assets of Kallpa in Peru. As of December 31, 2015, the aggregate outstanding principal amount under this lease was \$ 2,334 thousand (\$ 11,236 thousand as of December 31, 2014). The lease bears an interest rate of 90 day LIBOR plus 3.00%.
- Q. *Banco de Crédito del Perú* - In December 2007, Kallpa entered into a capital lease agreement with Banco de Crédito del Perú under which the lessor provided financing for the construction of the Kallpa II turbine in an aggregate amount of \$ 81,500 thousand. Under the lease agreement, Kallpa will make monthly payments beginning in December 2009 until the expiry of the lease in December 2017. These leases are secured by the assets of Kallpa in Peru. As of December 31, 2015, the aggregate outstanding principal amount under this lease was \$ 28,667 thousand (\$ 35,140 thousand as of December 31, 2014). The lease bears an interest rate of 90 day LIBOR plus 2.05%. Kallpa entered into an interest rate swap to fix the interest rate at an all-in rate of 6.55%, see note 17(b).
- R. *Scotiabank* - In October 2008, Kallpa entered into a capital lease agreement with Scotiabank Perú under which the lessor provided financing for the construction of the Kallpa III turbine in an aggregate amount of \$ 88,000 thousand. Under the lease agreement, Kallpa will make monthly payments beginning in September 2010 until the expiry of the lease in July 2018. As of December 31, 2015, the aggregate outstanding principal amount under this lease was \$ 37,756 thousand (\$ 44,895 thousand as of December 31, 2014). The lease bears a fixed interest rate of 7.57% p.a.
- S. In April 2014, Kallpa entered into a capital lease agreement with Banco de Crédito del Perú for \$ 107,688 thousand in order to finance the acquisition of the 193MW single turbine natural gas fired plant Las Flores from Duke Energy. Under the lease agreement, Kallpa will make quarterly payments beginning in July 2014 until the expiry of the lease in October 2023. As of December 31, 2015, the aggregate outstanding principal amount under this lease was \$ 94,440 thousand (\$ 101,064 thousand as of December 31, 2014). The lease bears a fixed interest rate of 7.15% p.a.

Note 15 – Loans and Debentures (Cont'd)

Debentures

- T.** Bonds Cobee II – In October 2008, COBEE issued and sold in the Bolivian market \$ 20,403 thousand aggregate principal amount of its 9.40% notes due 2015. Interest is escrowed monthly by the trustee and is paid semiannually. Principal on these notes is payable in three equal installments in 2013, 2014 and 2015. As of December 31, 2015, the total principal amount under these bonds was fully paid (the aggregate outstanding principal amount was \$ 6,803 thousand as of December 31, 2014).
- U.** Bonds Cobee III – In February 2010, COBEE approved a bond program under which it is permitted to offer bonds in aggregate principal amounts of up to \$ 40,000 thousand in multiple series. On March 12, 2010, COBEE issued and sold in the Bolivian market three series of notes in the aggregate principal amount of \$ 13,844 thousand.

The aggregate gross proceeds of these notes, which were issued at a premium, were \$ 17,251 thousand. The Series A Notes, in the aggregate principal amount of \$ 4,000 thousand pay interest semi-annually at the rate of 5.00% per annum through maturity in February 2014. Principal on these notes is payable at maturity. The Series B Notes, in the aggregate principal amount of \$ 3,500 thousand, pay interest semi-annually at the rate of 6.50% per annum through maturity in February 2017. Principal on these notes will be paid in two equal annual installments commencing in February 2016. The Series C Notes, in the principal amount of Bs. 44.2 million (\$ 6,343 thousand), pay interest semi-annually at the rate of 9.00% per annum through maturity in January 2020. Principal on these notes will be paid in four equal annual installments commencing in February 2017.

In April 2012, COBEE issued and sold two additional series of notes in the aggregate principal amount of \$ 11,160 thousand. The aggregate gross proceeds of these notes, which were issued at premium, were \$ 12,919 thousand. COBEE will amortize the premium reducing the interest expense related to these notes. The first series of these notes, in the aggregate of \$ 5,000 thousand pays interest semi-annually at the rate of 6.75% per annum through final maturity in April 2017. Principal on these notes is payable at maturity. The second series of these notes in the aggregate principal amount of Bs. 43 million (\$ 6,160 thousand), pays interest semi-annually at the rate of 7% per annum through maturity in February 2022. These funds were used mainly to pay a tranche of Bolivian bonds due in June 2012.

- V.** Bonds Cobee IV – In May 2013, COBEE approved a bond program under which COBEE is permitted to offer bonds in aggregate principal amount of up to \$ 60,000 thousand in multiple series. In February 2014, COBEE issued and sold three series of notes in the aggregate principal amount of \$ 19,934 thousand. The aggregate gross proceeds of these notes, which were issued at a premium, were \$ 20,617 thousand. The Series A Notes, in the aggregate principal amount of \$ 3,967 thousand pay interest semi-annually at the rate of 6.0% per annum through maturity in January 2018. The Series B Notes, in the aggregate principal amount of \$ 3,964 thousand pay interest semi-annually at the rate of 7.0% per annum through final maturity in January 2020. The Series C Notes, in the aggregate principal amount of Bs. 84 million (\$ 12,020 thousand) pay interest semi-annually at the rate of 7.8% per annum through maturity in January 2024.

In November 2014, COBEE issued and sold two series of notes in the aggregate principal amount of \$ 20,086 thousand. The aggregate gross proceeds of these notes, which were issued at a premium, were \$ 22,100 thousand. The first series of these Notes, in the aggregate principal amount of \$ 4,950 thousand pay interest semi-annually at the rate of 6.70% per annum through maturity in October 2019. The second series of these notes in the aggregate principal amount of Bs. 105 million (\$ 15,029 thousand) pay interest semi-annually at the rate of 7.80% per annum through maturity in October 2024.

Note 15 – Loans and Debentures (Cont'd)

- W.** Kallpa Bonds – In November 2009, Kallpa issued \$ 172,000 thousand aggregate principal amount of its 8.5% Bonds due 2022. Holders of these bonds are required to make subscription payments under a defined payment schedule during the 21 months following the date of issue. The proceeds of these bonds were used for capital expenditures related to Kallpa's combined-cycle plant. Interest on these bonds accrues based on the principal received by Kallpa and is payable quarterly. Principal amortization payments under these bonds in amounts varying between 0.25% and 5.00% of the outstanding principal amount of these bonds commenced in May 2014 and will continue until maturity in May 2022. These bonds are secured by Kallpa's combined-cycle plant and related assets. As of December 31, 2015, the aggregate outstanding principal amount of these bonds was \$ 149,105 thousand (\$ 159,312 thousand as of December 31, 2014).
- X.** Inkia Bonds – On April 4, 2011, Inkia issued senior unsecured notes for an aggregate principal amount of \$ 300,000 thousand in the international capital market under the rule 144A Regulation S. These notes accrue interest at a rate of 8.375% and will be payable semi-annually with final maturity in April 2021 and were recognized initially at fair value plus any directly attributable transaction costs. The proceeds from this issue were used mainly to finance Inkia's equity contribution in the construction of the CDA Project and to repurchase all of the Inkia Bonds.

On September 9, 2013, Inkia reopened its 8.375% senior notes due 2021 for an aggregate principal amount of \$ 150,000 thousand. The new notes have terms and conditions identical to the initial \$ 300,000 thousand notes issued on April 4, 2011 and were issued at 104.75% plus accrued interest from April 4, 2013, resulting in gross proceeds of \$ 157,125 thousand plus \$ 5,653 thousand of accrued interest. The proceeds from this issue will be used mainly for working capital and general corporate purposes. Subsequent to initial recognition, these notes are measured at amortized cost using the effective interest method. As of December 31, 2015, the outstanding principal amount under these notes was \$ 447,524 thousand (\$ 447,357 thousand as of December 31, 2014).

On September 5, 2014, Inkia requested the consents to its bondholders regarding certain proposed amendments to the Indenture: (i) Perform the IC split without being required to repurchase the bonds at a price equal to 101% of the aggregate principal; (ii) Request the repayment of the \$ 150,000 thousand Credit Suisse/I.C. Power/Inkia Loan from the net proceeds of the Edegel sale; and (iii) Extend the investment period of the net proceeds from the Edegel sale from 12 to 30 months.

On September 16, 2014, the I.C.Power received the consent to reinvest the Net Cash Proceeds related to the Acter Disposition within 30 months (originally was 365 days) of such asset sale.

Inkia must reinvest the net cash proceeds from the Edegel sale (\$235 million). As of December 31, 2015, Inkia has used \$96 million of these net proceeds, to reinvest or to repay qualifying debt pursuant to the terms of such indenture. As a result of Energuate acquisition in January 2016, described in Note 32, Inkia has fully invested the net cash proceeds from the Edegel Sale.

- Y.** In December 2010, CEPP approved a program bond offering under which CEPP is permitted to offer bonds in aggregate principal amount of up to \$ 25,000 thousand in multiple series. In 2011 and 2010, CEPP issued and sold \$ 20,326 thousand and \$ 4,674 thousand of its 7.75% Bonds. CEPP used the proceeds of this offering to finance its continuing operations and repay intercompany debt. Interest on these bonds is payable monthly and principal of these bonds is due at maturity in May 2014. During the first quarter of 2014, CEPP issued and sold \$ 25,000 thousand of its 6.00% Bonds due in January and March 2019. Part of these funds was used to prepay \$ 15,000 thousand of its 7.75% Bonds outstanding due in May 2014. In October 2015, \$ 15,000 thousand in CEPP's bonds were repurchased. As of December 31, 2015, the outstanding principal amount net of transaction costs under these notes was \$ 9,924 thousand (\$ 24,755 thousand as of December 31, 2014).

Note 15 – Loans and Debentures (Cont'd)

Z. As at December 31, 2015 and 2014, the main covenants that certain Group entities must comply with during the term of the debts are as follows:

<u>Group entities</u>	<u>Covenant</u>			
	<u>Shareholder equity</u>	<u>Debt service to coverage ratio</u>	<u>Maximum leverage</u>	<u>Interest rate hedging</u>
Kallpa Generación S.A.	Not required	Not less than 1.20	No more than 3.0	Required
COBEE (Bonds)	Not required	≥ 1.2	≤ 1.2	Not required
Central Cardones	Not required	≥ 1.1	Not required	Not required
JPPC (Jamaica)	Not required	Not less than 1.10	Debt to capital no more than 40%	Not required
Amayo I (Nicaragua)	Not required	Not less than 1.25	Not required	Not required
Amayo II (Nicaragua)	Not required	Not less than 1.20	Financial debt to Net Worth not in excess of 70:30	Not required
Corinto (Nicaragua)	Not required	Not required	Maximum debt to EBITDA of 3.0	Not required
Tipitapa (Nicaragua)	Not required	Not required	Maximum debt to EBITDA of 2.75.	Not required
Nejapa (El Salvador)	$\geq$ US\$ 40 million	≥ 1.50	≤ 3.0	Not required

Other than with respect to the covenants referred to above, and the restrictions set forth in Note 11.C, there are no significant restrictions on the ability of I.C. Power's subsidiaries to repay loans or advances or to transfer funds to I.C. Power.

Compliance with the covenants referred to above is overseen by the I.C. Power management. As of December 31, 2015, JPPC (Jamaica) does not comply with their Debt service to coverage covenant. Therefore, its financial debt has been classified as current liability. Other than JPPC, in the I.C. Power management opinion, the obligations have been complied with as of December 31, 2015 and 2014.

Note: Inkia has to comply only with incurrence ratios when it plans to issue new debt.

Note 16 – Trade Payables

	As at December 31	
	2015	2014
	US\$ thousands	
Trade Payables	145,443	144,333
Other Payables	11	155
	<u>145,454</u>	<u>144,488</u>

Note 17 – Other Payables including Derivatives Instruments

	As at December 31	
	2015	2014
	US\$ thousands	
Current liabilities:		
Financial derivatives not used for hedging (b)	1,080	1,318
Financial derivatives used for hedging (b)	11,480	14,868
The State of Israel and government agencies	4,504	562
Employees and payroll-related agencies	4,229	3,039
Customer advances and deferred income	1,483	1,526
Accrued expenses	10,819	16,369
Employee benefits (c)	—	1,750
Interest payable	22,307	17,260
Other(a)	52,971	57,473
	<u>108,873</u>	<u>114,165</u>
Non-current liabilities:		
Financial derivatives not used for hedging (b)	2,196	2,798
Financial derivatives used for hedging (b)	33,429	18,247
	<u>35,625</u>	<u>21,045</u>

- (a) It corresponds mainly to payables related to CDA and Puerto Bravo projects in the amount of \$36 million and \$30 million in 2015 and 2014 respectively.
- (b) As of December 31, 2015 and 2014, the derivatives maintained by the Group are as follow:

	In thousands of \$		
	Notional amount	Fair value	
		2015	2014
Hedge derivatives (i)			
Interest rate swap (a)	67,500	—	(607)
Interest rate swap (b)	384,093	(30,979)	(23,514)
Interest rate swap (c)	100,683	(196)	(718)
Interest rate swap (d)	124,400	(9,004)	(351)
Interest rate swap (e)	15,553	(3,880)	(2,523)
Exchange rate swap (f)	158,270	(850)	(5,402)
		(44,909)	(33,115)
Trading derivatives (ii)			
Interest rate swap (g)	42,000	(2,994)	(3,769)
Interest rate swap (h)	14,500	(7)	(29)
Interest rate swap (i)	8,443	(275)	(318)
		<u>(48,185)</u>	<u>(37,231)</u>

Note 17 – Other Payables including Derivatives Instruments (Cont'd)

(i) Hedge derivatives

	<u>Entity</u>	<u>Financing</u>	<u>Underlying item</u>	<u>Description</u>	<u>Fixed rate</u>	<u>Expiration</u>
(a)	Kallpa	Kallpa II lease	Libor plus 2.05%	83% Kallpa II debt	6.55%	May 2015
(b)	CDA	Syndicated	Libor plus 4.25%	100% -Tranche A	7.25-8.50%	Aug 2024
(c)	CDA	Syndicated	Libor plus 4.25%	50% - Tranche B	5.38%	Feb 2016
(d)	Samay I	Syndicated	Libor plus 2.125%	93% total debt	4.23%	Dec 2021
(e)	Colmito	Loan	7.90% in Chilean Pesos	69% total debt	6.025% in \$	Jun 2028
(f)	CDA	EPC payments in Peruvian Nuevo Sol	Spot exchange rate in Peruvian Nuevo Sol	S/403 million	S/2.546 for each \$1	Jan 2016

- (ii) The Group has three additional interest swap agreements that are accounted for as trading derivatives because these derivatives were already in place when Inkia took control of the subsidiaries:

	<u>Entity</u>	<u>Financing</u>	<u>Underlying item</u>	<u>Description</u>	<u>Fixed rate</u>	<u>Expiration</u>
(g)	Cardones	Syndicated	Libor plus 1.9%	100% - Tranche I	6.80%	Aug 2021
(h)	JPPC	Loan	Libor plus 5.5%	71%	6.46%	Mar 2017
(i)	Amayo II	Syndicated	Libor plus 5.75%	84% - BCIE facility	8.31%	Dec 2019
	Amayo II	Syndicated	Libor plus 5.75%	49% - BCIE facility	8.25%	Sep 2022 (*)

(*) starts in Dec 2019

The gain arising from the volatility of the fair value of these interest rate swaps (See Note 24). During 2015, 2014 and 2013, the Group recorded gains/(losses) of \$3,400 thousand, \$(592) thousand and \$2,645 thousand, respectively.

- (c) On December 27, 2011, OPC established a SARs plan (the “OPC Plan”) for a group of senior executives. The OPC Plan provides senior executives with the economic benefit of up to 0.9% to the increase in appreciation between the base price at grant date of \$194 per unit and the resulting valuation at the settlement date (“exercise date”) of the OPC plan. The OPC Plan is subject to a vesting period which ended on December 31, 2012 and the lockup period matures on December 31, 2016. The exercise date price is based on the value resulting from multiplying eight times of OPC’s EBITDA (earnings before income tax during the preceding four fiscal quarters) less net financial liabilities (debt with financial institutions including accrued interest net of cash, part of the restricted cash, and cash equivalents) and less \$120 million. By the end of December 2013, OPC had granted 3,600 units. During 2014, 2,293 units were exercised and \$ 2,486 thousand of share appreciation rights payments were paid. As of December 31, 2014, the liability for the OPC Plan amounted to \$1,396 thousand. The OPC Plan was settled in full in 2015.

Note 18 – Provisions

A provision was recognized by an I.C. Power subsidiary as a result of a regulator charge. Expenses related to this provision were recognized in the cost of sales in the amount of \$(31,762) thousand and \$51,875 thousand in 2015 and 2014, respectively.

	<u>US\$ thousands</u>
Balance at January 1, 2015	69,882
Provision made during the year	14,657
Provision reversed to cost of sales during the year (see note19(g))	(46,419)
Effects of foreign currency	3,566
Balance at December 31, 2015	<u>41,686</u>

Note 19 – Contingent Liabilities, Commitments and Concessions

A. Guarantees

1. Financial guarantees

The Company has provided financial guarantees to Chery, in respect of an obligation of Qoros, in the amount of \$179 million (see Note 10.C.b.3.). The financial guarantees had a fair value of \$34 million which was based on the inputs and the assumption that Qoros has a certain amount of risk-free debt that will be repaid at a later date. The significant unobservable inputs used in the valuation are Qoros' assets value, debt exercise price and the volatility of its assets based on quoted prices in the market.

B. Claims

1. I.C. Power

a. Nejapa Power Company, LLC

Legal process with a Minority shareholder

Crystal Power ("Crystal"), Nejapa's minority shareholder brought claims against Nejapa Holdings and Inkia Salvadorian, Limited, collectively, the Inkia Defendants, as well as against the majority shareholder of Nejapa Holdings, and certain subsidiaries of El Paso Corporation (the former owner of Inkia's interest in Nejapa Holdings), before the Court of the State of Texas at Brazoria County. The claims against the Inkia Defendants included claims relating to an issuance of new shares to Crystal by Nejapa Holdings, and allegations that Crystal had taken actions (i) preventing Nejapa Holdings from making distributions into an account opened by a New York Court as a result of an interpleader action filed by Nejapa Holdings, (ii) causing Nejapa to distribute dividends disproportionately and (iii) causing Inkia Salvadorian, Limited to use its majority position to harm Crystal. Crystal did not specify the amount of monetary damages against the Inkia Defendants.

The Inkia Defendants have asserted defenses in respect of these claims.

The plaintiff filed a request for partial summary judgment before the Texas State District Court of Brazoria County. The Brazoria Court denied the motion. The Inkia Defendants filed a claim against the plaintiff in the Texas State District Court of Harris County requesting the court to order the plaintiff to withdraw its claims pursuant to contractual undertakings under a settlement agreement entered into with El Paso Corporation.

The Parties were ordered by the Brazoria Court to assist a mediation hearing during July 2014. No settlement resulted from such hearing. A second mediation session was ordered by the Brazoria Court on October 30, 2014.

On December 31, 2014, the parties reached a settlement agreement in application of which the Inkia Defendants bought the shares of Crystal in Nejapa Holdings for a consideration of \$20,000 thousand which become effective on January 6, 2015. The parties agreed to file the dismissal motions and judgments to the courts for filing and entry. The parties have agreed to release, discharge and forever hold harmless the other party and each of their present and former parents, subsidiaries, affiliates, predecessors, managing agents, employees, among others. As a result of this agreement, Inkia owns 100% of the shares in Nejapa Power LLC.

Note 19 – Contingent Liabilities, Commitments and Concessions (Cont'd)

b. Cerro del Aguila (CDA)

Rio Mantaro Claim

In March 2015, CDA and the CDA EPC (engineering, procurement and construction) contractors amended the CDA EPC to address the claim delivered by the EPC contractors to CDA in April 2014, which demanded a six-month extension for the construction of the CDA Project and an approximately \$92 million increase in the total contract price of the CDA Project. Pursuant to the amendment, the CDA EPC contractors shall renounce any and all past, existing, or future claims against CDA, based on facts or events that occurred or were known, on or before the date of the amendment, in exchange for CDA's (i) payment of \$40 million, subdivided into 4 payments over the course of the remaining construction period and subject to the achievement of certain milestones, and (ii) grant of the extensions of the CDA Project construction schedule that were previously requested by the CDA EPC contractors, which range between four and six months in length, depending upon the applicable CDA unit.

The amendment to the CDA EPC was subject to the approval of the lenders under the CDA Project Finance Facility. Upon the receipt of such approval, CDA paid the first of the four \$10 million payments owed to the CDA EPC Contractors under the amendment on May 21, 2015. The payment of the remaining \$30 million will be contingent upon the CDA EPC contractors' satisfaction of certain construction milestones specified in the amendment to the CDA EPC.

CDA is expected to commence commercial operation in the second half of 2016. As a result of the settlement with the CDA EPC contractors, the estimated cost of the CDA Project is not expected to exceed \$960 million.

c. Compañía Boliviana de Energía Eléctrica ("COBEE")

Energy Tariff Adjustment in Bolivia

As a result of a tariff review conducted by Autoridad de Fiscalización y Control Social ("AE"), the Bolivian electricity supervisory authority, the AE concluded that COBEE had collected excessive electricity tariffs equal to an amount of \$ 7,300 thousand and as a result, the AE determined COBEE's account in the electricity price stabilization fund (the "Stabilization Account") should be debited with said excess.

After several filings, the amount of the excess was reduced to approximately \$ 5,219 thousand and the Stabilization Account was credited in proportion to said reduction. COBEE continues to challenge this conclusion.

In September 2013, the AE issued Resolution 498-2014 ("Resolution VIII"), revoking resolutions V and VII and calculating an aggregate adjustment amount of \$ 5,400 thousand. Cobee challenged this last ruling, claiming review and recognition of \$ 500 thousand as last discussion item.

As of the date herein, the AE has issued Resolution 20-2014 ("Resolution IX"), accepting COBEE's petition, in part, and ruling a \$ 5,000 thousand as aggregate adjustment amount for the tariffs period 2006-2008.

I.C. Power management considers that the result of these proceedings is uncertain. However, the risk derived from this process is immaterial because COBEE has not recorded the net revenues assigned in the stabilization account due to COBEE's inability to collect such balances. These revenues offset the contingency described above.

d. Kallpa Generación S.A.

Import Tax Assessment against Kallpa.

Since 2010, the Peru Customs Authority (known as "SUNAT" for its abbreviation in Spanish) issued tax assessments to Kallpa and its lenders for payment of import taxes allegedly owed by Kallpa in connection with imported equipment for installation and construction of Kallpa I, II, III and IV. The assessments were made on the basis that Kallpa did not include the value of the engineering services rendered by the contractor of the project in the tax base of import taxes. Kallpa disagrees with this tax assessment on the grounds that the engineering services rendered include the design of the plant and not the design of the imported equipment. Kallpa appealed the tax assessments before SUNAT in first instance and before the Peruvian Tax Court (known as "Tribunal Fiscal") in second instance. SUNAT and the Peruvian Tax Court are administrative institutions under the Ministry of Economy and Finance. As of December 31, 2014, the decisions of the Peruvian Tax Court on this matter were pending.

Note 19 – Contingent Liabilities, Commitments and Concessions (Cont'd)

In January 2015, Kallpa was notified that the Tax Court rejected Kallpa's appeal regarding the Kallpa I assessment. Kallpa disagrees with the court's decision and filed an appeal before the Superior Court of Lima in April 2015. In order to appeal, Kallpa had to pay under protest the tax assessment of Kallpa I in the amount of approximately S/. 37.9 million (\$12.3 million), include interests and fines.

As of the end of December 2015, the total tax exposure related to these assessments is as follows:

	Stage	Amount (In million S/.)	Amount (In million US\$)
Kallpa I (1)	Superior Court of Lima	32.5	9.6
Kallpa II	Peruvian Tax Court	22.2	6.5
Kallpa III	Peruvian Tax Court	21.4	6.3
Kallpa IV (2)	SUNAT	30.0	8.8
		<u>106.1</u>	<u>31.2</u>

- (1) Amount recorded as a long-term account receivable, originally S/. 37.9 million but S/. 5.4 million (that corresponded to VAT) was recovered.
- (2) Amount reduced to S/. 0.8 million (S/. 0.5 million without interest) on January 27, 2016

On January 27, 2016, the amount of the claim in connection with Kallpa IV was reduced by S/. 17.2 million (\$ 5.0 million) without interests, from S/. 17.7 million to S/. 0.5 million (from \$ 5.1million to \$ 0.1million). On February 12, 2016, Kallpa filed an appeal against the part of the resolution that referred to insurance. As of the date herein, such appeal is pending to be submitted by SUNAT to the Tax Court.

Management and the Company's legal advisors are of the opinion that Kallpa's appeals will be more likely than not successful; accordingly, no provision was recorded in the financial statements.

C. Commitments

I.C. Power

a. I.C. Power Ltd

Guarantee party	Description	Amount (In thousand NIS)	Amount (In thousand)	Cash Collateral (In thousand)
OPC Rotem Ltd.	Exposure of non-payment default resulting from "Ex post payments"	12,000	3,184	—
OPC Rotem Ltd.	Facility agreement	45,000	11,940	22,500
OPC Rotem Ltd.	Ensure payments of IPP Rotem Operation and Maintenance Ltd.	N/A	350	—
OPC Rotem Ltd.	PUA/EA Standards requirements – infrastructure services	38,595	10,240	—
OPC Rotem Ltd.	PUA/EA Standards requirements – infrastructure services	32,235	8,553	—
Advanced Integrated Energy Ltd.	Conditional license	822	218	—
Advanced Integrated Energy Ltd.	INGL agreement	295	78	—
Advanced Integrated Energy Ltd.	GSPA agreement	N/A	6,600	—
Advanced Integrated Energy Ltd.	Supply and generation licenses	4,471	1,186	—

As of December 31, 2015, I.C. Power has issued guarantees for a total amount of \$ 42,349 thousand, as follows:

In 2011, IC Power Israel Ltd. together with Israel Corporation, and Dalkia Israel Ltd, together with Dalkia International S.A, provided an owner's guarantees of NIS 80,000 thousand (\$20,571 thousand) and NIS 20,000 thousand (\$5,143 thousand), respectively, as part of the Facility Agreement. These guarantees are linked to the CPI of November 2010. As of December 31, 2014, the amount of the guarantees was NIS 106,000 thousand (\$27,256 thousand). In December 2014, in light of Israel Corporation spinoff, OPC replaced IC guarantee with one from IC Power as well as NIS 45,000 thousand (\$ 11,571 thousand) cash deposit as collateral.

Note 19 – Contingent Liabilities, Commitments and Concessions (Cont'd)

b. Inkia Energy Ltd

As of December 31, 2015, Inkia has issued standard by letters of credit for a total amount of \$ 94,240 thousand (2014: \$79,925 thousand) for guarantee, as follows:

Guarantee party	Description	As at December 31			
		2015		2014	
		Amount (US\$ Thousand)	Cash Collateral	Amount (US\$ Thousand)	Cash Collateral
Kanan overseas I, Inc	Power Purchase agreement	18,334	9,220(1)	18,334	9,200
Kanan overseas I, Inc	Storage and handling agreement	600	—	—	—
Lihuen S.A.	Bid Process in Chile	1,300	902(2)	1,300	—
Samay I S.A.	Bond performance	15,000	—	15,000	—
Cerro del Aguila S.A.	Contingent equity for over costs	36,701	—	44,191	—
Kanan overseas I, Inc	Construction execution	9,200	—	—	—
Kanan overseas I, Inc	Bid process in Panama	2,475	—	1,100	1,100
Kanan overseas II, Inc	Bid process in Panama	8,750	—	—	—
Cerro del Aguila S.A.	Power Purchase agreement	376	—	—	—

(1) Present as part of restricted cash non-current in the consolidated statement of financial position

(2) Cash collateral for storage and handling agreement and Bid process in Chile

c. Cobee, Bolivia

Concession from the Bolivia Government

As of December 2010, COBEE was engaged in the generation of electricity under a concession granted to it by the Government of Bolivia, in October 1990 for a period of 40 years. The Bolivian government unilaterally transformed by supreme decree, all concessions to generate, transmit and distribute electricity to special temporary licenses. However, to date, the government has not issued regulations nor approved any procedure or guideline to convert such special temporary licenses into permanent licenses.

Consolidation of COBEE Financial Statements

The Bolivian government under the mandate of Evo Morales has nationalized companies that were privatized during President Gonzalo Sánchez de Lozada's 1993-1997 administration and some other companies that were never owned by the Bolivian government.

As of the date of this report, the Bolivian government has not taken any specific action nor threatened to take any specific action against COBEE. Currently, I.C.Power has full control of COBEE's operations and maintains all the associated economic rights and risks. Therefore, COBEE's financial statements are consolidated in the accompanying consolidated financial statements.

Power Purchase Agreement (PPA)

In March 2008, COBEE signed a long-term PPA agreement with Minera San Cristobal. Pursuant to the agreement, COBEE will supply 43 MW of availability and energy, commencing from December 22, 2008. The PPA agreement provides a fixed price for availability, and an energy price that is linked to the price of natural gas for production of electricity in Bolivia. Surplus energy and availability are sold in the spot market. The PPA agreement is scheduled to expire in 2017.

In December 2011, the Bolivian Government amended the applicable law to prohibit generation companies from entering new PPAs. Therefore, COBEE will be unable to extend or replace this PPA.

Note 19 – Contingent Liabilities, Commitments and Concessions (Cont'd)

d. Kallpa, Peru

Power Purchase Agreements (PPA)

As of December 31, 2015, Kallpa has entered into twenty seven PPAs with unregulated consumers to provide capacity and the associated energy of 522 MW (twenty three PPAs of 510 MW as of December 31, 2014). These contracts have various commencement dates, and vary in duration between 2013 and 2028. Also, as of December 31, 2015, Kallpa has signed twenty eight PPAs with 8 distribution companies for 660 MW (thirteen PPAs with 7 distribution companies for 580 MW as of December 31, 2014).

The Peruvian market functions on the marginal cost method in which the generators bid their marginal cost to the market regulator who instructs the most efficient generators to produce electricity for the system. In the event Kallpa is not capable to meet its commitments under the contracts, Kallpa will be required to purchase energy in the spot market.

Gas Supply and Transportation

Kallpa purchases natural gas for its generation facilities from the Camisea consortium under an exclusive natural gas supply agreement dated January 2, 2006, as amended. Under this agreement, the Camisea Consortium agreed to supply Kallpa's natural gas requirements, subject to a daily maximum amount and Kallpa agreed to acquire natural gas exclusively from the Camisea Consortium.

The Camisea consortium is obligated to provide a maximum of 4,250,000 cubic meters of natural gas per day to our Kallpa plant and Kallpa is obligated to purchase a minimum of approximately 2,225,000 cubic meters of natural gas per day as follows:

	Cubic meters per day To be provided by Consortium	Minimum Purchase
First gas turbine	1,200,000	648,000
Second gas turbine	1,300,000	702,000
Third gas turbine	1,300,000	650,000
Combined cycle	450,000	225,000
Total	<u>4,250,000</u>	<u>2,225,000</u>

In the event that Kallpa does not consume the contracted minimum on any given day, Kallpa is permitted to use that lacking quantity on any day during the course of the following 18 months from the day of under-consumption.

The price that Kallpa pays to the Camisea consortium for the natural gas supplied is based on a base price in U.S. dollars set on the date of the agreement, indexed monthly based on a basket of market prices for heavy fuel oil, with discounts available based on the volume of natural gas consumed. This agreement expires in June 2022.

Kallpa's natural gas transportation services are rendered by Transportadora de Gas del Peru S.A. ("TGP") pursuant to a natural gas firm transportation agreement dated December 2007, as amended. In April 2014, this agreement was further modified to include the transportation agreement between Duke Energy Egenor S. en C. por A. and Las Flores. Pursuant to the modified agreement, TGP is obligated to transport up to 3,354,182 cubic meters of natural gas per day from the Camisea Consortium's delivery point located at the Camisea natural gas fields to Kallpa's facilities. This obligation will be reduced, first, by approximately 199,312 cubic meters per day beginning in March 2020 and, second, 206,039 cubic meters per day beginning in April 2030 as follows:

	Cubic meters per day
From August 14, 2010 to March 31, 2014	3,154,870
From April 1, 2014 to March 20, 2020	3,354,182
From March 21, 2020 to March 31, 2030	3,154,870
From April 1, 2030 to December 31, 2033	2,948,831

Note 19 – Contingent Liabilities, Commitments and Concessions (Cont'd)

This agreement expires in December 2033. Additionally, Kallpa is party to two additional gas transportation agreements, to become effective at the completion of the expansion of TGP's pipeline facilities (which is currently expected to occur during the second half of 2016). Pursuant to the first agreement, TGP will be obligated to transport up to 565,130 cubic meters of natural gas per day from the Camisea Consortium's delivery point located at the Camisea natural gas fields to Kallpa's facilities. This agreement expires in April 2030. Pursuant to the second agreement, TGP will be obligated to transport up to 935,000 cubic meters of natural gas per day from the Camisea Consortium's delivery point located at the Camisea natural gas fields to Kallpa's facilities. This agreement expires in April 2033. Additionally on April 1, 2014, Kallpa entered into an agreement with TGP to cover the period up to the completion of the expansion of TGP's pipeline facilities. Pursuant to this agreement, TGP is obligated to transport up to 120,679 cubic meters of natural gas per day from the Camisea Consortium's delivery point located at the Camisea natural gas fields to Kallpa's facilities. Pursuant to the terms of each of these agreements, Kallpa pays a regulated tariff approved by the OSINERGMIN (Power Regulatory Entity in Peru).

e. Samay I, Peru

Power Node Bid Awarded

On November 29, 2013, Samay I won one of the public bid auctions promoted by the Peruvian Investment Promotion Agency ("Proinversion") to build an open cycle diesel and natural gas (dual-fired) thermoelectric plant in Mollendo, Arequipa (southern Peru), with an installed capacity of approximately 600MW. The project has two operational stages: (i) cold reserve plant operating in diesel until natural gas becomes available in the area; and (ii) natural gas-fired power plant operating once a new natural gas pipeline is built and natural gas is available. The agreement with the Peruvian government is for a 20-year period with fixed monthly capacity payments and pass-through of all variable costs during the cold reserve phase.

The total investment for this plant is expected to be around \$ 380 million and to be funded with around 82% of debt and the remaining 18% with equity. The power plant is required to enter into commercial operation no later than April 30, 2016. As of December 31, 2015, Samay I has reached a level of completion of 97%.

f. CDA, Peru

Power Purchase Agreements (PPA)

As of December 31, 2015, CDA has entered into three PPAs and the associated energy of 483 MW of capacity. A 15-year PPA with ElectroPerú to provide 200 MW of capacity and the associated energy that commences during second half of 2016, a 10-year PPA with distribution companies (Luz del Sur S.A.A., Edelnor and Edecañete) awarded in December 2011 to provide 202 MW of capacity and the associated energy that commences in January 2018 with final expiration in December 2030, and a 10-year PPA with Edelnor awarded in December 2015 to provide 83 MW of capacity and the associated energy that commences in January 2022 with final expiration in December 2031.

g. OPC, Israel

Power Purchase Agreements (PPA)

On November 2, 2009, OPC signed a PPA with IEC whereby OPC undertook to construct a power plant within 49-52 months from the PPA signing date, while IEC undertook to purchase capacity and energy from OPC, over a period of twenty (20) years from the commencement date of COD of the plant. The PPA is a "capacity and energy" agreement, meaning, a right of OPC to provide the plant's entire production capacity to IEC, and to produce electricity in the quantities and on the dates as required by IEC.

Power Purchase Agreements with end users

The PPA with IEC provides OPC with the option to allocate and sell the generated electricity of the power station directly to end users. OPC has exercised this option and sells all of its energy and capacity directly to end users. Most of the agreements are for a period of 10 years. The consideration tariff, are based on the time of use electricity tariff ("TAOZ"), the generation component of the time of use electricity tariff, less a discount from the generation component. Both the TAOZ and the generation component are determined by the Public Utility Authority—Electricity ("PUA") and are updated from time to time.

If the consideration is less than a minimum tariff of the generation component, I.C.Power has the right to terminate the agreements.

Note 19 – Contingent Liabilities, Commitments and Concessions (Cont'd)

Natural supply gas agreement

On November 25, 2012, OPC signed an agreement with Noble Energy Mediterranean Ltd., Delek Drilling Limited Partnership, Iramco Negev 2 Limited Partnership, Avner Oil Exploration Limited Partnership and Dor Gas Exploration Limited Partnership (“Tamar Partners”) regarding the natural gas supply to the power plant. The agreement shall terminate upon the earlier of: a 16 years term as from the date of gas flow to the power plant or until OPC has consumed the entire contractual quantity. In addition, each party has the right to extend the period of the agreement for a period of up to two additional years under certain conditions or until the date of consuming the total contract quantity, whichever is earlier (“Tamar Agreement”).

The price of the gas is linked to changes in the “Production Cost” Tariff, which is part of TAOZ, and partially linked to the USD representative exchange rate, and includes “a floor price”. According to the Tamar Agreement, OPC shall purchase natural gas with a total contractual quantity of 10.6 BCM (billions of cubic meters). OPC is under a “take or pay” obligation regarding a certain annual quantity of natural gas based on a mechanism set forth in the Tamar Agreement. The Tamar Agreement contains certain conditions that provide in the future flexibility to reduce the minimum annual quantity.

On December 28, 2015, the agreement received the Israeli Antitrust Authority, (“Authority”) approval.

In July 2013, the PUA published a Decision updating the existing “Production Cost” Tariff by indicating two new tariffs. The PUA indicated in the Decision that the existing “Production Cost” Tariff shall be replaced by the tariff equal to 33.32 Agurot/KWh. On September 3, 2013 the Tamar Partners informed I.C.Power that following their review of the new tariffs, they concluded that the relevant tariff for calculating the natural gas price was 38.60 Agurot/KWh (which is the second tariff published by the PUA in its July 2013 Decision), and therefore the contract price for the natural gas should be calculated accordingly. Based on the clarification published by the PUA on October 20, 2013, stating that the definition replacing the “Production Cost” Tariff reflects a tariff equal to 33.32 Agurot/KWh and I.C. Power legal advisors, I.C.Power is of the opinion that the lower tariff in the amount of 33.32 Agurot/KWh shall apply for the purpose of calculating the contract price under the natural gas supply agreement and therefore rejects the Tamar Partners’ position and does not include a provision in the financial statements.

In January 2015, the PUA updated the generation component of the TAOZ. This tariff is the basis for the price calculation between OPC and the end users, and for the natural gas price indexation according to the gas purchase agreement. According to the tariff update, the generation component will be divided into a number of different tariffs. In this decision, the PUA clarified that the generation component that replaces the former component is 33.32 Agurot/Kwh. The weighted average generation component according to the update is 30.09 Agurot/Kwh. As a result of this adjustment, the generation component was reduced by approximately 10% starting February 2015.

Israeli Electricity Reform

In July 2013, the Government of Israel appointed a steering committee (“the Steering Committee”) for the purpose to reform IEC and the Israeli electricity industry. Pursuant to the document appointing the Steering Committee, its tasks include examination of the optimum structure for the electricity industry and IEC, while placing emphasis on the encouragement of competition in the electricity industry, ensuring the financial strength of IEC, consideration of an efficiency plan for IEC and a proposal of an overall reform for the electricity industry and IEC. At the end of December 2015 no final decision as to the manner and nature of the reform of IEC and the electricity market has been determined by the Israeli government.

System Management Charges

In August 2015, the PUA published a Decision that Independent Power Producers (IPPs) in Israel would be obligated to pay the system management service charges, retroactively effective as of June 1, 2013. According to the PUA Decision, the amount of the system management service charges payable by OPC from the effective date of July 6, 2013 to June 2015, is approximately NIS 163 million (\$43 million), including interest rate and linkage costs.

In OPC’s opinion, due to the PUA Decision, it is more likely than not that OPC will not be charged more than the amount that was indicated in the PUA Decision. Therefore, OPC reversed the provisions amounting to \$46 million as of September 30, 2015 such that the total balance of the provision as of September 30, 2015 is equal to OPC’s estimation regarding the amount of system management service charge that would be charged to OPC with respect to the period between July 6, 2013 to June 2015, equal to approximately NIS163 million (\$43 million).

Note 19 – Contingent Liabilities, Commitments and Concessions (Cont'd)

In August 2015 the PUA published for public hearings a tariff update. Such tariff reflects a decline in the average tariff by approximately 7%. OPC charges privately negotiated tariffs to sell electricity to end users under its PPAs. Such tariffs are expressed as a discount to the generation component tariff included within the PUA tariff, therefore a decline in public tariffs will result in a corresponding decline in OPC's tariffs and accordingly its revenues. OPC's main cost of sales is natural gas and prices for the natural gas under the supply agreement with the Tamar Group are indexed to the PUA generation component tariff and NIS/ \$ exchange rate. However the supply agreement also contains a floor price and as a result of above mentioned declines in the PUA generation component tariff, OPC will soon begin to pay the floor price, which will result in a decline in OPC's margins. The new tariffs became effective as of September 9, 2015

h. Nejapa El Salvador

Power Purchase Agreements (PPA)

In May 2013, Nejapa entered into two PPAs that were awarded as a result of two tenders for 71.2 MW and 38.8 MW of capacity, with 54-month and 48-month terms, respectively. Each PPA was divided among the seven distribution companies that conducted the tenders. The term of each PPA commenced in August 2013.

In December 2014, Nejapa entered into PPA with seven distribution companies for 30 MW of capacity with 36-month term starting from January 2015.

i. Poliwatt, Guatemala

Power Purchase Agreements (PPA)

As of December 31, 2015, Poliwatt has entered into twelve PPAs to provide capacity and energy of 166 MW. These contracts have various commencement dates, and vary in duration between 2016 and 2017.

j. I.C. Power Nicaragua, Nicaragua

Power Purchase Agreements (PPA)

As of December 31, 2015, Tipitapa Power Company and Empresa Energetica Corinto have entered into two PPAs with Distribuidora de Electricidad del Norte ("DISNORTE") and Distribuidora de Electricidad del Sur ("DISSUR") to supply and sell energy and capacity.

In addition, Consorcio Eólico Amayo and Consorcio Eólico Amayo (Fase II) also entered into PPAs with these distribution companies, and are committed to supply and sell all the energy at the supply node as part of the wholesale market.

These contracts have various commencement dates, and vary in duration, as follows:

<u>Company</u>	<u>Commencement</u>	<u>Expiration</u>	<u>Contracted Capacity (MW)</u>
Tipitapa Power Company	June 1999	December 2018	51
Empresa Energetica Corinto	April 1999	December 2018	50
Consorcio Eólico Amayo	March 2009	March 2024	40
Consorcio Eólico Amayo (Fase II)	March 2010	March 2025	23

k. Kanan Overseas I, Inc, Panama

Power Purchase Agreement

In October 2014, Kanan was awarded a contract to supply energy with a maximum contractual capacity of 86 megawatts with distributions companies for a 5 year term that effectively started in December, 2015. For such purpose, Kanan is installing a power plant to operate thermal generation units with a total capacity of 92 megawatts. Kanan is expected to reach commercial operations in March 2016.

D. **Liabilities secured by liens**

I.C. Power

The majority of I.C. Power's loans are secured by I.C. Power's power plant and related assets.

Note 20 – Share Capital and Reserves

A. Share Capital

	Company No. of shares ('000)
Authorised and in issue at 7 March 2014 (date of incorporation)	—
Issued during the year	23,500
Authorised and in issue at 31 December 2014	23,500
Authorised and in issued as part of the spin-off from IC	29,883
	53,383
Issued for share plan	311
Authorised and in issue at 31 December 2015	53,694

All shares rank equally with regards to Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All issued share are fully paid with no par value.

The capital structure of the Company comprises of issued capital and accumulated profits. The management manages its capital structure to ensure that the Company will be able to continue to operate as a going concern. The Company is not subjected to externally imposed capital requirement.

Issuance of ordinary shares

On the date of incorporation, the Company issued 1 ordinary share at \$1 per share.

In June 2014, the Company issued 19,999,999 bonus ordinary shares with no consideration.

In September 2014, the Company issued 2,500,000 ordinary shares at \$1 per share.

In December 2014, the Company issued 1,000,000 ordinary shares at \$1 per share.

On January 7, 2015, the Company issued 29,883,015 ordinary shares at \$1 per share to IC as part of the spin-off (see note 1.B).

On January 11, 2015, the Company's shares commenced trading on the Tel Aviv Stock Exchange and on 15 January 2015 in the New York Stock Exchange.

In 2015, 310,960 ordinary shares were granted under the Share Incentive Plan to key management at an average price of \$19.76 per share.

B. Translation reserve

The translation reserve includes all the foreign currency differences stemming from translation of financial statements of foreign activities as well as from translation of items defined as investments in foreign activities commencing from January 1, 2007 (the date IC first adopted IFRS).

C. Capital reserves

Capital reserves reflect the unrealized portion of the effective part of the accrued net change in the fair value of hedging derivative instruments that have not yet been recorded in the statement of profit or loss.

D. Kenon's share plan

Kenon has established a share incentive plan for its directors and management. The plan provides grants of Kenon shares, as well as stock options in respect of Kenon's shares, to directors and officers of the Company, and IC pursuant to awards, which may be granted by Kenon from time to time, representing up to 3% of the total issued shares (excluding treasury shares) of Kenon. During 2015 and 2014, Kenon granted awards of shares to certain members of its management. Such shares are vested upon the satisfaction of certain conditions, including the recipient's continued employment in a specified capacity and Kenon's listing on each of the NYSE and the TASE. The aggregate fair value of the shares granted is \$940 thousand (2014: \$5,444 thousand) and was determined based on the fair value of Kenon's shares on the grant date. Kenon recognized \$566 thousand as general and administrative expenses in 2015 (2014: \$5,444 thousand).

Note 21 – Cost of Sales and Services

	For the Year Ended December 31		
	2015	2014	2013
	US\$ thousands		
Payroll and related expenses	35,635	31,369	21,817
Manufacturing, operating expenses and subcontractors	292,242	276,652	243,410
Fuel, gas and lubricants (a)	468,343	502,170	286,484
Intermediation fees (b)	6,223	—	—
Other	60,412	170,950	42,091
	<u>862,855</u>	<u>981,141</u>	<u>593,802</u>

- (a) Fuel cost is primarily heavy fuel oil consumed by the thermal plants in El Salvador, the Dominican Republic, Jamaica, Nicaragua and Guatemala.
- (b) Fees paid by Kallpa in connection with the profit shared on certain PPAs signed with distribution companies.

Note 22 – Selling, General and Administrative Expenses

	For the Year Ended December 31		
	2015	2014	2013
	US\$ thousands		
Payroll and related expenses	45,731	57,669	38,161
Depreciation and amortization	9,130	7,724	4,202
Professional fees	23,377	37,944	8,598
Other expenses	25,585	27,781	21,994
	<u>103,823</u>	<u>131,118</u>	<u>72,955</u>

The 2015 reduction in professional fees is mainly explained by the settlement agreement signed with Crystal on December 31, 2014. During 2014, Inkia incurred in \$7 million in legal fees in connection with Crystal legal process.

Note 23 – Other Income and Expenses

	For the Year Ended December 31		
	2015	2014	2013
	US\$ thousands		
Other Income			
From changes in interest held in associate (See Note 10)	—	19,553	—
Insurance claims (a)	6,917	7,452	—
Dividend income from other companies (b)	3,850	18,178	—
Other	4,669	5,854	4,284
Gain on sale of property, plant and equipment	14	—	43
	<u>15,450</u>	<u>51,037</u>	<u>4,327</u>
Other expenses			
Loss from sale of interest in subsidiaries, associates and dilution	—	—	4,630
Other	7,076	13,970	708
	<u>7,076</u>	<u>13,970</u>	<u>5,338</u>

- (a) Corresponds mainly to Consorcio Eolico Amayo (Fase II) claim in relation to three wind towers damaged.
- (b) In 2014, it corresponds to dividends received from Edegel/ Generandes.

Note 24 – Financing Income (Expenses), Net

	For the Year Ended December 31		
	2015	2014	2013
	US\$ thousands		
Financing income			
Interest income from bank deposits	2,675	2,226	438
Net changes in fair value of Tower options series 9	2,119	8,350	1,706
Net change in fair value of derivative financial instruments	3,400	—	2,645
Other income	5,218	5,667	—
Financing income	<u>13,412</u>	<u>16,243</u>	<u>4,789</u>
Financing expenses*			
Interest expenses to banks and others	(107,419)	(108,224)	(67,741)
Net change in fair value of derivative financial instruments	—	(592)	—
Net change from change in exchange rates	(12,554)	—	—
Other expenses	(4,255)	(1,363)	(1,038)
Financing expenses	<u>(124,228)</u>	<u>(110,179)</u>	<u>(68,779)</u>

* The Group capitalized financing expenses to property, plant and equipment, in the amount of approximately \$32 million, \$52 million and \$ 17 million in 2015, 2014 and 2013, respectively.

Note 25 – Income Taxes**A. Components of the Income Taxes**

	For the Year Ended December 31		
	2015	2014	2013
	US\$ thousands		
Current taxes on income			
In respect of current year	29,215	93,734	36,075
Deferred tax income			
Creation and reversal of temporary differences	33,163	9,607*	13,216*
Total taxes on income	<u>62,378</u>	<u>103,341</u>	<u>49,291</u>

In 2014, \$1,518 thousand of previously unrecognized tax losses was used to reduce our current tax expense in Israel. No previously unrecognized tax benefits were used in 2015 or 2013 to reduce our current tax expense.

* Revised – See Note 31.

Note 25 – Income Taxes (Cont'd)

B. Reconciliation between the theoretical tax expense (benefit) on the pre-tax income (loss) and the actual income tax expenses

	For the Year Ended December 31		
	2015	2014*	2013*
	US\$ thousands		
Profit/(loss) before taxes on income	158,270	109,274	(54,138)
Statutory tax rate	17.00%	26.50%	25%
Tax computed at the statutory tax rate	26,906	28,958	(13,535)
Increase (decrease) in tax in respect of:			
Elimination of tax calculated in respect of the Group's share in losses of associated companies	52,148	45,288	34,051
Income subject to tax at a different tax rate	(3,209)	12,846	8,023
Non-deductible expenses	7,818	8,442	8,522
Tax in respect of foreign dividend	—	8,047	—
Exempt income (1)	(41,160)	(21,145)	(422)
Taxes in respect of prior years	(294)	(1,518)	61
Impact of change in tax rate	—	(3,131)	50
Changes in temporary differences in respect of which deferred taxes are not recognized	580	(3,795)	—
Tax losses and other tax benefits for the period regarding which deferred taxes were not recorded	8,335	16,183	81
Differences between the measurement base of income reported for tax purposes and the income reported in the financial statements (2)	12,133	12,519	7,361
Other differences	(879)	647	5,099
Taxes on income included in the statement of profit and loss	<u>62,378</u>	<u>103,341</u>	<u>49,291</u>

* Revised – see Note 31

1. \$41,160 thousand of exempt income effect comprise mainly of \$5,509 thousand of exempt income effect in Amayo I and Amayo II in Nicaragua in 2015 (\$219 thousand in 2014) and \$35,651 thousand of exempt income effect related to gain in distribution of dividend in kind. \$21,145 thousand and \$422 thousand of exempt income effect related to gain on bargain purchase in 2014 and 2013, respectively.
2. Deferred tax related to the temporary difference arising from exchange rate differences on non-monetary assets and liabilities are measured in functional currency while the tax base is determined in a different currency. In 2014 and 2013, I.C. Power corrected its financial statements and recorded additional deferred income tax expenses in connection with this effect of \$12,519 thousand and \$7,361 thousand (See Note 31).

C. Deferred tax assets and liabilities

1. Deferred tax assets and liabilities recognized

The deferred taxes are calculated based on the tax rate expected to apply at the time of the reversal as detailed below. Deferred taxes in respect of subsidiaries were calculated based on the tax rates relevant for each country.

Note 25 – Income Taxes (Cont'd)

The deferred tax assets and liabilities are derived from the following items:

	Property plant and equipment	Employee benefits	Carryforward of losses and deductions for tax purposes US\$ thousands	Other	Total
Balance of deferred tax asset (liability) as at January 1, 2014*	(345,477)	24,817	283,516	(19,930)	(57,074)
Changes recorded on the statement of profit and loss	(24,081)	(27)	26,493	5,015	7,400
Changes recorded to equity reserve	—	—	—	2,303	2,303
Translation differences	4,576	(46)	(2,481)	(44)	2,005
Reclassification and adjustments*	9,919	—	—	(22,438)	(12,519)
Changes in respect of business combinations	(35,243)	76	34	(7,082)	(42,215)
Exit from the consolidation	263,557	(23,996)	(260,791)	15,063	(6,167)
Balance of deferred tax asset (liability) as at December 31, 2014*	<u>(126,749)</u>	<u>824</u>	<u>46,771</u>	<u>(27,113)</u>	<u>(106,267)</u>
Changes recorded on the statement of profit and loss	2,429	(222)	15,325	(50,695)	(33,163)
Changes recorded to equity reserve	—	—	—	3,081	3,081
Translation differences	352	(1)	(153)	885	1,083
Changes in respect of business combinations	—	—	—	(124)	(124)
Balance of deferred tax asset (liability) as at December 31, 2015	<u>(123,968)</u>	<u>601</u>	<u>61,943</u>	<u>(73,966)</u>	<u>(135,390)</u>

2. The deferred taxes are presented in the statements of financial position as follows:

	As at December 31	
	2015	2014*
	US\$ thousands	
As part of non-current assets	2,693	25,743
As part of non-current liabilities	(138,083)	(132,010)
	<u>(135,390)</u>	<u>(106,267)</u>

(*) Revised – see Note 31.

D. Taxation of companies in Israel

On August 5, 2013, the Israeli Government passed the Law for Changes in National Priorities (Legislative Amendments for Achieving Budget Objectives in the Years 2013 and 2014) – 2013. As part of the legislation, I.C. Power's tax rate was raised by 1.5% to a rate of 26.5% as from 2014.

Current taxes for the reported periods are calculated according to the tax rates presented above.

- (a) On January 5, 2016, Amendment 216 to the Income Tax Ordinance (New Version) – 1961 ("the Ordinance") was passed in the Knesset. As part of the amendment, I.C. Power's tax rate would be reduced by 1.5% to a rate of 25% as from 2016. If the law had been substantively enacted before December 31, 2015, the effect of the change on the financial statements as at December 31, 2015 would have been reflected in a decrease in the deferred tax liabilities in the amount of \$2,303 thousand. The effect of the change in the deferred tax balances would have been recognized against deferred tax expenses in the amount of \$2,303 thousand.

Note 25 – Income Taxes (Cont'd)

- (b) On February 4, 2010, Amendment 174 to the Ordinance was published. The amendment added Section 87A to the Ordinance (“temporary order”), which provides a temporary order whereby Accounting Standard No. 29 “Adoption of IFRS” that was issued by the Israel Accounting Standards Board shall not apply when determining the taxable income for the 2007 through 2009 tax years even if the standard was applied in preparing the financial statements. On January 12, 2012, an amendment to the Ordinance was issued by which the temporary order was amended so that the Standard 29 shall not apply when determining taxable income for 2010 and 2011. On July 31, 2014, another amendment was published to extend the temporary ordinance to the 2012 and 2013 tax years.
- (c) In June 2011, OPC received an approval from the Taxes Authority in Israel such that the electricity production activities will be considered manufacturing activities and I.C. Power’s power station will constitute an “Industrial Companies” as defined in the Law for Encouragement of Industry upon fulfillment of the all the conditions provided by the Taxes Authority in Israel.

“Industrial Companies” as defined in the Law for the Encouragement of Industry (Taxes) – 1969 are entitled to benefits of which the most significant ones are as follows:

- i. Higher rates of depreciation.
- ii. Amortization in three equal annual portions of issuance expenses when registering shares for trading as from the date the shares of OPC were registered.
- iii. An 8-year period of amortization for patents and know-how serving in the development of the enterprise.
- iv. The possibility of submitting consolidated tax returns by companies in the same line of business.

E. Taxation of companies outside of Israel

Non-Israeli subsidiaries are assessed based on the tax laws in their resident countries. Withholding tax rates shown below are provided based on domestic legislation of relevant countries and may be decreased under tax treaties.

Current income tax from operations in El Salvador includes income tax from the consolidation of Nejapa Power Branch and Cenergica. Income tax rate in El Salvador is 30% for the years ended December 31, 2015, 2014 and 2013. In addition, a 5% to 25% withholding tax is applicable depending on whether the payments are to countries with preferential tax regimes or nil taxes. Currently, Nejapa’s and Cenergica’s parent company is domiciliated in Panama and therefore is subject to 5% withholding tax.

In the Dominic Republic, CEPP was subject to the greater of 27%, 28% and 29% income tax rate on taxable income in 2015, 2014 and 2013, or 1% of taxable assets. During 2015, 2014, and 2013 CEPP qualified to pay income tax on the basis of taxable income; and a 10% withholding tax on dividend distribution.

In Bolivia, I.C. Power has 25% income tax and a 12.5% withholding tax on the Bolivian branch profits credited to the shareholder.

In December 2014, a tax reform Law was enacted in Peru. Among other changes, the Law decreases corporate income tax rates and increases withholding tax rates on dividends. The corporate income tax rate will reduce from 30% in 2014 to: 28%, in 2015 and 2016, to 27%, in 2017 and 2018 and to 26% starting 2019. The withholding tax rates will increase from 4.1% in 2014 to: 6.8% in 2015 and 2016, 8.0% in 2017 and 2018; and 9.3% starting 2019. Kallpa, CDA and Samay I have signed tax stability agreements that expire in 2020, 2022 and 2024, respectively. Only after these tax agreements expire, Kallpa, CDA and Samay I will be affected by the changes in income tax and withholding tax rates described above.

In September 2014, a tax reform in Chile was enacted, which makes substantial changes to the Chilean tax system, including two alternative mechanisms for computing shareholder-level income taxation beginning on January 1, 2017 (accrued income and cash-basis methods), additional corporate tax rate increases, and other substantial modifications. The selection should be made before the end of 2016 and it will remain in effect for 5 years.

Note 25 – Income Taxes (Cont'd)

Taxation of companies outside of Israel (Cont'd)

- a) Accrued income basis: shareholders would be taxed on income attributed to them as of the end of the year in which the income is generated. These profits would be taxed at the shareholders level whether or not they are distributed. The underlying corporate income tax paid at the entity level may be used by shareholders as a credit to reduce the Chilean shareholder tax. Therefore, the combined total Bolivia company and shareholder Chilean income tax burden remains at 35%. Future distributions are not subject to taxation.

Therefore, under this method the taxation of a Chilean entity is performed in two stages:

- Company: 25% of accrued profits (using the maximum corporate income tax applicable for 2018).
 - Shareholders: 35% of accrued profits (whether or not distributions received, with 100% of corporate income tax paid, resulting in an effective tax rate to shareholders of 10%).
- b) Cash basis: A company pays corporate income tax based on its annual result. Shareholders will only pay in Chile the relevant tax on effective profit distributions and will be entitled to use the tax paid as credit with certain limitations. Only 65% of the corporate income tax is creditable and reduces the 35% shareholder level tax (as opposed to 100% under the accrued income basis). Taxation under this mechanism is also performed in two stages:
- Company: 27% of accrued profits (using the maximum corporate income tax applicable for 2018).
 - Shareholders: 35% of cash disbursement (65% of corporate income tax is creditable against the shareholder level tax, resulting in an effective tax rate to shareholders of 17.5%. However, if the shareholder is a resident company of a country with a tax treaty in effect with Chile, 100% of the tax is creditable, resulting in an effective tax rate to shareholders of 8%).

As a result, the corporate income tax rate increased gradually from 20% in 2013 to: 21% in 2014; 22.5% in 2015; and it will increase to 24% in 2016; and 25% in 2017 for shareholders on the accrued income method, and 25.5% in 2017 for shareholders on the cash-basis method. Starting 2018 onwards, the income tax rate will be 25% for shareholders on the accrued income method and 27% for shareholders on the cash-basis method.

In Nicaragua, Empresa Energética Corinto and Tipitapa Power Company are subject to 25% income tax, based on a Foreign Investment Agreement signed in June 2000, which protect the companies from any unfavorable changes in the tax Law. In addition, Consorcio Eólico Amayo S.A and Consorcio Eólico Amayo Fase II, are tax exempt from income tax payments up to a period of seven years since the beginning of operations of the plants, in accordance with Law No. 532 for Electric Power Generation with Renewable Sources Incentive. In addition, a 10% to 17% withholding tax is applicable depending on whether the payments are to countries with preferential tax regimes or nil taxes.

In Guatemala, PQP was subject to a 25% and 28% income tax rate in 2015 and 2014, respectively, and a 5% withholding tax on dividend distributions.

In January 2013, a tax reform was enacted in Colombia, which established an income tax rate of 25%, except for those contributors that by express disposition handle special rates, not less than 3% of the net worth of the shareholders' equity on the last day of the immediately previous taxable period. In addition, a 9% equity income tax (CREE) was created as a contribution to generate employment and social investment.

In Singapore, under its one-tier corporate taxation system, profits are taxed at the corporate level at 17% and this is a final tax. Dividends paid by a Singapore resident company under the one-tier corporate tax system should not be taxable.

A Company is liable to pay tax in Singapore on income that is:

- Accrued in or derived from Singapore; or
- Received in Singapore from outside of Singapore.

Certain categories of foreign sourced income including,

- dividend income;
- trade or business profits of a foreign branch; or
- service fee income derived from a business, trade or
- profession carried on through a fixed place of operation in a foreign jurisdiction.

may be exempted from tax in Singapore.

Note 25 – Income Taxes (Cont'd)

Taxation of companies outside of Israel (Cont'd)

Tax exemption should be granted when all of the three conditions below are met:

1. The highest corporate tax rate (headline tax rate) of the foreign jurisdiction from which the income is received is at least 15% at the time the foreign income is received in Singapore;
2. The foreign income had been subjected to tax in the foreign jurisdiction from which they were received (known as the “subject to tax” condition). The rate at which the foreign income was taxed can be different from the headline tax rate; and
3. The Tax Comptroller is satisfied that the tax exemption would be beneficial to the person resident in Singapore.

The Comptroller will regard the “subject to tax” condition as having met if the income is exempt from tax in the foreign jurisdiction due to tax incentive granted for substantive business activities carried out in that jurisdiction.

Deferred tax liability on undistributed earnings

Subsidiaries pay dividends on quarterly basis as long as they are in compliance with covenants derived from the borrowings agreements described in Note 15. Deferred tax is recognized for temporary differences related to undistributed earnings in subsidiaries that will reverse it in the foreseeable future. During 2015, the Group recorded an expense of \$ 2,681 thousand in connection with this timing difference.

Distributions of the earnings of foreign subsidiaries are subject to the withholding taxes imposed by the foreign subsidiaries' jurisdictions of incorporation. I.C.Power does not have funds designated for, or subject to, permanent reinvestment in any country in which it operates.

Note 26 – Earnings per Share

Data used in calculation of the basic / diluted earnings per share

A. Income (loss) allocated to the holders of the ordinary shareholders

	For the Year Ended December 31		
	2015	2014*	2013*
	\$ thousands		
Income (loss) for the year attributable to Kenon's shareholders	72,992	458,161	(631,140)
Income (loss) for the year from discontinued operations (after tax)	—	470,421	(512,489)
Less: NCI	—	(3,495)	(4,724)
Income (loss) for the year from discontinued operations (after tax) attributable to Kenon's shareholders	—	466,926	(517,213)
Income (loss) for the year from continuing operations attributable to Kenon's shareholders	72,992	(8,765)	(113,927)

* Revised – see Note 31

B. Number of ordinary shares

	For the Year Ended December 31		
	2015	2014 *	2013 *
	Thousands of ordinary shares		
Weighted Average number of shares used in calculation of basic / diluted earnings per share (See Note 1.B.)	53,649	53,383	53,383

* The number of shares used in calculation is 53,383,015 ordinary shares which were in issue on January 7, 2015.

Note 27 – Discontinued Operations

(a) ZIM

Upon completion of the debt arrangement in ZIM, on July 16, 2014, Kenon declined to a rate of holdings of 32% of ZIM's equity and as a result it ceased to control ZIM. Commencing from this date, Kenon presents its investment in ZIM as an associated company (for details with respect to the debt arrangement – see Note 10.C.a.1. above). ZIM's results up to the completion date of the debt arrangement, together with the income due to loss of control and the loss due to waiving all ZIM's debts, were presented separately in the statements of profit and loss in the category "profit/(loss) for the year from discontinued operations".

Set forth below are the results attributable to the discontinued operations

	Six Months Ended June 30, 2014	Year Ended December 31, 2013
	US\$ thousands	
Sales	1,741,652	3,682,241
Cost of sales	(1,681,333)	(3,770,354)
Gross profit (loss)	60,319	(88,113)
Operating loss	(17,694)	(190,610)
Loss before taxes on income	(119,168)	(496,554)
Taxes on income	(9,735)	(22,861)
Loss after taxes on income	(128,903)	(519,415)
Income from realization of discontinued operations	608,603	—
Income (loss) for the period from discontinued operations	479,700	(519,415)
Net cash flows provided by operating activities	41,031	11,753
Net cash flows provided by (used in) investing activities	(24,104)	134,007
Net cash flows used in financing activities	(28,480)	(208,967)
Impact of fluctuations in the currency exchange rate on the balances of cash and cash equivalents	(801)	(1,061)
Cash and cash equivalents used in discontinued operations	(12,354)	(64,268)

Set forth below is the impact on the statement of financial position

	July 1, 2014 US\$ thousands
Cash and cash equivalents	110,918
Short-term investments, deposits and loans	50,817
Trade receivables and other receivables and debit balances	290,969
Inventory	106,266
Vessels, containers, property, plant and equipment and intangible assets	1,962,434
Other assets	65,103
Credit from banks and others	(1,968,475)
Trade payables	(515,825)
Long-term loans from banks and others	(498,603)
Other liabilities	(131,600)
Holders of non-controlling interests	(79,775)
Net liabilities	(607,771)
Payment made in cash	(200,000)
Balance of cash eliminated	(110,918)
Exit from the consolidation, less cash eliminated	(310,918)

Note 27 – Discontinued Operations (Cont’d)**(b) Petrotec AG**

In December 2014, ICG sold its equity interest (69%) in Petrotec, ICG received shares of REG, a NASDAQ-listed entity. Petrotec’s results up to the completion date of the sale, together with the loss from the sale were presented separately in the statements of profit and loss in the category “profit/(loss) for the year from discontinued operations”.

Set forth below are the results attributable to the discontinued operations

	Year Ended December 31	
	2014	2013
Sales	221,791	256,816
Expenses	(226,323)	(251,339)
Operating results before taxes on sales	(4,532)	5477
Taxes on sales	252	1,449
Results after taxes	(4,280)	6926
Loss from realisation of discontinued operation	(4,999)	—
Income (loss) for the period from discontinued operations	<u>(9,279)</u>	<u>6,926</u>
Net cash flows provided by operating activities	15,214	15,498
Net cash flows used in investing activities	(3,263)	(1,884)
Net cash flows used in financing activities	(8,644)	(7,267)
Impact of fluctuations in the currency exchange rate on the balances of cash and cash equivalents	<u>(1,753)</u>	<u>571</u>
Cash and cash equivalents used in discontinued operations	<u>1,554</u>	<u>6,918</u>

In addition to the cash, ICG received shares of Renewable Energy Group Ltd (“REG”) in value of \$18,400 thousands. ICG is subject to a lock-up restriction with respect to the REG shares.

Set forth below is the impact on the statement of financial position

	December 31, 2014
	US\$ thousands
Cash and cash equivalents	13,501
Trade and other receivables	9,718
Inventory	9,254
Tangible and intangible assets	25,414
Trade payables	(8,158)
Accounts payable	(19,774)
Assets and liabilities, net	<u>29,955</u>
Consideration received in cash and cash equivalents	15,259
Subtracted balance of cash and cash equivalents	<u>(13,501)</u>
Positive cash flow, net	<u>1,758</u>

Note 28 – Segment Information

A. General

Commencing from July 16, 2014, upon completion of the debt arrangement in ZIM, The Group ceased controlling ZIM, and commencing from this date, ZIM is accounted for using the equity method of accounting in the financial statements. Upon completion of the debt arrangement and loss of the control, the marine shipping lines by means of containers that are incorporated under ZIM, which were previously included as a separate reportable segment, are presented, commencing from the period of the report, as part of other segments.

The Group has two reportable segments, as described below, which form the Group's strategic business units. The strategic business units are comprised of different legal entities, and the allocation of resources and evaluation of performance are managed separately. For each of the strategic business units, the Group's chief operating decision maker (CODM), which is the Board of Directors, reviews internal management reports on at least a quarterly basis.

The two reportable segments are I.C. Power segment and Qoros segment. I.C. Power and its subsidiaries are aggregated to form one reportable segment under the I.C. Power legal entity, taking into consideration of the economic characteristics of individual entities.

The following summary describes the legal entities in each of the Group's operating segments:

- 1) **I.C. Power Ltd.** – I.C. Power through its subsidiary companies, is engaged in the production, operation and sale of electricity in countries in Latin America, the Caribbean region and Israel. It also is engaged in the construction and operation of power stations in Latin America.
- 2) **Qoros Automotive Co., Ltd** – A China-based automotive company that is jointly-owned with a subsidiary of Chery, a state controlled holding enterprise and large Chinese automobile manufacturing company.
- 3) **Other** – In addition to the segments detailed above, the Group has other activities, such as a shipping services and renewable energy businesses.

Evaluation of the operating segments performance is based on Adjusted EBITDA. Adjusted EBITDA is defined as the net income (loss) excluding depreciation and amortization, financing income, income taxes and other items as presented in the tables below.

Information regarding the results of the activity segments is detailed below. Inter-segment pricing is determined based on transaction prices during the ordinary course of business.

Note 28 – Segment Information (Cont'd)

B. Information regarding reportable segments

Information regarding activities of the reportable segments is set forth in the following table.

	<u>I.C. Power</u>	<u>Qoros*</u>	<u>Other</u>	<u>Adjustments</u>	<u>Total</u>
	<u>US\$ thousands</u>				
2015					
Sales to external customers	1,283,624	—	329	—	1,283,953
Inter-segment sales	5,115	—	861	—	5,976
	1,288,739	—	1,190	—	1,289,929
Elimination of inter-segment sales	(5,115)	—	(861)	5,115	(861)
Total sales	<u>1,283,624</u>	<u>—</u>	<u>329</u>	<u>5,115</u>	<u>1,289,068</u>
Adjusted EBITDA	<u>372,356</u>	<u>—</u>	<u>367</u>	<u>—</u>	<u>372,723</u>
Depreciation and amortization	119,427	—	620	—	120,047
Financing income	(10,684)	—	(2,728)	—	(13,412)
Financing expenses	114,713	—	9,515	—	124,228
Other items:					
Share in losses (income) of associated companies	(274)	196,223	(9,190)	—	186,759
Gain from distribution of dividend in kind	—	—	(209,710)	—	(209,710)
Asset impairment	—	—	6,541	—	6,541
	<u>223,182</u>	<u>196,223</u>	<u>(204,952)</u>	<u>—</u>	<u>214,453</u>
Income (loss) before taxes	149,174	(196,223)	205,319	—	158,270
Income Taxes	62,353	—	25	—	62,378
Income (loss) from continuing operations	<u>86,821</u>	<u>(196,223)</u>	<u>205,294</u>	<u>—</u>	<u>95,892</u>
Segment assets	4,068,951	—	44,804	—	4,113,755
Investments in associated companies	8,993	158,729	201,300	—	369,022
					4,482,777
Segment liabilities	3,062,580	—	156,642	—	3,219,222
Capital expenditure	<u>532,544</u>	<u>—</u>	<u>138</u>	<u>—</u>	<u>532,682</u>

* Associated Company – See Note 10.A.2, 10.C.b.

Note 28 – Segment Information (Cont'd)

	<u>I.C. Power**</u>	<u>Qoros*</u>	<u>Other</u>	<u>Adjustments</u>	<u>Total</u>
	<u>US\$ thousands</u>				
2014					
Sales to external customers	1,358,174	—	—	—	1,358,174
Inter-segment sales	14,056	—	—	—	14,056
	<u>1,372,230</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,372,230</u>
Elimination of inter-segment sales	(14,056)	—	—	14,056	—
Total sales	<u>1,358,174</u>	<u>—</u>	<u>—</u>	<u>14,056</u>	<u>1,372,230</u>
Adjusted EBITDA	347,937	—	(43,175)	—	304,762
Depreciation and amortization	108,413	—	(255)	—	108,158
Financing income	(8,858)	—	(38,622)	31,237	(16,243)
Financing expenses	131,883	—	9,533	(31,237)	110,179
Other items:					
Share in losses (income) of associated companies	(13,542)	174,806	9,633	—	170,897
Asset impairment	34,673	—	13,171	—	47,844
Gain from disposal of investee	(157,137)	—	—	—	(157,137)
Gain on bargain purchase	(68,210)	—	—	—	(68,210)
	<u>27,222</u>	<u>174,806</u>	<u>(6,540)</u>	<u>—</u>	<u>195,488</u>
Income (loss) before taxes	320,715	(174,806)	(36,635)	—	109,274
Income Taxes	98,854	—	4,487	—	103,341
Income (loss) from continuing operations	<u>221,861</u>	<u>(174,806)</u>	<u>(41,122)</u>	<u>—</u>	<u>5,933</u>
Segment assets	3,832,012	—	836,596	(784,688)	3,883,920
Investments in associated companies	9,625	221,038	205,120	—	435,783
					4,319,703
Segment liabilities	2,860,358	—	806,335	(784,688)	2,882,005
Capital expenditure	<u>592,388</u>	<u>—</u>	<u>12,377</u>	<u>—</u>	<u>604,765</u>
2013					
Sales to external customers	866,370	—	—	—	866,370
Inter-segment sales	7,000	—	—	—	7,000
	<u>873,370</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>873,370</u>
Elimination of inter-segment sales	(7,000)	—	—	7,000	—
Total sales	<u>866,370</u>	<u>—</u>	<u>—</u>	<u>7,000</u>	<u>873,370</u>
Adjusted EBITDA	247,064	—	(30,624)	—	216,440
Depreciation and amortization	75,081	—	4,817	—	79,898
Financing income	(5,543)	—	(31,307)	32,061	(4,789)
Financing expenses	85,694	—	15,146	(32,061)	68,779
Other items:					
Share in losses (income) of associated companies	(32,018)	127,012	31,696	—	126,690
	<u>123,214</u>	<u>127,012</u>	<u>20,352</u>	<u>—</u>	<u>270,578</u>
Income (loss) before taxes	123,850	(127,012)	(50,976)	—	(54,138)
Income Taxes	49,398	—	(107)	—	49,291
Income (loss) from continuing operations	<u>74,452</u>	<u>(127,012)</u>	<u>(50,869)</u>	<u>—</u>	<u>(103,429)</u>
Capital expenditure	<u>351,143</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>351,143</u>

* Associated Company – See Note 10.A.2, 10.C.b.

** Revised – see Note 31.

Note 28 – Segment Information (Cont'd)

C. Information at the entity level

Major customers

In 2015 and 2014, the Group does not have any major customers. In 2013, revenues from major customer, Luz del sur, represented \$150,332 thousand of the total sales attributable to the I.C. Power operating segment.

Information based on geographic areas

In determining of the information to be presented on a geographic basis, the consolidated revenues are based on the geographic location of the customer and consolidated non-current assets are based on the geographic location of the assets.

The Group's consolidated revenues are as follows:

	For the year ended December 31		
	2015	2014	2013
	US\$ thousands		
Peru	447,679	436,673	394,055
Israel	326,061	413,578	187,421
Central America	336,873	307,618	147,397
Others	178,455	214,361	144,521
Singapore	—	—	—
Total revenues	<u>1,289,068</u>	<u>1,372,230</u>	<u>873,394</u>

The Group's non-current assets on the basis of geographic location:

	As at December 31	
	2015	2014
	US\$ thousands	
Peru	1,803,233	1,378,719
Israel	456,456	413,578
Central America	242,905	247,535
Others	604,239	607,716
Singapore	289	—
Total assets	<u>3,107,122</u>	<u>2,647,548</u>

Composed of property, plant and equipment and intangible assets.

Note 29 – Related-party Information

A. Identity of related parties:

The Group's related parties are as defined in IAS 24 – *Related Party Disclosures* and included: Kenon's beneficial owners and Kenon's subsidiaries, affiliates and associates companies.

In the ordinary course of business, some of the Group's subsidiaries and affiliates engage in business activities with each other.

Ordinary course of business transactions are aggregated in this Note. Other than disclosed elsewhere in the consolidated financial statements during the period, the Group engaged the following material related party transactions.

Key management personnel of the Company are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company. The directors, chief executive officer, chief financial officer, general counsel and vice president of business development, are considered as key management personnel of the Company.

Note 29 – Related-party Information (Cont'd)

B. Transactions with directors and officers (Kenon's directors and officers):

B. Key management personnel compensation

	<u>2015</u>	<u>2014</u>
	<u>US \$ thousands</u>	
Short-term benefits	4,113	309
Share-based payments	556	5,444
Defined contribution plans	—	—
	<u>4,669</u>	<u>5,753</u>

C. Regarding the ZIM's restructuring and IC's part in the restructuring, see note 10.C.a.

D. Transactions with related parties (excluding associates):

All the transactions are at market terms unless otherwise indicated.

	<u>For the year ended December 31</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
	<u>US\$ thousands</u>		
Sales from shipping*	—	7,138	20,126
Sales of electricity	135,655	124,636	90,216
Operating expenses of voyages and services*	—	37,511	189,525
Administrative expenses	329	2,000	2,081
Other income, net	—	33	1,962
Financing expenses, net	10,716	17,443	31,957

* Presented under discontinued operations.

E. Transactions with associates:

	<u>For the year ended December 31</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
	<u>US\$ thousands</u>		
Sales of electricity	5,115	14,056	7,300
Operating expenses	204	—	12,572
Other income, net	95	—	—

Note 29 – Related-party Information (Cont'd)

F. Balances with related parties:

	As at December 31				As at December 31			
	2015				2014			
	Bank Leumi Group	Associates	Other related parties*	Total	Bank Leumi Group	Associates	Other related parties*	Total
	US\$ thousands				US\$ thousands			
Cash and short-term deposit	190,629	—	7,148	197,777	214,557	—	22,859	237,416
Trade receivables	—	—	13,462	13,462	—	1,250	16,667	17,917
<u>Long-term credit</u>								
In US dollar or linked thereto	—	—	118,497	118,497	—	—	—	—
Weighted-average interest rates (%)	—	—	6.68%	6.68%	—	—	—	—
In CPI-linked Israeli currency	41,677	—	—	41,677	62,228	—	—	62,228
Weighted-average interest rates (%)	4.94%	—	—	4.94%	5.00%	—	—	5.00%
<u>Repayment years</u>								
Current maturities	1,833				2,925			
Second year	2,218				2,560			
Third year	2,353				3,155			
Fourth year	1,888				3,348			
Fifth year	2,610				2,686			
Sixth year and thereafter	30,775		118,497		47,554			
	41,677		118,497		62,228			

* IC, Israel Chemicals Ltd (“ICL”), Oil Refineries Ltd (“ORL”).

These balances relate to amounts with entities that are related to Kenon’s beneficial owners.

G. The separation agreement

The following summarizes the material provisions of the Separation and Distribution Agreement between Kenon and IC in connection with the consummation of the spin-off. The Separation and Distribution Agreement sets forth, among other things, Kenon agreements with IC in respect of the principal transactions which separated Kenon’s businesses from IC and its other businesses. The Separation and Distribution Agreement also sets forth other agreements that govern the distribution, as well as certain aspects of our relationship with IC after the consummation of the spin-off. See Note 1.B.2 for transactions between Kenon and IC since the spin-off.

Transfer of Assets and Assumption of Liabilities

The Separation and Distribution Agreement identified the assets to be transferred, the liabilities to be retained by IC or assumed by Kenon, and the contracts to be retained by IC or assigned to Kenon in connection with the spin-off and transfer of IC’s interests, direct or indirect, in each of I.C. Power, Quantum (the holder of IC’s 50% equity interest in Qoros), ZIM, Tower and ICG to Kenon.

Concurrent with the transfer of the aforementioned businesses to Kenon, IC assigned and transferred to Kenon, IC’s full rights and obligations according to, and in connection with, certain loans it has provided to, and certain undertakings it had made in respect of, these businesses. Set forth below is a summary of the material rights and obligation that IC transferred to Kenon in connection with the spin-off:

Note 29 – Related-party Informaiton (Cont'd)

Business	Instrument	Outstanding Amount as of December 31, 2014
		Financial Instruments
Qoros	Capital note issued by Quantum to IC	\$626 million
I.C. Green	Capital note issued by ICG to IC	NIS 508 million (approximately \$131 million)
	Loan borrowed by ICG	22 million Euro (approximately \$27 million)
Qoros	Shareholder loan to be provided to Qoros	In February 2015, Kenon provided RMB400 million (approximately \$65 million) as a shareholder loan to Qoros, subject to the release of IC's back-to-back guarantees in respect of certain of Qoros' indebtedness.

Additionally, certain guarantees and undertakings made by IC in connection with OPC's financing agreement shall not be transferred to Kenon and, instead, have been replaced with guarantees or undertakings of I.C. Power, as well as a provision of cash collateral, so that IC is released from its obligations under the existing guarantee or undertaking, as applicable.

Representations and Warranties

Other than certain limited corporate representations and warranties made by Kenon and IC, neither Kenon nor IC make any representations or warranties regarding any assets or liabilities transferred or assumed, any consents or approvals that may be required in connection with such transfers or assumptions, the value or freedom from any lien or other security interest of any assets transferred, the absence of any defenses relating to any claim of either party or the legal sufficiency of any conveyance documents, or any other matters. Except as expressly set forth in the Separation and Distribution Agreement or in any ancillary agreement, all assets were transferred on an "as is," "where is" basis.

Termination

The Separation and Distribution Agreement provides that it may be terminated by IC at any time in its sole discretion prior to the consummation of the spin-off.

Release of Claims

Except with respect to (i) those legal proceedings pending against IC at the time of the consummation of the spin-off, and that relate to any of the businesses to be transferred to Kenon, and (ii) certain other exceptions set forth in the Separation and Distribution Agreement, Kenon shall be liable for the claims of each of the businesses being transferred to it as part of the spin-off, including such claims that arose out of, or relate to events, circumstances or actions occurring or failing to occur, or with respect to any conditions existing prior to, the distribution date.

Indemnification

Kenon and IC agree to indemnify each other against certain liabilities incurred in connection with Kenon respective businesses, and as otherwise allocated to each of us in the Separation and Distribution Agreement. These indemnities are principally designed to place financial responsibility for the obligations and liabilities of our business, and each of our businesses, with us and financial responsibility for the obligations and liabilities of IC and its business with IC. The Separation and Distribution Agreement also specifies procedures with respect to claims subject to indemnification and related matters.

Legal Matters

Kenon agrees to indemnify IC for any liabilities arising after the consummation of the spin-off as a result of legal matters relating to the businesses Kenon will receive in the spin-off.

Allocation of Spin-Off Expenses

The Separation and Distribution Agreement provides that IC will be responsible for all fees, costs and expenses relating to it and will finance all fees, costs and expenses related to Kenon, in each case as incurred prior to the distribution date in connection with the spin-off.

Note 29 – Related-party Information (Cont'd)

Other Matters Governed by the Distribution Agreement

Other matters governed by the Separation and Distribution Agreement include access to financial and other information, access to and provision of records, intellectual property, confidentiality, treatment of outstanding guarantees and similar credit support and dispute resolution procedures.

Conditions

The Separation and Distribution Agreement provides that the distribution of our ordinary shares is subject to several conditions that must be satisfied or waived prior to the distribution. Each of IC and Kenon may, in their sole discretion, waive the conditions precedent applicable to their entry into the Separation and Distribution Agreement. IC may, in its sole discretion, at any time prior to the record date of the distribution, decide to abandon the distribution.

Major Shareholders

Beneficial Owner (Name/Address)	Ordinary Shares Owned	Percentage of Ordinary Shares
Ansonia Holdings Singapore B.V. ¹	24,856,869	46.3%
Bank Leumi Le-Israel B.M.	7,533,614	14%
XT Investments Ltd. ²	5,727,128	10.7%

¹ On January 9, 2015, or the Acquisition Date: (i) Millenium, in which Ansonia indirectly owns an 80% equity interest, transferred 20,235,298 of the ordinary shares it received from IC in connection with the spin-off, to Ansonia, (ii) Kirby Enterprises Inc., which is indirectly held by the discretionary trust that is the indirect ultimate owner of Ansonia, transferred 399,378 ordinary shares, representing all of the shares it received from IC in connection with the spin-off, to Ansonia, (iii) Mr. Idan Ofer transferred 2,076,193 ordinary shares, representing all of the shares he received from IC in connection with the spin-off, to Ansonia, and (iv) XT Investments Ltd. agreed to transfer 1,780,623 ordinary shares (the “Ansonia Shares”) to Ansonia. The Ansonia Shares were placed in escrow, to be released to Ansonia upon satisfaction of a condition, as set forth in the share purchase agreement (the “Ansonia Share Purchase Agreement”). Pursuant to the terms of the Ansonia Share Purchase Agreement, Ansonia had the right to vote the Ansonia Shares while the Ansonia Shares were held in escrow. As such, Ansonia was deemed to be a beneficial owner of the Ansonia Shares and the Ansonia Shares were therefore reflected in Ansonia’s ownership interest in the above table. However, in January 2016, the Ansonia Shares were released from escrow and returned to XT, as the Ansonia Share Purchase Agreement had expired, according to its terms, and the condition precedent relating to the sale of the Ansonia Shares had not been satisfied. A foreign discretionary trust in which Mr. Idan Ofer is the beneficiary is the indirect ultimate owner of Ansonia.

² XT Investments Ltd., or XT Investments, received 668,304 shares from IC in connection with the spin-off. On the Acquisition Date: (i) Millenium transferred 5,058,824 of the ordinary shares it received from IC in connection with the spin-off, to XT Investments, (ii) XT Investments agreed to transfer the Ansonia Shares to Ansonia (as set forth above), and (iii) XT Investments agreed to transfer 1,780,623 ordinary shares (the “A.A.R. Shares”) to A.A.R. Kenon Holdings Ltd. The A.A.R Shares have been placed in escrow, to be released to A.A.R. upon satisfaction of a condition, as set forth in the share purchase agreement (the “A.A.R. Share Purchase Agreement”). Pursuant to the terms of the A.A.R. Share Purchase Agreement, A.A.R. has the right to vote the A.A.R Shares while the A.A.R. Shares are held in escrow. Although A.A.R. has the power to direct the voting of the A.A.R. Shares while such shares are held in escrow, XT Investments may still be deemed to be a beneficial owner of such shares as well. This beneficial interest is reflected in XT Investment’s ownership interest in the above table. Upon the satisfaction of the aforementioned condition, XT Investment’s beneficial interest in Kenon will decrease by the amount of A.A.R. Shares currently held in escrow. In January 2016, the Ansonia Shares were released from escrow and returned to XT, as the Ansonia Share Purchase Agreement had expired, according to its terms, and the condition precedent relating to the sale of the Ansonia Shares had not been satisfied. XT Investment’s beneficial interest in the Ansonia Shares is reflected in XT Investment’s ownership interest in the above table. XT Investments is owned by XT Holdings Group Ltd., or XT Holdings; 50% of the ordinary shares of XT Holdings are owned by Orona Investments Ltd. (which is indirectly controlled by Mr. Ehud Angel) and the remaining 50% of the ordinary shares of XT Holdings are owned by Lynav Holdings Ltd. (which is controlled by a foreign discretionary trust in which Mr. Idan Ofer is a prime beneficiary).

Note 30 – Financial Instruments

A. General

The Group has extensive international activity in which it is exposed to credit, liquidity and market risks (including currency, interest, inflation and other price risks). In order to reduce the exposure to these risks, the Group holds derivative financial instruments, (including forward transactions, interest rate swap (“SWAP”) transactions, and options) for the purpose of economic (not accounting) hedging of foreign currency risks, inflation risks, commodity price risks, interest risks and risks relating to the price of inputs. Furthermore, I.C. Power holds derivative financial instruments to hedge its risk in respect of changes in the cash flows of issued bonds, and such instruments are accounting hedges.

This note presents information about the Group’s exposure to each of the above risks, and the Group’s objectives, policies and processes for measuring and managing the risk.

The risk management of the Group companies is executed by them as part of the ongoing current management of the companies. The Group companies monitor the above risks on a regular basis. The hedge policies with respect to all the different types of exposures are discussed by the boards of directors of the companies.

The comprehensive responsibility for establishing the base for the risk management of the Group and for supervising its implementation lies with the Board of Directors and the senior management of the Group.

B. Credit risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on their obligations under the contract. This includes any cash amounts owed to the Group by those counterparties, less any amounts owed to the counterparty by the Group where a legal right of set-offs exist and also includes the fair values of contracts with individual counterparties which are included in the financial statements. The maximum exposure to credit risk at each reporting date is the carrying value of each class of financial assets mentioned in this note.

(1) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	As at December 31	
	2015	2014
	US\$ thousands	
	Carrying amount	
Cash and cash equivalents	383,953	610,056
Short term Deposits and restricted cash	308,702	226,830
Trade receivables	123,273	181,358
Other receivables	12,339	16,537
Deposits and other long-term receivables including derivative instruments	40,993	44,041
	<u>869,260</u>	<u>1,078,822</u>

The maximum exposure to credit risk for trade receivables, as of the date of the report, by geographic region was as follows:

	As at December 31	
	2015	2014
	\$ thousands	
Israel	31,306	41,260
South America	53,325	52,809
Other regions	38,642	87,289
	<u>123,273</u>	<u>181,358</u>

Note 30 – Financial Instruments (Cont'd)

(2) Aging of debts and impairment losses

Set forth below is an aging of the trade receivables:

	As at December 31, 2015			As at December 31, 2014		
	For which impairment was not recorded	For which impairment was recorded		For which impairment was not recorded	For which impairment was not recorded	
		Gross	Impairment		Gross	Impairment
	US\$ thousands			US\$ thousands		
Not past due	109,502	—	—	133,443	8,057	(8,057)
Past due up to 3 months	12,210	—	—	25,445	127	(127)
Past due 3 – 6 months	301	—	—	—	—	—
Past due 6 – 9 months	101	—	—	22,188	293	(293)
Past due 9 – 12 months	932	—	—	—	—	—
Past due more than one year	227	104	(104)	282	4,502	(4,502)
	<u>123,273</u>	<u>104</u>	<u>(104)</u>	<u>181,358</u>	<u>12,979</u>	<u>(12,979)</u>

C. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and adverse credit and market conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages the liquidity risk by means of holding cash balances, short-term deposits, other liquid financial assets and credit lines.

Set forth below are the anticipated repayment dates of the financial liabilities, including an estimate of the interest payments. This disclosure does not include amounts regarding which there are offset agreements:

	As at December 31, 2015					
	Book value	Projected cash flows	Up to 1 year	1-2 years	2-5 years	More than 5 years
	US\$ thousands					
Non-derivative financial liabilities						
Loans from banks and others *	179,317	187,484	187,484	—	—	—
Trade payables	145,454	145,454	145,454	—	—	—
Other payables	87,572	87,572	87,572	—	—	—
Non-convertible debentures **	671,247	951,308	69,115	62,267	261,256	558,670
Loans from banks and others **	1,668,977	2,331,220	204,100	214,583	490,088	1,422,449
Liabilities in respect of financing lease	163,774	201,929	35,501	49,955	67,749	48,724
Financial guarantee ***	34,263	179,073	179,073	—	—	—
Financial liabilities – hedging instruments						
Interest SWAP contracts	44,059	44,059	10,630	9,474	16,514	7,441
Forward exchange rate contracts	850	850	850	—	—	—
Financial liabilities not for hedging						
Interest SWAP contracts and options	3,276	3,276	1,080	1,081	940	175
	2,998,789	4,132,225	920,859	337,360	836,547	2,037,459

* Excludes current portion of long-term liabilities and long-term liabilities which were classified to short-term.

** Includes current portion of long-term liabilities and long-term liabilities which were classified to short-term.

*** Financial Guarantees contractual period in Qoros is dependent on Qoros's timeliness to meet the obligation of current loans payable. \$179,073 thousand is the maximum projected cash flow in connection with the financial guarantees provided to Chery with respect to the obligation of Qoros.

Note 30 – Financial Instruments (Cont'd)

	As at December 31, 2014					
	Book value	Projected cash flows	Up to 1 year	1-2 years	2-5 years	More than 5 years
	US\$ thousands					
Non-derivative financial liabilities						
Loans from banks and others *	58,137	58,646	58,646	—	—	—
Trade payables	144,488	144,488	144,488	—	—	—
Other payables	90,618	90,618	90,618	—	—	—
Non-convertible debentures **	703,952	1,058,547	74,800	71,816	259,191	652,740
Loans from banks and others **	1,373,245	1,950,227	134,568	141,343	520,034	1,154,282
Liabilities in respect of financing lease	193,538	242,842	40,722	35,529	89,425	77,166
Loans and capital notes from the parent company	592	592	592	—	—	—
Financial liabilities – hedging instruments						
Interest SWAP contracts	27,713	27,713	10,105	7,018	7,164	3,426
Forward exchange rate contracts	5,402	5,402	4,763	639	—	—
Financial liabilities not for hedging						
Interest SWAP contracts and options	4,116	4,116	1,318	985	1,390	423
	2,601,801	3,583,191	560,620	257,330	877,204	1,888,037

* Excludes current portion of long-term liabilities and long-term liabilities which were classified to short-term.

** Includes current portion of long-term liabilities and long-term liabilities which were classified to short-term.

D. Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, the CPI, interest rates and prices of capital products and instruments will affect the fair value of the future cash flows of a financial instrument.

The Group buys and sells derivatives in the ordinary course of business, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Boards of Directors of the companies. For the most part, the Group companies enter into hedging transactions for purposes of avoiding economic exposures that arise from their operating activities. Most of the transactions entered into do not meet the conditions for recognition as an accounting hedge and, therefore, differences in their fair values are recorded on the statement of profit and loss.

(1) CPI and foreign currency risk

Currency risk

The Group's functional currency is the U.S. dollar. The exposures of the Group companies are measured with reference to the changes in the exchange rate of the dollar vis-à-vis the other currencies in which it transacts business.

The Group is exposed to currency risk on sales, purchases, assets and liabilities that are denominated in a currency other than the respective functional currencies of the Group entities. The primary exposure is to the shekel, euro, pound, Peruvian Nuevo Sol and yuan (RMB).

The Group uses options and forward exchange contracts on exchange rates for purposes of hedging short-term currency risks, usually up to one year, in order to reduce the risk with respect to the final cash flows in dollars deriving from the existing assets and liabilities and sales and purchases of goods and services within the framework of firm or anticipated commitments, including in connection with future operating expenses.

The Group is exposed to currency risk in connection with loans it has taken out and debentures it has issued in currencies other than the dollar. The principal amounts of these bank loans and debentures have been hedged by swap transactions the repayment date of which corresponds with the payment date of the loans and debentures.

Note 30 – Financial Instruments (Cont'd)

Inflation risk

The Group has CPI-linked loans. The Group is exposed to high payments of interest and principal as the result of an increase in the CPI. It is noted that part of the Group's anticipated revenues will be linked to the CPI. The Group does not hedge this exposure beyond the expected hedge included in its revenues.

(a) Exposure to CPI and foreign currency risks

The Group's exposure to CPI and foreign currency risk, based on nominal amounts, is as follows:

	As at December 31, 2015		
	Foreign currency		
	Shekel		
	Unlinked	CPI linked	Other
Non-derivative instruments			
Cash and cash equivalents	103,844	—	39,892
Short-term investments, deposits and loans	73,112	—	5,305
Trade receivables	31,306	—	40,456
Other receivables	12,789	—	4,537
Long-term deposits and loans	19,565	—	17,865
Total financial assets	<u>240,616</u>	<u>—</u>	<u>108,055</u>
Loans from banks and others	—	—	(7,083)
Trade payables	(31,045)	—	(20,856)
Other payables	(2,484)	(2,469)	(11,384)
Long-term loans from banks and others and debentures	(5,494)	(473,151)	(59,356)
Loans and capital notes from the parent company	—	—	—
Total financial liabilities	<u>(39,023)</u>	<u>(475,620)</u>	<u>(98,679)</u>
Total non-derivative financial instruments, net	201,593	(475,620)	9,376
Derivative instruments	—	—	—
Net exposure	<u>201,593</u>	<u>(475,620)</u>	<u>9,376</u>

	As at December 31, 2014		
	Foreign currency		
	Shekel		
	Unlinked	CPI linked	Other
Non-derivative instruments			
Cash and cash equivalents	157,940	—	40,639
Short-term investments, deposits and loans	30,124	—	5,691
Trade receivables	41,260	—	49,821
Other receivables	1,249	—	36,592
Long-term deposits and loans	—	—	27,321
Total financial assets	<u>230,573</u>	<u>—</u>	<u>160,064</u>
Loans from banks and others	—	—	43,137
Trade payables	55,237	—	26,376
Other payables	1,935	—	31,248
Long-term loans from banks and others and debentures	—	493,168	63,884
Loans and capital notes from the parent company	592	—	—
Total financial liabilities	<u>57,764</u>	<u>493,168</u>	<u>164,645</u>
Total non-derivative financial instruments, net	172,809	(493,168)	(4,581)
Derivative instruments	—	—	—
Net exposure	<u>172,809</u>	<u>(493,168)</u>	<u>(4,581)</u>

Note 30 – Financial Instruments (Cont'd)

(b) Sensitivity analysis

A strengthening of the dollar exchange rate by 5%–10% against the following currencies and change of the CPI in rate of 5%–10% would have increased (decreased) the net income or net loss and the equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2014.

	As at December 31, 2015			
	10% increase	5% increase	5% decrease	10% decrease
	US\$ thousands			
Non-derivative instruments				
Shekel/dollar	40,718	21,596	(24,415)	(52,081)
CPI	(56,247)	(28,123)	28,123	56,247
Dollar/other	1,017	482	(436)	(833)

	As at December 31, 2014			
	10% increase	5% increase	5% decrease	10% decrease
	US\$ thousands			
Non-derivative instruments				
Shekel/dollar	40,110	21,286	(25,237)	(50,865)
CPI	(57,731)	(28,865)	28,865	57,731
Dollar/other	(2,813)	(1,333)	(1,206)	2,302

(2) Interest rate risk

The Group is exposed to changes in the interest rates with respect to loans bearing interest at variable rates, as well as in connection with swap transactions of liabilities in foreign currency for dollar liabilities bearing a variable interest rate.

The Group has not set a policy limiting the exposure and it hedges this exposure based on forecasts of future interest rates.

The Group enters into transactions mainly to reduce the exposure to cash flow risk in respect of interest rates. The transactions include interest rate swaps and “collars”. In addition, options are acquired and written for hedging the interest rate at different rates.

Type of interest

Set forth below is detail of the type of interest borne by the Group's interest-bearing financial instruments:

	As at December 31	
	2015	2014
	Carrying amount	
	US\$ thousands	
Fixed rate instruments		
Financial assets	401,671	239,629
Financial liabilities	(1,431,787)	(1,479,700)
	<u>(1,030,116)</u>	<u>(1,240,071)</u>
Variable rate instruments		
Financial assets	29,363	26,682
Financial liabilities	(1,132,904)	(849,172)
	<u>(1,103,541)</u>	<u>(822,490)</u>

Note 30 – Financial Instruments (Cont'd)

Type of interest (Cont'd)

The Group's assets and liabilities bearing fixed interest are not measured at fair value through the statement of profit and loss and the Group does not designate derivatives interest rate swaps as hedging instruments under a fair value hedge accounting model. Therefore, a change in the interest rates as at the date of the report would not be expected to affect the income or loss with respect to changes in the value of fixed – interest assets and liabilities.

A change of 100 basis points in interest rate at reporting date would have increased/(decreased) profit and loss before tax by the amounts below. This analysis assumes that all variables, in particular foreign currency rates, remain constant.

	As at December 31, 2015	
	100bp increase	100 bp decrease
	US\$ thousands	
Variable rate instruments	(11,035)	11,035

	As at December 31, 2014	
	100bp increase	100 bp decrease
	US\$ thousands	
Variable rate instruments	(8,225)	8,225

E. Fair value

(1) Fair value compared with book value

The Group's financial instruments include mainly non-derivative assets, such as: cash and cash equivalents, investments, deposits and short-term loans, receivables and debit balances, investments and long-term receivables; non-derivative liabilities: such as: short-term credit, payables and credit balances, long-term loans, finance leases and other liabilities; as well as derivative financial instruments.

Due to their nature, the fair value of the financial instruments included in the Group's working capital is generally identical or approximates the book value.

The following table shows in detail the carrying amount and the fair value of financial instrument groups presented in the financial statements not in accordance with their fair value.

	As at December 31, 2015		
	Carrying amount	Level 2	Discount Rate (range)
	US\$ thousands		
Non-convertible debentures	671,247	764,878	5% - 8%
Long-term loans from banks and others (excluding interests)	2,003,443	2,197,177	1% - 13%

	As at December 31, 2014		
	Carrying amount	Level 2	Discount Rate (range)
	US\$ thousands		
Non-convertible debentures	703,952	819,572	5% - 8%
Long-term loans from banks and others	1,643,980	1,772,052	1% - 9%

* The fair value is measured using the technique of discounting the future cash flows with respect to the principal component and the discounted interest using the market interest rate on the measurement date.

Note 30 – Financial Instruments (Cont'd)

(2) Hierarchy of fair value

The following table presents an analysis of the financial instruments measured at fair value, using an evaluation method. The various levels were defined as follows:

- Level 1: Quoted prices (not adjusted) in an active market for identical instruments.
- Level 2: Observed data, direct or indirect, not included in Level 1 above.
- Level 3: Data not based on observed market data.

	As at December 31, 2015			As at December 31, 2014
	Level 1	Level 2	Level 3	Level 2
	US\$ thousands			US\$
Assets				
Marketable securities held for trade	6,412	—	—	18,515
Tower-series 9 options	12,175	—	—	—
Derivatives not used for accounting hedge (a)	—	2,864	—	322
	<u>18,587</u>	<u>2,864</u>	<u>—</u>	<u>18,837</u>
Liabilities				
Financial guarantee	—	—	34,263	—
Derivatives used for accounting hedge	—	44,909	—	33,115
Derivatives not used for accounting hedge	—	3,276	—	4,116
	<u>—</u>	<u>48,185</u>	<u>34,263</u>	<u>37,231</u>

(a) Includes \$ 2,703 thousand AIE's embedded derivative not used for hedging. This embedded derivative corresponds to the fair value of AIE's gas agreement which lets AIE to resell its not-used gas on the corresponding market to a third party.

(3) Data and measurement of the fair value of financial instruments at Level 2

Level 2

The fair value of forward contracts on foreign currency is determined using trading programs that are based on market prices. The market price is determined based on a weighting of the exchange rate and the appropriate interest coefficient for the period of the transaction along with an index of the relevant currencies.

The fair value of contracts for exchange (SWAP) of interest rates and fuel prices is determined using trading programs which incorporate market prices, the remaining term of the contract and the credit risks of the parties to the contract.

The fair value of currency and interest exchange (SWAP) transactions is valued using discounted future cash flows at the market interest rate for the remaining term.

The fair value of transactions used to hedge inflation is valued using discounted future cash flows which incorporate the forward CPI curve, and market interest rates for the remaining term.

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The fair value of marketable securities held for trade is determined using the 'Discounts for Lack of Marketability' ("DLOM") valuation method, which is a method used to calculate the value of restricted securities. The method purports that the only difference between a company's common stock and its restricted securities is the lack of marketability of the restricted securities which is derived from the price difference between both prices.

Note 30 – Financial Instruments (Cont’d)

The following table shows the valuation techniques used in measuring Level 2 fair values as at December 31, 2015 and 2014, as well as the significant unobservable inputs used.

<u>Type</u>	<u>Valuation technique</u>	<u>Significant unobservable data</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Interest rate Swaps	The Group applies standard valuation techniques such as: <i>discounted cash flows</i> for fixed and variables coupons (estimated with forward curves) using as discounted rates the <i>projected LIBOR zero coupon curve</i> . The observable inputs are obtained through market information suppliers.	Not applicable	Not applicable
Foreign Exchange Forwards	The Group applies standard valuation techniques which include market observable parameters such as the implicit exchange rate calculated with forward points. These variables are obtained through market information suppliers.	Not applicable	Not applicable
Credit from banks, others and debentures	Discounted cash flows with market interest rate	Not applicable	Not applicable
Marketable Securities held for trade	DLOM valuation method	Not applicable	Not applicable

(4) Data and measurement of the fair value of financial instruments at Level 3Level 3

The fair value of financial guarantee was based on the Merton model using the method known as Monte Carlo Simulation “MCS”. MCS approximates the probability of certain outcomes by running multiple simulations, using various inputs. The MCS performed over the financial guarantee was based on the inputs and the assumption that Qoros has a certain amount of risk-free debt that will be repaid at a later date. The significant unobservable inputs used in the valuation are Qoros’ assets value, debt exercise price and the volatility of its assets. The estimated fair value would increase if the asset value decreased, debt exercise price increased and volatility of its assets in the market increased.

(5) Transfer between levels

The Group recognizes transfers between levels of the fair values hierarchy at the end of the reporting period during which the change has occurred.

For the year ended December 31, 2015, marketable securities held for trade (“REG shares”) with a carrying value of \$6.4 million were transferred from Level 2 to Level 1 because these REG shares were transferred from restricted to non-restricted. The fair value of such restricted shares are based on quoted prices in the market.

Note 31 – Revision to the combined financial statements for the years ended December 31, 2014 and 2013

During 2015, immaterial errors were identified with respect to the deferred tax calculation relating to the effect of foreign exchange rate on non-monetary assets in previous years in I.C. Power. Management of the Group revised the combined financial statements for the year ended December 31, 2014 and 2013 to correct these immaterial errors.

The total effect of the adjustment on the total equity attributable to owners of the Company in 2014 was a decrease of \$13,402 thousand and the effect of the adjustment on the profit/ (loss) attributable to Kenon's shareholders in 2014 and 2013 was a decrease in profit of \$9,377 thousand and \$5,513 thousand respectively as compared to the previously reported amounts.

Note 32 – Events Occurring Subsequent to the Period of the Report

A. Kenon

1) Kenon announces an amendment to its loan agreement with IC and related pledge arrangements to accommodate a new holding company within the Group

On March 21, 2016, an internal restructuring announced pursuant to one of its subsidiaries, I.C. Power Singapore, which was a holding company with no material assets, has acquired Kenon's subsidiary I.C. Power which is the holding company for Kenon's energy generation and distribution business. As a result, I.C. Power Singapore is now the parent holding company of Kenon's power generation and distribution businesses.

In connection with the reorganization of I.C. Power Singapore, I.C. Power Singapore issued a \$145 million note and \$75 million note payable to Kenon. The proceeds of the notes were applied by I.C. Power Singapore towards paying the purchase consideration for the acquisition of Kenon's entire equity interest in I.C. Power. The notes both bear interest at a rate of LIBOR+6% per annum until the date the notes are fully paid.

Kenon is party to a loan agreement with IC. This loan agreement provides for loans up to \$200 million for a pledge of 66% of I.C. Power shares held by Kenon. In connection with the internal reorganization above, the pledge over I.C. Power shares will remain as Kenon will pledge 66% of its shares in I.C. Power Singapore to IC. Kenon will also pledge 66% of certain intercompany debt receivables owing from I.C. Power Singapore to Kenon, which receivables resulted from this internal restructuring.

The pledge over the shares of I.C. Power is expected to be released in connection with an IPO of I.C. Power Singapore. In addition, the pledge over the shares of I.C. Power Singapore and the related intercompany debt receivables can be released upon an IPO of I.C. Power Singapore, subject to Kenon's meeting of a financial ratio.

2) Extension of Safe-Habour under Singapore Budget 2016

Based on the prelude to Budget 2016, the Singapore Government's intention to extend safe harbour, the non-taxation of equity divestments till 2022, would provide a continuous upfront tax certainty and boost for companies intending to pursue restructuring exercises or divestment strategies.

B. Qoros

Regarding an investment in Qoros, in the amount of \$40 million – see Note 10.C.b.3.

C. I.C. Power

1) Advanced Integrated Energy Ltd.

On January 21, 2016 AIE contracted with SerIDOM Servicios Integrados IDOM, S.A.U ("SerIDOM") for the design, engineering, procurement and construction of combined cycle cogeneration power plant on a lump sum, turnkey basis. In accordance with the EPC contract, SerIDOM committed to complete construction of the power plant by July 2018. The cost of the contract is approximately \$150 million.

Payment of the consideration is based on progress of the construction and compliance with milestones. SerIDOM committed to compensate AIE in a case of delay or non-compliance with any of its contractual obligations up to the amounts stipulated in the EPC contract, and provided AIE a bank guarantee and a parent company guarantee to secure these commitments.

Note 32 – Events Occurring Subsequent to the Period of the Report

2) Acquisition of Energuate

On January 22, 2016, I.C. Power Distribution Holdings Pte. Ltd executed an agreement with Deorsa-Deocsa Holdings an investment company of Actis,LLP, to acquire 100% of Estrella Cooperatief B.A. which indirectly owns 90.6% and 92.7% of two electricity distribution companies in Guatemala and 100% of two smaller related businesses (the four acquired businesses are collectively referred to as “Energuate”), for a total consideration of \$265 million, using a combination of cash on hand and a \$120 million loan facility, which I.C. Power entered into in December 2015 (see note 15), and assumed its debt of \$289 million.

Energuate’s two electricity distribution companies provide services for approximately 1.6 million households in Guatemala (representing approximately 55% of Guatemala’s distribution clients in 2014) and distribute energy across an approximately 100,000 km² area in Guatemala.

As of the date of the approval of the financial statements, the initial accounting for the business combination is incomplete. Therefore, Kenon did not present all the disclosures otherwise required under IFRS 3.

3) Cerro del Aguila

On February 3, 2016 and February 4, 2016, CDA received proceeds in the aggregate amount of \$ 43,913 thousand under its finance credit facility. After this disbursement, CDA has drawn \$ 590,913 thousand (equivalent to 100% of the total debt approved).

4) Samay I

On February 6, 2016 Samay I received proceeds in the aggregate amount of \$ 20,000 thousand under its finance credit facility. After this disbursement, Samay I has drawn \$ 311,000 thousand (equivalent to 100% of the total debt approved).

5) Kallpa Generación S.A.

On February 15, 2016, as a result of 2012 income tax audit performed by the SUNAT, SUNAT issued a preliminary income tax assessment for approximately S/. 22 million (\$6.5 million) on the basis that certain interest accrued on Kallpa’s debt and some maintenance expenses should not have been deducted from the 2012 Kallpa’s taxable income but rather treated as an asset. On March 11, 2016, SUNAT issue a final tax assessment for approximately S/. 16.5 million (\$4.8 million) related to the interest expenses accrued during construction. Kallpa will appeal this assessment before SUNAT.

Kallpa’s management and its tax counsel consider that its appeal will be more likely than not be successful on the basis that the Peruvian Tax Court has issued precedent that admits the deduction of interest expenses in similar circumstances based on the clear language of article 37a) of the Peruvian Income Tax Law; accordingly, no provision was recorded in the financial statements.

6) I.C. Power repaid Tranche A facility

In January 2016, I.C. Power repaid Tranche A facility in amount of NIS 161,746 thousand (\$40,680 thousand) including the interest accrued.

Qoros Automotive Co., Ltd.

Consolidated financial statements

31 December 2015



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Independent Auditors' Report

The Board of Directors:
Qoros Automotive Co., Ltd.:

We have audited the accompanying consolidated financial statements of Qoros Automotive Co., Ltd. and its subsidiaries, which comprise the consolidated statements of financial position as of 31 December 2015 and 2014, and the related consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended 31 December 2015, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standard Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG Huazhen LLP, a People's Republic of China partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

We are authorized to practise under the name of KPMG Huazhen LLP.

毕马威华振会计师事务所(特殊普通合伙) - 中国合伙制会计师事务所, 是与瑞士实体 - 毕马威国际会计师事务所 ("毕马威国际") 相关联的独立成员所网络中的成员。

本分所已获毕马威华振会计师事务所(特殊普通合伙)总所授权执行业务。



Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of Qoros Automotive Co., Ltd. and its subsidiaries as of 31 December 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended 31 December 2015 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

A handwritten signature in black ink that reads 'KPMG Huazhen LLP'.

Shanghai, China
29 March 2016

Consolidated statement of financial position
31 December

<i>In thousands of RMB</i>	<i>Note</i>	<i>2015</i>	<i>2014</i>
Assets			
Property, plant and equipment	14	4,275,167	4,039,948
Intangible assets	15	4,656,474	4,638,364
Prepayments for purchase of equipment		59,276	117,922
Lease prepayments	16	203,716	208,128
Trade and other receivables	17	92,202	96,533
Equity-accounted investee		2,032	2,025
Non-current assets		<u>9,288,867</u>	<u>9,102,920</u>
Inventories	18	244,854	197,522
VAT recoverable		832,503	662,391
Trade and other receivables	17	42,645	67,515
Prepayments		36,431	154,655
Pledged deposits	19	113,167	290,840
Cash and cash equivalents	20	257,270	752,088
Current assets		<u>1,526,870</u>	<u>2,125,011</u>
Total assets		<u><u>10,815,737</u></u>	<u><u>11,227,931</u></u>

The notes on pages F-118 to F-165 form part of these financial statements.

Consolidated statement of financial position (continued)

31 December

<i>In thousands of RMB</i>	<i>Note</i>	<i>2015</i>	<i>2014</i>
Equity			
Paid-in capital	21	8,331,840	6,531,840
Reserves		(44)	(26)
Accumulated losses		(8,135,997)	(5,660,541)
Total equity		<u>195,799</u>	<u>871,273</u>
Liabilities			
Loans and borrowings	22	4,659,718	3,928,703
Deferred income	23	169,396	179,982
Provisions	24	20,964	12,971
Non-current liabilities		<u>4,850,078</u>	<u>4,121,656</u>
Loans and borrowings	22	2,829,470	3,376,201
Trade and other payables	25	2,615,541	2,833,459
Deferred income	23	324,849	25,342
Current liabilities		<u>5,769,860</u>	<u>6,235,002</u>
Total liabilities		<u>10,619,938</u>	<u>10,356,658</u>
Total equity and liabilities		<u>10,815,737</u>	<u>11,227,931</u>

The notes on pages F-118 to F-165 form part of these financial statements.

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December

<i>In thousands of RMB</i>	<i>Note</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>
Revenue	7	1,459,339	864,957	13,135
Cost of sales		(1,713,043)	(1,019,264)	(29,256)
Gross loss		(253,704)	(154,307)	(16,121)
Other income		36,690	37,349	19,073
Research and development expenses	8	(278,008)	(264,019)	(408,196)
Selling and distribution expenses	9	(819,807)	(927,211)	(269,696)
Administrative expenses	10	(740,188)	(591,611)	(864,813)
Other expenses	11	(74,174)	(62,716)	(6,113)
Operating loss		(2,129,191)	(1,962,515)	(1,545,866)
Finance income	12(a)	13,429	25,822	18,125
Finance costs	12(a)	(359,126)	(217,337)	(29,190)
Net finance costs	12(a)	(345,697)	(191,515)	(11,065)
Share of profit of equity-accounted investee, net of nil tax		7	(123)	—
Loss before tax		(2,474,881)	(2,154,153)	(1,556,931)
Income tax expense	13	(575)	(533)	(196)
Loss for the year		(2,475,456)	(2,154,686)	(1,557,127)
Other comprehensive income				
Items that are or may be reclassified to profit or loss				
Foreign operations – foreign currency translation differences		(18)	(154)	(19)
Other comprehensive income, net of nil tax		(18)	(154)	(19)
Total comprehensive income for the year		(2,475,474)	(2,154,840)	(1,557,146)

The notes on pages F-118 to F-165 form part of these financial statements.

Consolidated statement of changes in equity
For the year ended 31 December

<i>In thousands of RMB</i>	<i>Paid-in capital</i>	<i>Capital reserve</i>	<i>Translation reserve</i>	<i>Accumulated losses</i>	<i>Total</i>
Balance at 1 January 2013	4,231,840	74	—	(1,948,728)	2,283,186
Loss for the year	—	—	—	(1,557,127)	(1,557,127)
Other comprehensive income	—	—	(19)	—	(19)
Total comprehensive income	—	—	(19)	(1,557,127)	(1,557,146)
Capital injection from investors	1,700,000	50	—	—	1,700,050
Total contributions	1,700,000	50	—	—	1,700,050
Balance at 31 December 2013	5,931,840	124	(19)	(3,505,855)	2,426,090
Balance at 1 January 2014	5,931,840	124	(19)	(3,505,855)	2,426,090
Loss for the year	—	—	—	(2,154,686)	(2,154,686)
Other comprehensive income	—	—	(154)	—	(154)
Total comprehensive income	—	—	(154)	(2,154,686)	(2,154,840)
Capital injection from investors	600,000	23	—	—	600,023
Total contributions	600,000	23	—	—	600,023
Balance at 31 December 2014	6,531,840	147	(173)	(5,660,541)	871,273
Balance at 1 January 2015	6,531,840	147	(173)	(5,660,541)	871,273
Loss for the year	—	—	—	(2,475,456)	(2,475,456)
Other comprehensive income	—	—	(18)	—	(18)
Total comprehensive income	—	—	(18)	(2,475,456)	(2,475,474)
Conversion of shareholders' loan to capital (Note 21)	1,800,000	—	—	—	1,800,000
Total contributions	1,800,000	—	—	—	1,800,000
Balance at 31 December 2015	8,331,840	147	(191)	(8,135,997)	195,799

The notes on pages F-118 to F-165 form part of these financial statements.

Consolidated statement of cash flows
For the year ended 31 December

<i>In thousands of RMB</i>	<i>Note</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>
Cash flows from operating activities				
Loss for the year		(2,475,456)	(2,154,686)	(1,557,127)
Adjustments for:				
Depreciation		227,477	143,586	34,871
Amortisation of				
- intangible assets		236,223	52,315	8,940
- lease prepayments		4,412	4,413	4,413
Impairment losses on inventories		—	—	5,654
Impairment losses on other receivables		9,493	—	—
Net finance costs		345,697	200,600	3,264
Tax expense		575	533	196
Share of profit of equity-accounted, investee, net of tax		(7)	—	—
Loss on disposal of property, plant, and equipment		4,813	172	—
Deferred income		(11,079)	(10,638)	4,218
		(1,657,852)	(1,763,705)	(1,495,571)
Changes in:				
- inventories		(47,332)	(30,306)	(172,870)
- trade and other receivables		(322,106)	(235,444)	(221,610)
- VAT recoverable		170,112	—	—
- prepayments		118,224	(51,116)	(86,398)
- trade and other payables		560,055	504,561	525,310
- deferred income		300,000	—	—
Net cash used in operating activities		(878,899)	(1,576,010)	(1,451,139)
Cash flows from investing activities				
Interest received		15,019	15,771	16,479
Proceeds from disposal of available-for-sale financial assets		175,000	32,000	23,000
Collection of pledged deposits		508,093	60,393	162,259
Placement of pledged deposits		(330,420)	(190,840)	(296,714)
Acquisition of property, plant and equipment and intangible assets		(652,351)	(497,891)	(1,517,499)
Acquisition of available-for-sale financial assets		(175,000)	—	(55,000)
Acquisition of equity in associate		—	(2,025)	—
Development expenditures		(682,505)	(1,446,012)	(851,090)
Net cash used in investing activities		(1,142,164)	(2,028,604)	(2,518,565)

The notes on pages F-118 to F-165 form part of these financial statements.

Consolidated statement of cash flows (continued)
for the year ended 31 December

<i>In thousands of RMB</i>	<i>Note</i>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Cash flows from financing activities				
Capital injection from investors		—	—	1,700,050
Proceeds from borrowings		5,564,733	5,442,286	2,577,342
Repayment of borrowings		(3,644,550)	(1,649,847)	(369,440)
Interest paid		(393,837)	(325,157)	(174,782)
Collection of guarantee deposit		100,219	31,520	—
Placement of guarantee deposit		(100,219)	—	—
Net cash from financing activities		<u>1,526,346</u>	<u>3,498,802</u>	<u>3,733,170</u>
Net decrease in cash and cash equivalents		<u>(494,717)</u>	<u>(105,812)</u>	<u>(236,534)</u>
Cash and cash equivalents at 1 January		752,088	857,900	1,094,434
Effect of foreign exchange rate changes		(101)	—	—
Cash and cash equivalents at 31 December		<u>257,270</u>	<u>752,088</u>	<u>857,900</u>

The notes on pages F-118 to F-165 form part of these financial statements.

Notes to the consolidated financial statements

1 Reporting entity

Qoros Automotive Co., Ltd. (“the Company”) is a sino-foreign joint equity enterprise established on 24 December 2007 in the People’s Republic of China (“PRC”) by Wuhu Chery Automobile Investment Co., Ltd (“Wuhu Chery”) and Quantum (2007) LLC (“Quantum”). The Company’s registered office is Changshu, Jiangsu Province, PRC. The Company has two wholly-owned subsidiaries, Qoros Automotive Europe GmbH incorporated in Germany and Qoros Car Sales Co., Ltd. incorporated in Changshu (“the Subsidiaries”). These consolidated financial statements comprise the Company and the Subsidiaries (together referred to as the “Group”).

The Group’s principal activities are research and development, manufacture and sale of automobiles and spare parts.

2 Basis of preparation

(a) Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which collective terms includes International Accounting Standards and related interpretations, promulgated by the International Accounting Standards Board (“IASB”). They were authorised for issue by the Group’s board of directors on 29 March 2016.

(b) Going concern basis of accounting

The Group incurred a net loss of RMB 2.48 billion and had net current liabilities of approximately RMB 4.24 billion as of and for the year ended 31 December 2015, including shareholder loans of 1.5 billion that is planned to be converted to capital in 2016.

The Group management has given careful consideration to the future liquidity of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Bank Financing

The Company had unused bank loan facilities of RMB 284 million as at 31 December 2015 (Note 22). In addition, the Company plans to refinance most of its short-term loans in 2016.

2 Basis of preparation (Continued)

(b) *Going concern basis of accounting (continued)*

Shareholders' loans

Included in the current liabilities were loans from shareholders of RMB 1.5 billion as at 31 December 2015. Shareholders also lent additional loans of RMB 550 million to the Company in January and February 2016. In 2016, all these shareholder loans of RMB 2 billion will be converted to capital upon the approval of the relevant Chinese authority.

Based on the Group's 2016 business plan, cash flow forecast, unutilised bank loan facilities and the plan to refinance the existing short term loans, we believe the Group will generate sufficient cash flows to meet its liabilities as and when they fall due in the next twelve months from 31 December 2015. In preparing the cash flow forecast, we took into account the unused bank loan facilities of RMB 284 million, the roll forward of its short term loans from banks and the additional RMB 550 million from the shareholders, and are of the opinion that the assumptions which are included in the cash flow forecast are reasonable. Accordingly, the consolidated financial statements have been prepared on a going concern basis. If for any reason the Group is unable to continue as a going concern, then this could have a material impact on the Group's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.

(c) *Basis of measurement*

The consolidated financial statements have been prepared on the historical cost basis except that the financial instruments classified as available-for-sale are measured at their fair value (see Note 4 (I)(ii)).

(d) *Functional and presentation currency*

These consolidated financial statements are presented in Renminbi ("RMB", the "presentation currency"), which is also the Company's functional currency. All amounts have been rounded to the nearest thousand unless otherwise stated.

3 Change in accounting policy

Except for the changes below, the Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2015.

- Amendments to IAS 19, Employee benefits: Defined benefit plans: Employee contributions
- Annual Improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2011-2013 Cycle

Amendments to IAS 19, Employee benefits: Defined benefit plans: Employee contributions

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a Group is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on these financial statements as no defined benefit plans are operated by the Group.

Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, IAS 24, Related party disclosures has been amended to expand the definition of a “related party” to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group’s related party disclosures as the Group does not obtain key management personnel services from management entities.

4 Significant accounting policies

Except for the changes described in Note 3, the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

(ii) Interests in equity-accounted investee

The Group has significant influence over, but does not control or jointly control, the financial and operating policies of Fund & Liberty car rental & leasing Co., Ltd. ("Fund"), an entity which the Group held a 25% and 25% as of December 31, 2014 and 2015.

The Group accounts for its investment in Fund using the equity method. Under the equity method, interests in equity-accounted investees are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the share of the profit or loss and other comprehensive income ("OCI") of equity-accounted investees, until the date on which significant influence ceases.

(iii) Transaction eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

4 Significant accounting policies (continued)

(b) Revenue

(i) Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of value-added tax (“VAT”), consumption tax and other sales taxes, returns or allowances, trade discounts and rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customers, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(ii) Rental income

Rental income from operating leases is recognised as revenue on a straight-line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(iii) Licencing income

Licence fee and royalties received for the use of the Group’s assets (such as platform technology and patent) are normally recognised in accordance with the substance of the agreement.

(c) Government grants

Government grants are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

4 Significant accounting policies (continued)

(d) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets) and net foreign currency exchange gain (Note (e)(i))

Finance costs comprise interest expense on borrowings and net foreign currency exchange losses (Note (e)(i)) .

Interest income is recognised using the effective interest method. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(e) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group companies at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

(ii) Foreign operations

The functional currency of Qoros Automotive Europe GmbH is Euros. The assets and liabilities of Qoros Automotive Europe GmbH, are translated into RMB at exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve.

4 Significant accounting policies (continued)

(f) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligations to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Contributions to defined contribution retirement plans in the PRC

Contributions to local retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

4 Significant accounting policies (continued)

(g) Income tax

Income tax expense comprises current and any deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. Current tax is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and equity method investees to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

4 Significant accounting policies (continued)

(g) Income tax (continued)

(ii) Deferred tax (continued)

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised, such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted-average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred to bring them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes direct labour and an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

4 Significant accounting policies (continued)

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the followings:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

4 Significant accounting policies (continued)

(i) Property, plant and equipment (continued)

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

Except for toolings, depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. No depreciation is provided on construction in progress.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

• Buildings	30 years
• Equipment	3 - 20 years
• Leasehold improvements	3 years

Toolings are depreciated on a systematic basis based on the quantity of related products produced.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

4 Significant accounting policies (continued)

(j) Intangible assets

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred subsequent to initial recognition. Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses. Capitalised development costs are amortised systematically over the estimated product life following the start of production.

4 Significant accounting policies (continued)

(j) Intangible assets (continued)

(ii) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values from the date they are available for use using the straight-line method over their estimated useful lives or other systematic basis, and is generally recognised in profit or loss.

Except for capitalised development costs, the estimated useful lives of intangible assets are as follows:

- Software 10 years

Capitalised development costs are amortised on a systematic basis based on the quantity of related products produced.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Lease prepayments

All land in PRC is state-owned and no private land ownership exists. The Group acquired the right to use certain land and the amounts paid for such right are recorded as lease prepayment. Lease prepayment is carried at historical cost less accumulated amortisation and any impairment losses. Amortisation is calculated on a straight-line basis over the respective periods of the rights.

4 Significant accounting policies (continued)

(l) Financial instruments

The Group classifies non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities category.

(i) Non-derivative financial assets and financial liabilities—recognition and derecognition

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provision of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred assets. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets—measurement

Loans and receivables

Loans and receivables are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

4 Significant accounting policies (continued)

(l) Financial instruments (continued)

(ii) Non-derivative financial assets—measurement (continued)

Available-for-sale financial assets

Available-for-sale financial assets are initially measured at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised in other comprehensive income and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

(iii) Non-derivative financial liabilities—measurement

A financial liability is classified as at fair value through profit or loss if it is classified as held-to-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expenses, are recognised in profit or loss.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using effective interest method.

4 Significant accounting policies (continued)

(m) Impairment

(i) Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security;
- observable data indicating that there is measureable decrease in expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 20% to be significant and a period of nine months to be prolonged.

Financial assets measured at amortised costs

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and make an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

4 Significant accounting policies (continued)

(m) Impairment (continued)

(i) Non-derivative financial assets (continued)

An impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the loss accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation), and the current fair value, less any impairment losses recognised previously in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets (other than inventories) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. In addition, intangible assets that are not yet available for use are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

4 Significant accounting policies (continued)

(m) Impairment (continued)

(ii) Non-financial assets (continued)

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) Warranty costs

A provision for warranties is recognised when the underlying products or services are sold, based on estimate by the Group's technicians and by reference to industrial data.

(o) Provision and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Leases

The Company's leases are classified as operating leases and are not recognised in the Group's statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expenses, over the term of the lease.

4 Significant accounting policies (continued)

(q) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent or ultimate controlling shareholders.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same Group;
 - (ii) One entity is an associate or joint venture of the other entity (or an associate of joint venture of a member of a Group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of employees of the Group or an entity related to the Group;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4 Significant accounting policies (continued)

(r) Standards and interpretation issued but not yet adopted

Up to date of issue of the Financial Statements, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 1 January 2015 and which have not been adopted in the Financial Statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
• Annual Improvements to IFRSs 2012-2015 Cycle	1 January 2016
• Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
• Amendments to IFRS11, Accounting for acquisition of interests in joint operations	1 January 2016
• Amendments to IAS 1, Disclosure initiative	1 January 2016
• Amendments to IAS 16 and IAS 38, Clarification of acceptable methods of depreciation and amortisation	1 January 2016
• IFRS 9, Financial instruments	1 January 2018
• IFRS 15, Revenue from contracts with customers	1 January 2018
• IFRS 16, Leases	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position, except for the following.

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS18 Revenue, IAS11 Construction contracts and IFRIC 13 Customer Loyalty Programmes. It also includes guidance on when to capitalise costs of obtaining or fulfilling a contract not otherwise addressed in other standards, and includes expanded disclosure requirements.

4 Significant accounting policies (continued)

(r) Standards and interpretation issued but not yet adopted (continued)

IFRS 16 Leases

IFRS 16 provides comprehensive guidance for the identification of lease arrangements and their treatment by lessees and lessors. In particular, IFRS16 introduces a single lessee accounting model, whereby assets and liabilities are recognised for all leases, subject to limited exceptions. It replaces IAS 17 Leases and the related interpretations including IFRIC 4 Determining whether an arrangement contains a lease.

The Group does not plan to early adopt the above new standards or amendments. With respect to IFRSs 15 and 16, given the Group has not completed its assessment of their full impact on the Group, their possible impact on the Group's results of operations and financial position has not been quantified.

5 Use of estimates and judgements

In preparing these consolidated financial statements, the management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) Judgements

(i) Research and development costs

Determining capitalisation of development costs involves management judgements in assessing whether a product is technically and commercially feasible, and whether the Group has sufficient resources to complete development and to use or sell the asset.

5 Use of estimates and judgements (continued)

(b) Assumptions and estimation uncertainties

(i) Research and development costs

During the process of formulation of relevant cash flow forecasts for quantifying the future economic benefits generated from the development costs for the new product, a variety of assumptions, bases and estimations including market popularity of the products, the pricing trend of raw materials acquired, and etc. would have to be made by the management. Thus, any significant deviations from these assumptions, bases as well as estimations made by the management would have impact on determining whether the related development costs incurred should be capitalised or expensed.

(ii) Depreciation and amortisation

Property, plant and equipment, intangible assets and lease prepayments are depreciated/amortised on a straight-line basis over the estimated useful lives or other systematic basis, after taking into account the estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any. The useful lives are based on the management's knowledge and historical experience with similar assets and taking into account anticipated technology changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(iii) Net realisable value of inventories

The management reviews the carrying amounts of the inventories at each reporting period end date to determine whether the inventories are carried at the lower of cost and net realisable value. Management estimates the net realisable value based on the current market situation and their historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-downs and affect the Group's net asset value.

(iv) Impairment for non-current assets

If circumstances indicate that the carrying value of property, plant and equipment, lease prepayments, intangible assets may not be recoverable, their recoverable amounts are estimated. An impairment loss is recognised when the recoverable amount has declined below the carrying amounts in accordance with IAS 36, "*Impairment of assets*". In addition, for intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is an indication of impairment.

5 Use of estimates and judgements (continued)

(b) Assumptions and estimation uncertainties (continued)

(iv) Impairment for non-current assets (continued)

Determining the recoverable amount requires an estimation of the fair value less costs of disposal or the value in use of these assets or the CGU to which these assets belong. It is difficult to precisely estimate fair value of these assets because quoted market prices for most of these assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, sales revenue and amount of operating costs.

6 Segment reporting

IFRS 8, Operating Segments, requires identification and disclosure of operating segment based on internal financial reports that are regularly reviewed by the Group's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it have only one operating segment and the amount of each significant category of revenue is disclosed in Note 7.

No revenue derived from sales to a single customer individually accounted for over 10% of the Group's total revenue for the year.

Substantially all (99%) of the Groups plant and equipment, intangible assets and lease prepayments are located in Mainland China.

7 Revenue

<i>In thousands of RMB</i>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Sales of goods	1,435,136	822,630	7,416
Rendering of service			
-Rental income	12,009	41,747	5,719
-Others	12,194	580	—
Total	<u>1,459,339</u>	<u>864,957</u>	<u>13,135</u>

8 Research and development expenses

Research and development expenses are the expenses incurred for the research and development activities of car platform and models as follows:

<i>In thousands of RMB</i>	<u>2015</u>	<u>2014</u>	<u>2013</u>
CF1X	169,432	8,964	145,440
CF11	16,355	123,721	41,492
CF14 and CF14K	43,296	30,490	3,807
CF16	5,415	74,776	195,043
CF18	—	—	22,414
Diesel	—	20,419	—
TGDI	11,777	5,649	—
Qcloud	31,733	—	—
Total	<u>278,008</u>	<u>264,019</u>	<u>408,196</u>

9 Selling and distribution expenses

<i>In thousands of RMB</i>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Advertising	357,032	453,586	130,860
Marketing and promotion	205,444	120,872	73,166
Consulting fees	105,387	192,292	34,379
Personnel expenses	116,515	117,958	19,243
Others	35,429	42,503	12,048
Total	<u>819,807</u>	<u>927,211</u>	<u>269,696</u>

10 Administration expenses

<i>In thousands of RMB</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>
Personnel expenses	205,778	194,943	336,003
Consulting fees	36,341	84,856	280,749
Office expenses	16,668	15,451	57,649
Depreciation and amortisation	205,144	74,221	33,666
Rental expenses	30,903	46,403	41,028
Travelling expenses	15,771	16,076	17,691
Recruiting expenses	13,950	13,593	19,410
Taxes and duties	22,660	14,287	4,749
Testing expenses	14,650	21,281	699
IT expense	56,420	64,462	25,158
Warranty	25,687	12,978	—
Logistics	25,856	12,386	—
Production support	31,158	—	—
Others	39,202	20,674	48,011
Total	740,188	591,611	864,813

11 Other expenses

<i>In thousands of RMB</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>
Impairment loss on other receivables	9,493	—	—
Penalty charges in terms of minimum purchase volume (Note 29(c))	42,877	—	—
Other taxes and surcharges	8,066	46,386	1,199
Others	13,738	16,330	4,914
Total	74,174	62,716	6,113

12 Loss before income tax

Loss for the year is arrived at after charging:

In thousands of RMB

	<u>2015</u>	<u>2014</u>	<u>2013</u>
(a) Net finance costs:			
Interest income from available-for-sale financial assets	39	720	2,079
Interest income from bank deposits	13,390	16,583	16,046
Net foreign exchange gain	—	8,519	—
Finance income	<u>13,429</u>	<u>25,822</u>	<u>18,125</u>
Interest on bank loans	(386,376)	(301,908)	(214,010)
Less: interest expenses capitalised into property, plant and equipment, and development costs	92,975	84,571	192,621
Net foreign exchange loss	<u>(65,725)</u>	<u>—</u>	<u>(7,801)</u>
Finance costs	<u>(359,126)</u>	<u>(217,337)</u>	<u>(29,190)</u>
Net finance costs	<u>(345,697)</u>	<u>(191,515)</u>	<u>(11,065)</u>
(b) Personnel expenses:			
Contributions to defined contribution retirement plan	(34,928)	(36,710)	(21,498)
Salaries, wages and other benefits	<u>(448,836)</u>	<u>(490,120)</u>	<u>(341,341)</u>
	<u>(483,764)</u>	<u>(526,830)</u>	<u>(362,839)</u>

12 Loss before income tax (continued)

(c) Other items:

<i>In thousands of RMB</i>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Amortisation			
- lease prepayment	(4,412)	(4,413)	(4,413)
- intangible assets	(236,223)	(52,315)	(8,940)
	<u>(240,635)</u>	<u>(56,728)</u>	<u>(13,353)</u>
Depreciation			
- property, plant and equipment	(227,477)	(143,586)	(34,871)
Operating lease charges			
- hire of office rentals	(28,579)	(53,340)	(45,006)
- hire of cars	(3,515)	(4,714)	(4,312)
	<u>(32,094)</u>	<u>(58,054)</u>	<u>(49,318)</u>
Write down of inventory to the net realisable value	<u>—</u>	<u>—</u>	<u>(5,654)</u>

13 Income taxes

(a) Amounts recognised in profit or loss

<i>In thousands of RMB</i>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Current tax expense – Germany Income Tax			
Current year	<u>575</u>	<u>533</u>	<u>196</u>

Under the Corporate Income Tax Law of the PRC (the “CIT Law”), the statutory corporate income tax rate of the Group and its subsidiary, Qoros Automotive Sales Co., Ltd., is 25% (2014: 25%).

The statutory corporate income tax rate of Qoros Automotive Europe GmbH, the Group’s subsidiary incorporated in Germany, is 15%.

Under the CIT Law and its relevant regulations, qualified R&D expenses are subject to income tax deductions at 150% on the amount actually incurred.

13 Income taxes (continued)

(b) Reconciliation of effective tax rate

<i>In thousands of RMB</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>
Loss before tax	(2,474,881)	(2,154,153)	(1,556,931)
Income tax credit at the applicable PRC income tax rate of 25%	(618,720)	(538,538)	(389,233)
Effect of tax rate differential	155	91	15
Effect of tax losses not recognised	521,005	448,814	314,590
Effect of other temporary differences not recognised	98,021	89,857	40,735
Non-deductible expenses	114	309	34,089
Income tax expense	<u>575</u>	<u>533</u>	<u>196</u>

(c) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom:

<i>In thousands of RMB</i>	<i>31 December</i>		
	<i>2015</i>	<i>2014</i>	<i>2013</i>
Tax losses	5,457,817	3,373,796	1,690,380
Other temporary differences	2,513,187	2,121,104	1,761,674
Total	<u>7,971,004</u>	<u>5,494,900</u>	<u>3,452,054</u>

Under current tax legislation, the above deductible tax losses will expire in the following years:

<i>In thousands of RMB</i>	<i>31 December 2015</i>
2016	111,156
2017	—
2018	—
2019	2,476,346
2020	<u>2,870,315</u>
	<u>5,457,817</u>

14 Property, plant and equipment

<i>In thousands of RMB</i>	<i>Leasehold improvements</i>	<i>Equipment</i>	<i>Building</i>	<i>Construction in progress</i>	<i>Total</i>
Cost					
Balance at 1 January 2014	18,076	1,568,809	1,258,439	947,617	3,792,941
Additions	4,914	—	—	714,922	719,836
Transfer	—	933,383	24,841	(1,222,544)	(264,320)
Disposal	—	(352)	—	—	(352)
Balance at 31 December 2014	22,990	2,501,840	1,283,280	439,995	4,248,105
Additions	18,421	2,765	—	530,405	551,591
Transfer	—	13,901	(843)	(13,058)	—
Adjustment	—	(47,788)	(36,294)	—	(84,082)
Disposal	—	(5,202)	—	—	(5,202)
Balance at 31 December 2015	41,411	2,465,516	1,246,143	957,342	4,710,412
Depreciation					
Balance at 1 January 2014	(11,962)	(47,273)	(5,516)	—	(64,751)
Depreciation for the year	(8,045)	(95,959)	(39,582)	—	(143,586)
Written off on disposal	—	180	—	—	180
Balance at 31 December 2014	(20,007)	(143,052)	(45,098)	—	(208,157)
Depreciation for the year	(6,435)	(180,009)	(41,033)	—	(227,477)
Written off on disposal	—	389	—	—	389
Balance at 31 December 2015	(26,442)	(322,672)	(86,131)	—	(435,245)
Carrying amount					
Balance at 31 December 2013	6,114	1,521,536	1,252,923	947,617	3,728,190
Balance at 31 December 2014	2,983	2,358,788	1,238,182	439,995	4,039,948
Balance at 31 December 2015	14,969	2,142,844	1,160,012	957,342	4,275,167

Leased plant and machinery

The Group leases pressing machinery as a lessor under operating leases. As at 31 December 2015, the net carrying amount of leased machinery was RMB 73,391 thousand (31 December 2014: RMB 82,083 thousand).

Property, plant and equipment under construction

Included in additions of construction in progress is an amount of RMB 59,900 thousand representing borrowing costs capitalised during 2015, (2014: RMB 24,432 thousand; 2013: RMB 112,303 thousand), using a capitalisation rate of 5.72% per annum (2014: 7.56%; 2013: 4.64%).

As at 31 December 2015, all equipment and properties were pledged to bank as security as required by a consortium financing agreement. (Note 22(a)(i))

14 Property, plant and equipment (Continued)

Impairment test

Management performed an impairment test of the Group's operating assets (primarily its property, plant and equipment and intangible assets) as of 31 December 2015, based upon the Group's 2014 business plan, which was updated in 2015.

See Note 15 for the result of impairment test.

15 Intangible assets

<i>In thousands of RMB</i>	<i>Software</i>	<i>Development costs</i>	<i>Total</i>
Cost			
Balance at 1 January 2014	154,382	3,282,022	3,436,404
Additions	14,491	987,935	1,002,426
Transfer	264,320	—	264,320
Balance at 31 December 2014	433,193	4,269,957	4,703,150
Additions	1,659	252,674	254,333
Balance at 31 December 2015	434,852	4,522,631	4,957,483
Amortisation			
Balance at 1 January 2014	(10,058)	(2,413)	(12,471)
Amortisation for the year	(30,439)	(21,876)	(52,315)
Balance at 31 December 2014	(40,497)	(24,289)	(64,786)
Amortisation for the year	(43,960)	(192,263)	(236,223)
Balance at 31 December 2015	(84,457)	(216,552)	(301,009)
Carrying amount			
Balance at 31 December 2013	144,324	3,279,609	3,423,933
Balance at 31 December 2014	392,696	4,245,668	4,638,364
Balance at 31 December 2015	350,395	4,306,079	4,656,474

The amortisation of software and capitalised development cost is included in administration expenses and cost of sales, respectively, in the consolidated statement of profit or loss and other comprehensive income.

See Note 25 for payables for research and development activities as at reporting date.

Included in capitalised development costs is an amount of RMB 33,075 thousand representing borrowing costs capitalised during 2014, (2014: RMB 60,138 thousand, 2013: RMB 79,763 thousand), using a capitalisation rate of 5.72% (2014: 7.56%; 2013: 4.64%).

15 Intangible assets (continued)

The intangible assets not yet available for use are allocated to the Group's only cash-generating unit ("CGU") which is identified according to country of operation and reportable segment. The recoverable amount of the CGU containing the intangible asset not yet available for use is determined based on fair value less costs of disposal using discounted cash flow projections. These calculations use cash flow projections based on business plan approved by management covering an eight-year period ending 31 December 2023 and the terminal value. Cash flows beyond the eight-year period are extrapolated using an estimated weighted average growth rate of 3% which is consistent with the forecasts included in independent expert report. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The discount rates applied to the cash flow projections is 15.5% as at 31 December 2015.

As the result of the impairment test showed the recoverable amount of the CGU higher than its book value as at 31 December 2015, no impairment loss is recognised.

16 Lease prepayments

<i>In thousands of RMB</i>	<u>2015</u>	<u>2014</u>
Cost		
Balance at 1 January and 31 December	<u>220,631</u>	<u>220,631</u>
Amortisation		
Balance at 1 January	(12,503)	(8,090)
Amortisation for the year	<u>(4,412)</u>	<u>(4,413)</u>
Balance at 31 December	<u>(16,915)</u>	<u>(12,503)</u>
Carrying amount		
Balance at 1 January	<u>208,128</u>	<u>212,541</u>
Balance at 31 December	<u>203,716</u>	<u>208,128</u>

As at 31 December 2015 and 2014, the Group's lease prepayments represented the lease prepayments of land use rights located in Changshu, Jiangsu Province. Such lease prepayments were pledged to bank as security for a consortium financing agreement (Note 22(a)(i)).

17 Trade and other receivables

(a) Trade and other receivables in the consolidated statement of financial position comprised:

<i>In thousands of RMB</i>		<i>31 December</i>	
	<i>Note</i>	<i>2015</i>	<i>2014</i>
Trade receivables		5,257	12,558
Deposits		74,623	70,270
Deferred expenses		31,052	35,829
Receivables due from employees		15,080	28,196
Receivables due from related parties	29(c)	8,638	5,065
Others		10,086	12,526
		144,736	164,444
Less: allowance for doubtful debts		(9,889)	(396)
		134,847	164,048
Non-current		92,202	96,533
Current		42,645	67,515
		134,847	164,048

(b) Impairment of trade and other receivables

<i>In thousands of RMB</i>		<i>31 December</i>	
		<i>2015</i>	<i>2014</i>
Balance at 1 January		(396)	(396)
Impairment loss recognised		(9,493)	—
Balance at 31 December		(9,889)	(396)

18 Inventories

(a) Inventory in the consolidated statement of financial position comprised:

<i>In thousands of RMB</i>	<i>31 December</i>	
	<i>2015</i>	<i>2014</i>
Raw materials and consumables	60,181	44,484
Work in progress	5,482	3,279
Finished goods	179,191	149,759
Total	<u>244,854</u>	<u>197,522</u>

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss as follow:

<i>In thousands of RMB</i>	<i>31 December</i>	
	<i>2015</i>	<i>2014</i>
Carrying amount of inventories sold	1,704,515	999,439
Write down of inventories	—	—
Total	<u>1,704,515</u>	<u>999,439</u>

19 Pledged deposits

Bank deposits of RMB 113,167 thousand (31 December 2014: RMB 290,840 thousand) have been pledged as security for bank guarantees and a letter of credit facility. The pledge in respect of the bank deposits will be released with the expiration of the relevant bank guarantees and the letter of credit facilities, which is less than one year.

20 Cash and cash equivalents

<i>In thousands of RMB</i>	<i>31 December</i>	
	<i>2015</i>	<i>2014</i>
Bank deposits with maturity of 3 months or less	1,528	1,566
Cash at bank	255,742	750,522
	<u>257,270</u>	<u>752,088</u>

21 Paid-in capital

<i>In thousands of RMB</i>	<i>31 December</i>	
	<i>2015</i>	<i>2014</i>
Wuhu Chery	4,165,920	3,265,920
Quantum (2007) LLC.	4,165,920	3,265,920
	<u>8,331,840</u>	<u>6,531,840</u>

During the year, Wuhu Chery and Quantum (2007) LLC. increased paid-in capital of the Company by converting the loan of RMB 1.8 billion due from the Company.

22 Loans and borrowings

<i>In thousands of RMB</i>	<i>Note</i>	<i>December</i>	
		<i>2015</i>	<i>2014</i>
Denominated in:			
RMB		6,595,866	5,948,020
USD		893,322	1,356,884
		<u>7,489,188</u>	<u>7,304,904</u>
Non-current	22(a)	4,659,718	3,928,703
Current	22(b)	2,829,470	3,376,201
		<u>7,489,188</u>	<u>7,304,904</u>

22 Loans and borrowings (continued)

(a) Non-current loan and borrowings

<i>In thousands of RMB</i>	<i>Note</i>	<i>Banking facility</i>	<i>Accumulated drawdown</i>	<i>Accumulated repayment</i>	<i>Reclassified to current</i>	<i>Balance as at 31 December 2015</i>
Consortium loan I	(1)	3,000,000	2,906,000	(49,396)	(96,886)	2,759,718
Consortium loan II	(2)	1,200,000	1,200,000	—	—	1,200,000
Consortium loan III	(3)	700,000	700,000	—	—	700,000
Total		<u>4,900,000</u>	<u>4,806,000</u>	<u>(49,396)</u>	<u>(96,886)</u>	<u>4,659,718</u>

Details of non-current loans and borrowings are set out below.

- (i) Consortium loan I: On 23 July 2012, the Company entered into a consortium financing arrangement with a Group of banks. Under the arrangement, the Company can draw down loans in either RMB or USD, up to an aggregate maximum principal amount of RMB 3 billion. The RMB loan bears the 5-year interest rate quoted by the People's Bank of China from time to time and the USD loan bears interest rate of LIBOR+4.8% per annum. The repayment schedule of loans is based on the instalments schedule as set out in the agreement within 10 years from the first draw down date. The arrangement is secured by the Company's land use right, equipment, properties and construction in progress and is guaranteed by Wuhu Chery and Changshu Port Development and Construction Co., Ltd ("CPDC") respectively. Each party provides guarantee to an aggregate principal amount of no more than RMB 1.5 billion or its equivalent. The guarantee from Wuhu Chery and CPDC are several but not joint. In connection with CPDC's guarantee, the Company made a guarantee deposit of RMB 100 million to CPDC and Wuhu Chery also entered into an agreement to provide a counter-guarantee to CPDC in September 2012. The guarantee deposit was treated as deferred expenses and carried at amortised cost.

As at 31 December 2015, the Company has drawn down RMB loans of RMB 2,906 million (31 December 2014: RMB 2,866 million) with an interest rate of 4.90%.

The loans drawn down from this consortium arrangement contains financial related covenants. In 2013, the Company obtained a confirmation from the banks that compliance of the financial covenants is not required for 2013 and 2014. In September 2014, the banks further extended the covenant waiver to July 2017.

- (ii) Consortium loan II: On 31 July 2014, the Company entered into an additional consortium financing arrangement with a bank consortium. Under this arrangement, the Company can draw down loans in either RMB or USD, up to an aggregate maximum principal amount of RMB 1.2 billion. The RMB loan bears the 5-year interest rate quoted by the People's Bank of China with 10% mark-up and the USD loan bears interest rate of LIBOR+5% per annum. The repayment schedule of loans is based on the instalment schedule as set out in the agreement within 10 years from the first draw down date.

22 Loans and borrowings (continued)

(a) Non-current loan and borrowings (continued)

Wuhu Chery Automobile Investment Co., Ltd. and Quantum, shareholders of the Company, have each pledged 17.5% of its then equity interest in the Company, which is being equivalent to a registered capital of RMB 1.1 billion respectively to the bank consortium.

During 2015, the Company drew down in full an amount of RMB 1.2 billion (31 December 2014: RMB 1.11 billion) with the interest rate of 5.39%.

- (iii) Consortium loan III: On 12 May 2015, the Company entered into a financing arrangement with a bank consortium. Under the arrangement, the Company can draw down loans in either RMB or USD, up to an aggregate maximum principal amount of RMB 700 million. The loan agreement covers a period of 102 months starting from 15 May 2015, secured by Chery Automobile Co., Ltd (“Chery”) and pledged by the Company’s 90 vehicle patents with an appraisal value totalling no less than RMB 3.1 billion. The RMB loan bears the 5-year interest rate quoted by the People’s Bank of China with 10% mark-up and the USD loan bears interest of LIBOR+3.5% per annum. Kenon Holdings Ltd. (“Kenon”) provided a back-to-back guarantee to Chery for RMB 350 million, plus up to RMB 60 million of related fees, in connection with the Company’s drawdown of RMB 700 million.

As at 31 December 2015, the Company drew down in full an amount of RMB 700 million with the interest rate of 5.39%.

(b) Current loan and borrowings

Current loans and borrowings represented unsecured bank loans with maturity period within one year of RMB 1.2 billion with the interest rates from 1.90% to 6.58% and shareholder loans from Wuhu Chery and Quantum totalling RMB 1.5 billion.

As at 31 December 2015, the Company has unutilised loan facilities of RMB 284 million (31 December 2014: RMB 824 million).

23 Deferred income

<i>In thousands of RMB</i>	<i>2015</i>	<i>2014</i>
Balance at 1 January	205,324	215,962
Addition for the year	300,000	403
Income for the year	(11,079)	(11,041)
Balance at 31 December	494,245	205,324
Non-current	169,396	179,982
Current	324,849	25,342
	494,245	205,324

In November 2012, the Group received RMB 213.5 million from the Management Committee of Changshu Economic & Technology Development Zone, as a result of the Group's investment in the Development Zone. Such government grant was initially recognised as "deferred income" upon receipt and is amortised and recognised as "other income" over the Group's expected remaining period of operation.

In 2015, the Group received RMB 300 million from Chery Auto as a payment in connection with the licence agreement for the use of the Group's platform technology and patent, which is recognised as "deferred income" and is amortised and recognised as "other income" in accordance with the substance of the agreement.

24 Provision

The provision balance as at 31 December 2015 mainly represents warranties related to cars sold as of 31 December 2015. As no adequate historical warranty data associated with cars sold is available, the Group accrues warranty provisions based on the estimation made by the Group's technical department taking into account available warranty data of similar cars in the market.

25 Trade and other payables

<i>In thousands of RMB</i>	<i>At 31 December</i>	
	<i>2015</i>	<i>2014</i>
Trade payables	638,241	321,258
Bills payables	138,303	217,208
Other payables for		
-research and development activities	362,402	825,309
-property, plant and equipment	322,817	624,545
-services	673,637	673,004
Accrued payroll and other employee benefits	111,651	64,952
Interest payable	10,145	17,606
POS (“Point of sales”) subsidy	35,533	—
Payables due to related parties	106,887	24,087
Others	215,925	65,490
	<u>2,615,541</u>	<u>2,833,459</u>

All the balances are repayable on demand.

26 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practice used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from counterparties and the Group's deposits with banks (including available-for-sale financial assets).

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

The management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current liability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade debtors are mainly due within 30 days to 360 days from the date of billing.

The Group limits its exposure to credit risk by investing only in liquid investment products issued by financial institutions. Management actively monitors credit ratings and given that the Group only has invested in investment products with high credit ratings, management does not expect any counterparty to fail to meet its obligations.

The carrying amounts of cash and cash equivalents, pledged deposits, other receivables and available-for-sale financial assets represent its maximum credit exposure on these assets.

26 Financial risk management and fair values of financial instruments (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions and/or from two shareholders to meet the liquidity requirements in the short and long term.

The following are the remaining contractual maturities at the end of the reporting period of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	<i>Contractual undiscounted cash flow</i>				<i>Carrying amount at balance sheet date</i>
	<i>Within 1 year or on demand</i>	<i>More than 1 year but less than 2 years</i>	<i>More than 2 years but less than 5 years</i>	<i>More than 5 years</i>	
<i>As at 31 December 2015</i>					
Trade and other payables	2,615,541	—	—	—	2,615,541
Loans and borrowings	3,147,205	653,642	2,647,693	2,341,573	8,790,113
Total	<u>5,762,746</u>	<u>653,642</u>	<u>2,647,693</u>	<u>2,341,573</u>	<u>11,405,654</u>
<i>As at 31 December 2014</i>					
Trade and other payables	2,833,459	—	—	—	2,833,459
Loans and borrowings	3,713,616	332,291	1,940,001	3,007,045	8,992,953
Total	<u>6,547,075</u>	<u>332,291</u>	<u>1,940,001</u>	<u>3,007,045</u>	<u>10,138,363</u>

26 Financial risk management and fair values of financial instruments (continued)

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

- Currency risk

The Group is exposed to currency risk on purchases relating to research and development activities, bank borrowings as well as normal productions that are denominated in currencies other than the functional currencies. The currencies in which these transactions primarily are denominated are RMB, US dollars ("USD") and Euros ("EUR"). The functional currency of the Company is RMB.

In respect of monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to currency risk

The summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows:

	<i>At 31 December</i>	
	<i>2015</i>	<i>2014</i>
EUR	RMB'000	RMB'000
Cash and cash equivalent	5,419	612
Prepayments	898	854
Trade and other payables	(18,400)	(16,170)
Net statement of financial position exposure	<u>(12,083)</u>	<u>(14,704)</u>

	<i>At 31 December</i>	
	<i>2015</i>	<i>2014</i>
USD	RMB'000	RMB'000
Cash and cash equivalent	6,484	395,034
Prepayments	3,624	25,848
Trade and other payables	(331)	(6,420)
Loans and borrowings	(993,321)	(995,132)
Net statement of financial position exposure	<u>(983,544)</u>	<u>(580,670)</u>

26 Financial risk management and fair values of financial instruments (continued)

(c) Market risk (continued)

- Currency risk (continued)

The following significant exchange rates have been applied during the year:

	<i>Average rate</i>		<i>Year end spot rate</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
EUR	7.2754	7.9373	7.0952	7.4556
USD	6.3063	6.1080	6.4936	6.1190

A reasonably possible strengthening (weakening) of the Euro and US dollar against RMB at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	<i>At 31 December</i>			
	<i>2015</i>		<i>2014</i>	
	<i>Strengthening</i>	<i>Weakening</i>	<i>Strengthening</i>	<i>Weakening</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
EUR (10% movement)	(1,207)	1,207	(1,470)	1,470
USD (10% movement)	(98,355)	98,355	(58,067)	58,067

- Interest rate risk

Profile

The Group's interest rate risk arises primarily from bank deposits and bank loans. The Group's policy is to obtain the most favourable interest rates available in respect of its bank loans. The Group has not used any derivatives to mitigate its interest rate risk exposure.

Bank deposits are with fixed interest rates ranging from 0.35%~3.00%, 0.35%~3.30%, 0.35%~3.25% per annum as at 31 December 2015, 2014 and 2013 respectively.

The Group's interest-bearing borrowings and interest rates as at 31 December 2015 and 2014 are set out as follows:

	<i>Interest rate</i>	<i>At 31 December</i>	
		<i>2015</i>	<i>2014</i>
		<i>RMB'000</i>	<i>RMB'000</i>
Borrowings	nil% - 7.32%	<u>7,488,709</u>	<u>7,302,884</u>

Loan interest rates are disclosed in Note 22.

26 Financial risk management and fair values of financial instruments (continued)

(c) Market risk (continued)

- Interest rate risk (continued)

Sensitivity analysis

A change of 100 basis points in interest rates would have increased or decreased equity by RMB 91,934 thousand (2014: RMB 92,915 thousand; 2013: RMB 31,922 thousand).

(d) Fair value

The fair value of each financial instrument is categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1: (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments;
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data;
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

If the input used to measure the fair value of an assets or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

As at 31 December 2015, the Company had no financial instruments carried at fair value.

During the years ended 31 December 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(e) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of paid in capital and retained earnings.

There were no changes in the Group's approach to capital management during the year.

27 Operating leases

(a) Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

<i>In thousands of RMB</i>	<i>At 31 December</i>	
	<i>2015</i>	<i>2014</i>
Within 1 year	30,206	22,638
After 1 year but within 5 years	82,009	341
After 5 years	72,481	—
	<u>184,696</u>	<u>22,979</u>

(b) Leases as lessor

The Group leases out its part of machinery.

As at 31 December, the future minimum lease payments under non-cancellable leases are receivable as follows:

<i>In thousands of RMB</i>	<i>At 31 December</i>	
	<i>2015</i>	<i>2014</i>
Within 1 year	9,367	15,389
After 1 year but within 5 years	—	9,367
	<u>9,367</u>	<u>24,756</u>

28 Commitments

Capital commitments outstanding not provided for in the financial statements:

<i>In thousands of RMB</i>	<i>At 31 December</i>	
	<i>2015</i>	<i>2014</i>
Contracted for	652,587	954,515
Authorised but not contracted for	—	23,309
	<u>652,587</u>	<u>977,824</u>

29 Related parties

(a) Parent and ultimate controlling party

As at 31 December 2015, 2014 and 2013, the Company was jointly-controlled by Wuhu Chery and Quantum (2007) LLC. Chery Automobile Co., Ltd. ("Chery Auto") is the ultimate parent company of Wuhu Chery and Kenon Holdings Ltd. is the immediate parent company of Quantum (2007) LLC.

The following is a summary of principal related parties transactions carried out by the Group with the related parties for the year presented.

(b) Transactions with key management personnel

In thousands of RMB

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Salaries, benefit and contribution to the defined contribution retirement plan	<u>19,700</u>	<u>10,941</u>	<u>13,215</u>

(c) Other related party transactions

The Group entered into the following material related party transactions:

<i>In thousands of RMB</i>	<i>Note</i>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Loan from Wuhu Chery		1,662,783	800,000	—
Loan from Quantum (2007)		800,000	750,000	—
Conversion of Wuhu Chery's loan to capital		900,000	—	—
Conversion of Quantum (2007)'s loan to capital		900,000	50,000	—
Car sales to Chery Auto		6,717	—	—
Car sales to Fund & Liberty Car Rental/Leasing Co., Ltd. ("Fund")		1,153	4,520	—
Rental expenses paid to Chery Auto's subsidiary		18	80	—
Service fee paid to Chery Auto		42,339	8,495	12,863
Service fee paid to Shanghai SICAR Vehicle Technology Development Co., Ltd. ("SICAR")		4,453	13,182	13,395
Charge for licence agreement	23	300,000	—	—
Purchase from Chery Auto		189,754	90,306	13,856
Penalty charge from Chery Auto	11	42,877	—	—
Other expense charged to				
- Kenon Holdings Ltd.		2,167	1,321	1,292
- Chery Huiyin Motor Finance Service Co., Ltd. ("Huiyin")		16,821	1,777	—

29 Related parties (continued)

(c) Other related party transactions (continued)

In addition to the above transactions, guarantees provided by Wuhu Chery and Kenon in respect of the consortium financing agreement were disclosed in Note 22.

The outstanding balances arising from the above transactions at the end of the reporting periods are as follows:

<i>In thousands of RMB</i>	<i>At 31 December 2015</i>	<i>At 31 December 2014</i>
Amounts due from related parties		
- trade receivables from Fund	3,790	3,664
- trade receivables from Chery Auto's subsidiary	1,832	—
- other receivables from Chery Auto	3,011	75
- other receivables from Chery Auto's subsidiary	5	5
- other receivables from Kenon Holdings Ltd.	—	1,321
	<u>8,638</u>	<u>5,065</u>
- prepayments to Chery Auto	—	86,000
- prepayments to Huiyin	—	1,645
	<u>—</u>	<u>87,654</u>
	<u>8,638</u>	<u>92,719</u>
Amounts due to related parties		
-loan payable to Wuhu Chery	762,783	800,000
-loan payable to Quantum (2007) LLCs	745,917	800,000
-payables to Chery Auto	103,454	22,523
-payables to Kenon Holdings Ltd.	176	—
-payables to Fund	771	—
-payables to Chery Auto's subsidiary	916	7
-payables to SICAR	1,570	1,557
	<u>1,615,587</u>	<u>1,624,087</u>

29 Related parties (continued)

(d) Relationship with the related parties under the transactions stated in 29(c) above

<u><i>Name of the entities</i></u>	<u><i>Relationship with the Group</i></u>
Kenon Holdings Ltd.	Immediate parent company of Quantum
Wuhu Chery	Parent Company
Quantum (2007) LLC	Parent Company
Wuhu Chery Car Rental Co., Ltd	Chery Auto's subsidiary
Huiyin	Chery Auto's subsidiary
SICAR	Joint venture invested by Chery Auto
Fund	Associate invested by the Group

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Kenon Holdings Ltd.

By: /s/ Yoav Doppelt

Name: Yoav Doppelt

Title: Chief Executive Officer

Date: April 22, 2016

ITEM 19. Exhibits

Index to Exhibits

Exhibit Number	Description of Document
1.1	Kenon Holdings Ltd.'s Constitution (Incorporated by reference to Exhibit 1.1 to Amendment No. 1 to Kenon's Registration Statement on Form 20-F, filed on December 19, 2014)
2.1	Form of Specimen Share Certificate for Kenon Holdings Ltd.'s Ordinary Shares (Incorporated by reference to Exhibit 2.1 to Kenon's Annual Report on Form 20-F for the fiscal year ended December 31, 2014, filed on March 31, 2015)
2.2	Registration Rights Agreement, dated as of January 7, 2015, between Kenon Holdings Ltd. and Millenium Investments Elad Ltd. (Incorporated by reference to Exhibit 99.5 to Kenon's Report on Form 6-K, furnished to the SEC on January 8, 2015)
2.3	Registration Rights Agreement, dated as of January 7, 2015, between Kenon Holdings Ltd. and Bank Leumi Le-Israel B.M. (Incorporated by reference to Exhibit 99.6 to Kenon's Report on Form 6-K, furnished to the SEC on January 8, 2015)
2.4	Registration Rights Agreement, dated as of January 7, 2015, between Kenon Holdings Ltd. and XT Investments Ltd. (Incorporated by reference to Exhibit 99.7 to Kenon's Report on Form 6-K, furnished to the SEC on January 8, 2015)
4.1	Sale, Separation and Distribution Agreement, dated as of January 7, 2015, between Israel Corporation Ltd. and Kenon Holdings Ltd. (Incorporated by reference to Exhibit 99.2 to Kenon's Report on Form 6-K, furnished to the SEC on January 8, 2015)
4.2*	Loan Agreement, dated as of January 7, 2015, between Israel Corporation Ltd. and Kenon Holdings Ltd, as supplemented by Supplement No. 1 to the Loan Agreement, dated March 17, 2016
4.3	English translation of Natural Gas Supply Agreement, dated as of January 2, 2006, as amended, among Kallpa Generación S.A., Pluspetrol Peru Corporation S.A., Pluspetrol Camisea S.A., Hunt Oil Company of Peru L.L.C. Sucursal del Peru, SK Corporation Sucursal Peruana, Sonatrach Peru Corporation S.A.C., Tecpetrol del Peru S.A.C. and Repsol Exploración Peru Sucursal del Peru (Incorporated by reference to Exhibit 4.3 to Amendment No. 1 to Kenon's Draft Registration Statement on Form 20-F, filed on August 14, 2014)
4.4	English translation of Natural Gas Transportation Agreement, dated as of December 10, 2007, as amended, between Kallpa Generación S.A. and Transportadora de Gas del Peru S.A. (Incorporated by reference to Exhibit 4.4 to Amendment No. 1 to Kenon's Draft Registration Statement on Form 20-F, filed on August 14, 2014)
4.5*	Turnkey Engineering, Procurement and Construction Contract, dated as of November 4, 2011, among Cerro del Águila S.A., Astaldi S.p.A. and GyM S.A., as amended
4.6	English translation of Contract of Concession, dated as of October 23, 2010, as amended, between the Government of Peru and Kallpa Generación S.A., relating to the provision of electric energy services to the public (Incorporated by reference to Exhibit 4.6 to Amendment No. 1 to Kenon's Draft Registration Statement on Form 20-F, filed on August 14, 2014)
4.7†	Joint Venture Contract, dated as of February 16, 2007, as amended, between Wuhu Chery Automobile Investment Co., Ltd. and Quantum (2007) LLC (Incorporated by reference to Exhibit 4.7 to Amendment No. 1 to Kenon's Registration Statement on Form 20-F, filed on December 19, 2014)
4.8†	Gas Sale and Purchase Agreement, dated as of November 25, 2012, among Noble Energy Mediterranean Ltd., Delek Drilling Limited Partnership, Isramco Negev 2 Limited Partnership, Avner Oil Exploration Limited Partnership, Dor Gas Exploration Limited Partnership, and O.P.C. Rotem Ltd. (Incorporated by reference to Exhibit 10.8 to Amendment No. 1 to IC Power Pte. Ltd.'s Form F-1, filed on November 2, 2015)
4.9	Indenture, dated as of April 4, 2011, between Inkia Energy Limited, as issuer, and Citibank, N.A.as trustee, relating to Inkia Energy Limited's 8.375% Senior Notes due 2021 (Incorporated by reference to Exhibit 4.9 to Kenon's Annual Report on Form 20-F for the fiscal year ended December 31, 2014, filed on March 31, 2015)
4.10	Facility Agreement, dated as of January 2, 2011, among O.P.C. Rotem Ltd., as borrower, Bank Leumi Le-Israel B.M., as arranger and agent, Bank Leumi Le-Israel Trust Company Ltd., as security trustee, and the senior lenders named therein (Incorporated by reference to Exhibit 4.10 to Kenon's Annual Report on Form 20-F for the fiscal year ended December 31, 2014, filed on March 31, 2015)

Exhibit Number	Description of Document
4.11	Credit Agreement, dated as of August 17, 2012, among Cerro del Águila S.A., as borrower, Sumitomo Mitsui Banking Corporation, as administrative agent, and other parties party thereto (Incorporated by reference to Exhibit 4.11 to Kenon's Annual Report on Form 20-F for the fiscal year ended December 31, 2014, filed on March 31, 2015)
4.12*	Guarantee Contract, dated as of June 9, 2015, between Kenon Holdings Ltd. and Chery Automobile Co. Ltd.
4.13*	Guarantee Contract, dated as of November 5, 2015, between Kenon Holdings Ltd. and Chery Automobile Co. Ltd.
4.14*	Stock Purchase Agreement, dated as of December 29, 2015, among IC Power Distribution Holdings PTE, Limited, as Purchaser, Inkia Energy, Limited, as Purchaser Guarantor, DEORSA-DEOCSA Holdings Limited, as Seller, and Estrella Cooperatief BA
4.15*	Pledge Agreement, dated as of March 17, 2016, between Israel Corporation Ltd. and IC Power Pte. Ltd.
4.16*	Security over Shares Agreement, dated as of March 17, 2016, between Israel Corporation Ltd. and Kenon Holdings Ltd.
4.17*	Loan Agreement, dated as of April 22, 2016, between Quantum (2007) LLC, as borrower, and Ansonia Holdings Singapore B.V., as lender
4.18*	Undertaking Agreement, dated as of April 22, 2016, among Qoros Automotive Co., Ltd., Quantum (2007) LLC, Kenon Holdings Ltd., Wuhu Chery Automobile Investment Co., Ltd., Chery Automobiles Limited, and Ansonia Holdings Singapore B.V.
4.19*	Second Amended and Restated Limited Liability Company Agreement of Quantum (2007) LLC, dated as of April 22, 2016
8.1*	List of subsidiaries of Kenon Holdings Ltd.
12.1*	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
12.2*	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
13.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of KPMG LLP, Independent Registered Public Accounting Firm of Kenon Holdings Ltd.
15.2*	Consent of Somekh Chaikin, a Member Firm of KPMG International
15.3*	Consent of KPMG Huazhen LLP, Independent Auditor of Qoros Automotive Co., Ltd.
15.4*	Consent of Caipo y Asociados S. Civil de R.L., Independent Auditors of Generandes Perú S.A.
15.5*	Consent of Brightman Almagor Zohar & Co., a Member Firm of Deloitte Touche Tohmatsu, independent auditor of Tower Semiconductor Ltd.
15.6*	Letter from Somekh Chaikin, a Member Firm of KPMG International, Regarding Item 16F
99.1	Unaudited consolidated financial Statements of Generandes Perú S.A. as of December 31, 2014 and 2013 and for the years ended December 31, 2014 and 2013, and the audited consolidated financial statements of Generandes Perú S.A. as of December 31, 2013, 2012 and 2011 and for the years ended December 31, 2013 and 2012, and the related independent auditors' report thereon, all included on pages F-120 – F-268 of IC Power Pte. Ltd.'s Amendment No. 1 to Registration Statement on Form F-1 (File No. 333-206667), filed on November 2, 2015, and incorporated by reference herein

* Filed herewith.

† Portions of this exhibit have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Exchange Act. Omitted information has been filed separately with the SEC.

Final Form

LOAN AGREEMENT

This Loan Agreement (this “**Agreement**”) is made and entered into as of the 7th day of January, 2015 by and between Israel Corporation Ltd. (“**IC**”) and Kenon Holdings Ltd. (“**Kenon**”). IC and Kenon shall each be referred to as a “**Party**”, and collectively, the “**Parties**”.

WHEREAS, IC intends to consummate a structural change of the holdings of its portfolio companies, under which its holdings in certain of its portfolio companies, including (subject to such changes or variations in the implementation of such structural change as may be executed) IC Power Limited, Zim Integrated Shipping Services Limited, IC Green Energy Limited, Tower Semiconductor Limited and Quantum (2007) LLC, which holds 50% of the interests in Qoros Automotive Co Limited (“**Qoros**”), will be transferred to Kenon, and IC will distribute, *inter alia*, the shares in Kenon to its then-current shareholders, whereupon, *inter alia*, Kenon shall cease to be a subsidiary of IC (the “**Change of Holdings**”); and

WHEREAS, pursuant to Guarantee Contracts entered into between IC and Chery Automobile Co. Ltd. (“**Chery**”) dated July 23 2012 and August 2014 (subject to Section 2.2.1 hereto) (the “**Qoros Guarantees**”), IC has provided certain guarantees to Chery in respect of up to 50% of the obligations guaranteed by Chery pursuant to (i) a Guarantee Deed between Chery and China Construction Bank Co., LTD, Suzhou Branch as agent for a syndicate of Chinese banks and (ii) a counter-guarantee contract between Chery and Changshu Port Development and Construction Co. Ltd., in each case of (i) and (ii) provided in respect of the indebtedness of Qoros under that Syndicated Renminbi/US Dollars Agreement for Fixed Assets Investment with an Aggregate Equivalent Amount of RMB Three Billion dated July 23 2012, between Qoros and said syndicate of Chinese banks (the “**Qoros Loan Agreement**”); and

WHEREAS, Kenon has requested IC to make available to it, subject to and concurrently with the consummation of the Change of Holdings, one or more loans, and IC is willing to provide such loans to Kenon, subject to and in accordance with the terms and conditions set forth in this Agreement;

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Interpretation; Definitions**

- 1.1. The preamble to this Agreement forms an integral and a binding part of this Agreement.
- 1.2. In addition to the terms defined elsewhere in this Agreement, for all purposes of this Agreement (including the preamble and any schedules, exhibits or appendices hereto) the following terms shall have the meanings given to them in this Section:
 - 1.2.1. “**Availability Period**” means the period commencing on the Effective Date and ending on the fifth anniversary thereof, or if earlier, the Loans Repayment Date, and with respect to any unutilized amount of the Loan Facility cancelled in accordance with this Agreement, the date that such cancellation becomes effective;

- 1.2.2. “**Business Day**” means a day on which commercial banks are open for general business in Israel and Singapore, except in relation to any date for the transfer, payment or purchase of USD, a day (other than a Saturday or Sunday) which is also a day on which commercial banks are open for general business, including FX dealings and effecting delivery of USD, in accordance with the market practice on the London interbank market;
- 1.2.3. “**Commitment Fee**” means a fee calculated at a rate equal to 2.1% per annum of any unutilized amount of the Loan Facility, accrued and payable in accordance with this Agreement;
- 1.2.4. “**Default**” means an Event of Default or any event or circumstance specified in Section 8 (*Events of Default*) which would (with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing) be an Event of Default;
- 1.2.5. “**Distributions**” shall mean any dividends or other similar payment (in cash or in-kind) on, or in respect of, any share capital, or any repayment, prepayment or payment (in cash or in-kind) of the principal of, or interest (whether or not capitalized) or any other amount on, or in respect of any shareholders loans (including by way of set-off);
- 1.2.6. “**Dollars**”, “**USD**” and “**US\$**” mean the lawful currency of the United States of America;
- 1.2.7. “**Effective Date**” means the date of the closing of the Change of Holdings as shall be designated by IC and specified in its public filings to the stock exchange;
- 1.2.8. “**Final Repayment Date**” means the date falling 10 (ten) years from the Effective Date (or if such day is not a Business Day, the next following Business Day);
- 1.2.9. “**Financial Indebtedness**” means, at any time, Kenon’s indebtedness in respect of or pursuant to: (a) moneys borrowed or raised in any other way having the commercial effect of borrowing or receiving other financing, credit facilities (whether or not utilized), including principal, interest and any and all fees and other amounts owing in respect thereof; (b) moneys raised by the sale of receivables, invoices, bills or notes or other financial assets provided that recourse may be had to the vendor in the event of non-payment of such receivables, invoices, bills or financial assets when due; (c) the net sum of the termination values of derivative transactions entered into in connection with protection against or benefit from fluctuation in any rate or price payable (taking into account only the marked to market value); and (d) the amount of any liability in respect of any guarantee, indemnity or other instrument to assure payment of, or against loss in respect of non-payment of, any indebtedness referred to in (a), (b) and (c) above (without double counting). The foregoing shall be calculated by reference to the data appearing in the most recent unconsolidated financial statements of Kenon, including, for the avoidance of doubt, any amount owing under this Agreement (including, for the avoidance of doubt, (A) the Loan Facility, the outstanding Loans, interest related thereto (including interest at the Default Rate, if any), any Commitment Fee Cancellation Accrual Amount outstanding and

outstanding Commitment Fees and (B) the aggregate liability amount for which IC would be liable under the Qoros Guarantees (including, without limitation, amounts in respect of loans, interest and any fees and expenses) and including the outstanding aggregate Qoros Guarantee Liability Amount (without double counting), provided that, for the purposes hereof, any amount of the Qoros Guarantee Liability Amount outstanding at that time shall be calculated at 100% and any amount of the liability under the Qoros Guarantees outstanding at that time for which no IC Guarantee Demand has been issued in accordance with this Agreement shall be calculated at 50%, in each case less any amounts repaid or prepaid in accordance with this Agreement, any unutilized amount of the Loan Facility cancelled in accordance with this Agreement and any amount of the Qoros Guarantees that IC has confirmed to Kenon in writing has been either irrevocably cancelled or recovered, as the case may be).

- 1.2.10. **“Holdings Value”** means, on any day, the product of (i) the average official closing price of a share of IC Power on the New York Stock Exchange (or, if such shares cease to be listed thereon, on the relevant exchange on which they are listed) (expressed in US\$) during the 5 (five) most recent exchange business days prior to the relevant date, multiplied by (ii) the total number of shares of IC Power held by Kenon.
- 1.2.11. **“IC Power”** means IC Power Ltd., a company organized under the laws of the State of Israel, with company registration number 51-437498-2;
- 1.2.12. **“ICP Interests”** means (i) shares of IC Power and any other securities or rights convertible into, exercisable for or otherwise conferring the right to acquire, shares of IC Power, in each case on a fully diluted basis, and (ii) any other means of control (within the meaning of that term under the Israeli Securities Law, 1968) in IC Power, either directly or indirectly, by virtue of the holding of any security, by agreement or otherwise.
- 1.2.13. **“Interest Capitalization Period”** means a period commencing on the Effective Date and ending on the fifth anniversary of the Effective Date (or if such day is not a Business Day, the next following Business Day);
- 1.2.14. **“Interest Period”** means (i) the period from the date on which a Loan is provided by IC or a Qoros Guarantee Liability Amount is demanded by IC pursuant to Section 2.2, as applicable, to (and excluding) the next following anniversary of the Effective Date (or if such day is not a Business Day, the next following Business Day), (ii) each successive period of 12 months thereafter (each such period ending on a date which is an anniversary of the Effective Date, or if such day is not a Business Day, the next following Business Day), provided that the last such period shall end on the Final Repayment Date;
- 1.2.15. **“Interest Rate”** means a rate equal to LIBOR plus 6% per annum (calculated in accordance with actual/360);
- 1.2.16. **“IPO”** means, in respect of IC Power, an initial public offering of its shares or equity securities convertible into shares, or the listing thereof for trading, as the case may be, on any recognized exchange in any jurisdiction;

- 1.2.17. “**LIBOR**” means the London interbank offered rate administered by the ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) for USD and for a period equal to the Interest Period for that Loan or the Qoros Guarantee Liability Amount (as applicable) as of the date which falls two (2) business days on the relevant interbank market prior to the commencement date of each Interest Period, as displayed on the relevant pages of any internationally recognized information service which publishes that rate from time to time (such as Reuters or Bloomberg) reasonably selected by IC, or if no rate is available on such information service, a rate quoted to IC at its request by a bank operating in the London interbank market. The Interest Rate so determined will apply for the period from the commencement of the relevant Interest Period until its expiration.
- 1.2.18. “**Loan Facility Cap Amount**” means an amount equal to (i) US\$200,000,000 (two hundred million US Dollars), provided that for the purpose of determining the Loan Facility Cap Amount any amounts capitalized to or accrued on any Loan pursuant to this Agreement shall be disregarded;
- 1.2.19. “**Loans Repayment Date**” means the date falling on the last day of the Interest Capitalization Period, as such date may be extended in accordance with Section 4.1 (and if such day is not a Business Day, the next following Business Day), provided that, notwithstanding anything to the contrary in this Agreement (including the provisions of Section 4.1), if an IPO is consummated at any time prior to the date which is then designated as the Loans Repayment Date, then the Loans Repayment Date shall automatically be extended or shortened, as applicable, to the date which is the earlier of (i) the date falling 18 months after the closing date of the IPO, and (ii) the Final Repayment Date.
- 1.2.20. “**Net Debt**” shall mean, at any time, the aggregate amount of all obligations of Kenon for or in respect of Financial Indebtedness at that time, less cash, cash equivalents and short-term deposits of Kenon, all as appearing in the most recent unconsolidated financial statements of Kenon.
- 1.3. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.
- 1.4. All references in this Agreement to Sections and annexes or schedules shall, unless otherwise provided, refer to Sections hereof and to annexes or schedules attached hereto. The words “hereof”, “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement.
- 1.5. Unless the context otherwise requires, references to (or to any specified provision of) this Agreement or any other document shall be construed as references to that provision or that document as in force for the time being and as amended, supplemented, modified or replaced in accordance with the terms thereof.
- 1.6. References to a law or to a specific section thereof shall be construed as a reference to such law, including any rules or regulations promulgated thereunder, or section, as the same may have been, or may from time to time be, amended, succeeded or re-enacted.
- 1.7. The obligations of IC under this Agreement shall be effective as of the Effective Date.

2. **The Loan Facility and Qoros Guarantee Indemnity**

2.1. **The Loan Facility.**

- 2.1.1. In reliance of the representations and undertakings of Kenon hereunder and subject to the terms and conditions of this Agreement, IC makes available to Kenon a USD facility in an aggregate amount not to exceed the Loan Facility Cap Amount (the “**Loan Facility**”).
- 2.1.2. Subject to the terms and conditions of this Agreement (including the conditions set out in Section 2.1.3), Kenon may, from time to time during the Availability Period, request to drawdown one or more loan(s) (each, a “**Loan**”) under the Loan Facility, by submitting to IC, not less than 10 (ten) Business Days (or such shorter period as IC may in its absolute discretion agree) before any Loan is requested to be made, a notice substantially in the form attached hereto as **Schedule 1** (the “**Drawdown Notice**”).
- 2.1.3. Kenon may submit a Drawdown Notice, which will not be regarded as having been duly completed unless all of the following conditions are satisfied -
 - (a) the date specified in the Drawdown Notice for the drawdown of the Loan falls within the Availability Period; and
 - (b) Kenon has created the relevant pledges in accordance with Section 7.3.1, and has delivered duly executed security documents in accordance with Section 7.3.1 in form and substance agreed between the Parties and satisfactory to IC together with evidence agreed between the Parties and satisfactory to IC that each pledge granted pursuant hereto (or any amendment thereto, as applicable) has been duly filed for registration with the applicable public registry in all relevant jurisdictions.
- 2.1.4. Subject to the terms and conditions of this Agreement, IC shall provide the Loan requested by Kenon in a Drawdown Notice in accordance with this Agreement, by bank transfer to Kenon’s bank account in accordance with transfer instructions to be specified in the Drawdown Notice.
- 2.1.5. Kenon may apply all amounts borrowed by it under the Loan Facility towards its general corporate purposes or any other purpose approved by its directors. IC shall not be bound or responsible to monitor or verify the application of any amount borrowed pursuant to this Agreement.
- 2.1.6. Kenon may request to cancel any unutilized amount of the Loan Facility by submitting a written notice to IC, not less than 5 (five) Business Days (or such shorter period as IC may in its absolute discretion agree) before such cancellation is requested to be made, specifying the requested cancellation date of the Loan Facility and the unutilized amount of the Loan Facility to be cancelled, and as of such date all rights and obligations of the Parties under this Agreement with respect to such unutilized amount of the Loan Facility.

2.2. The Qoros Guarantee Indemnity.

- 2.2.1. IC agrees not to amend the terms of any Qoros Guarantee which would extend the duration thereof or increase the amounts for which IC may be liable under any Qoros Guarantee, without the prior written consent of Kenon.
- 2.2.2. Without derogating from the provisions of Section 2.2.1 above, Kenon shall notify IC, promptly upon becoming aware, and otherwise at the request of IC, of any restructuring, material change or amendment to the Qoros Loan Agreement or any agreement entered into by any guarantor, credit support provider and/or by Quantum (2007) LLC in connection thereof.
- 2.2.3. Kenon agrees and undertakes to indemnify and reimburse IC in full for any and all amounts actually paid by IC in connection with any Qoros Guarantee for any reason whatsoever together with any reasonable out-of-pocket cost or expense (including reasonable legal fees) paid or incurred by IC in that respect, including in responding to, evaluating, negotiating or complying with any demand or requirement in respect of any of the Qoros Guarantees (the “**Qoros Guarantee Liability Amount**”).
- 2.2.4. IC shall notify Kenon in writing as soon as reasonably practicable after receiving any demand to pay any amount pursuant to any Qoros Guarantee specifying the amount demanded together with copy of the demand, and to the extent reasonably practicable to do so shall liaise with Kenon prior to making any payment in respect of such demand, *provided however that* nothing herein shall limit IC nor hinder or interfere with the performance of its obligations under law or any contract as it may determine in its sole discretion.
- 2.2.5. Kenon shall pay any amount under the Qoros Guarantee Liability Amount following receipt of a written demand from IC (an “**IC Guarantee Demand**”) as follows: (i) if such IC Guarantee Demand is issued prior to the Final Repayment Date, no later than the Final Repayment Date (including interest accrued thereon in accordance with this Agreement), and in case that prior to the delivery of such IC Guarantee Demand IC has declared that any or all of the Loans and the Qoros Guarantee Liability Amount then outstanding under the Agreement be immediately due and payable prior to their specified maturity, within 14 Business Days of receipt of such IC Guarantee Demand; and (ii) if such IC Guarantee Demand is issued on or after the Final Repayment Date (and without prejudice to the repayment obligation of Kenon in accordance with the provisions of Section 4.2), within 14 Business Days of receipt of such IC Guarantee Demand. For the avoidance of doubt, however without prejudice to the indemnity undertakings of Kenon hereunder and without imposing on IC any duty or obligation to mitigate or eliminate the effect of any circumstances resulting in an amount becoming payable by it or to take any action to recover any amount, any amount actually recovered by IC from any third party (including Qoros or Chery) in respect of amounts paid by it in connection with the Qoros Guarantees shall be reduced from the Qoros Guarantee Liability Amount (that is, there shall be no double recovery).

- 2.2.6. The indemnity undertakings of Kenon hereunder shall continue in full force and effect and be binding upon Kenon (and its successors, including liquidators, judicial managers, administrators and trustees) until the expiration of the Qoros Guarantees and the final and irrevocable discharge and/or termination of any and all obligations and liabilities of IC or that IC may incur in connection with the Qoros Guarantees (the “**Qoros Guarantee Liability Termination**”). For avoidance of doubt, the indemnity undertakings shall not be considered satisfied by any intermediate payment or recovery of all or any amount under this Agreement or any settlement of account in respect thereof, and shall not be prejudiced and the liability of Kenon shall not be affected, as a consequence of an acceleration or declaration by IC of any amount due and payable prior to its specified maturity, by the pursuit or of any right or remedy available to IC or by any invalidity, incapacity or defect in any collateral, security or other credit support or with respect to any indebtedness/liability whatsoever of any person or in any other document signed or to be signed by any person for or in connection with any amount underlying the Qoros Guarantee Liability Amount or any part thereof.
- 2.2.7. For the avoidance of doubt, the indemnity undertakings of Kenon hereunder shall be without prejudice to any right or remedy that IC may have against Kenon (including in connection with any breach or default (howsoever defined) under this Agreement or under any other agreement) or against any other person, including Qoros or Chery (subject to the provisions of Section 2.2.8 below), any other agreement or under applicable law, provided that in no event shall the availability of any other right or remedy of IC against any person affect the obligations of Kenon under this Agreement.
- 2.2.8. Without prejudice to the foregoing, if reasonably practicable to do so and to the extent permitted by law or any relevant agreement, and subject to receipt of the consent of third parties required under such agreements, if needed, IC shall assign to Kenon, and Kenon undertakes to assume (at Kenon’s sole expense), any and all rights (if any) of IC against Chery and Qoros in connection with the amounts to be indemnified for pursuant hereto in respect of the Qoros Guarantee Liability Amount, and the parties shall use commercially reasonable efforts (at Kenon’s sole expense) to execute, upon written request of Kenon, any instrument reasonably necessary to evidence such assignment. Kenon undertakes to use commercially reasonable efforts to preserve and enforce all of the rights available to it, including those assigned to it pursuant hereto, to recover any amounts paid by IC in connection with the Qoros Guarantees. Kenon further undertakes to apply, in priority to any other amount (other than payments mandatorily preferred in accordance with applicable law) any amounts actually recovered by it from Qoros, Chery or any third party through the pursuit or enforcement of rights available to it under law or contract, including those assigned to it by IC pursuant hereto, to pay off amounts owing to IC pursuant to the indemnity hereunder in accordance with the provisions of this Agreement.

In the event that IC shall determine that it is impossible or inadvisable to assign any rights it may have against Qoros or Chery in accordance with this Section 2.2.8, IC shall notify Kenon of such determination and the Parties shall consult with one another and cooperate (at Kenon's sole expense) with regard to the pursuit and enforcement of the rights available to IC to recover any amounts paid by IC in connection with the Qoros Guarantees. If, following such consultation between the Parties, Kenon shall notify IC that it wishes to pursue the enforcement of any such rights, IC may (without any obligation) issue Kenon a revocable power of attorney authorizing and empowering Kenon to take action, at its sole expense, in this respect. In the event Kenon notifies IC that it does not wish to enforce such rights (or in the event that Kenon has failed to so notify IC and IC has given Kenon a ten (10) Business Days' notice (or such shorter notice, if IC believes that further delay may materially prejudice the pursuit and enforcement of its rights and/or its ability to recover any amounts paid in connection with the Qoros Guarantees), IC shall be entitled (but not obligated) to do so, at Kenon's expense. Nothing herein shall limit IC's right to join as a party to any legal proceedings, including without limitation where it believes that there may be a conflict of interests that may impair or adversely affect its rights or interests. Any amount actually recovered by IC from Qoros, Chery or any third party through the pursuit or enforcement of rights available to it under law or contract shall be reduced from the Qoros Guarantee Liability Amount (that is, there shall be no double recovery).

- 2.2.9. In no circumstances whatsoever shall IC be liable to Kenon for any action taken or not taken by it in connection with the Qoros Guarantees, or for any delay or partial performance thereof other than with respect to willful malicious acts or omissions of IC or anyone on its behalf. Kenon may not take any proceedings against IC, any of its directors, officers, employees or anyone acting on its behalf in respect of any act or omission of any kind by any of them in connection with the Qoros Guarantees, other than with respect to willful malicious acts or omissions. The directors, officers, employees and anyone acting on behalf of IC may rely on this Section and enforce its terms.

3. **Interest, Fees and Other Payments**

3.1. **Commitment Fee.**

- 3.1.1. On each day a Loan is made to Kenon under the Loan Facility in accordance with this Agreement, an amount equal to the Commitment Fee accrued in respect of the amount of that Loan (but for the avoidance of doubt, not any other unutilized portion of the Loan Facility, if any), shall be calculated for the period from the Effective Date to the drawdown date of that Loan in accordance with this Agreement, and be capitalized to that Loan on the drawdown date of that Loan, and shall thereafter be deemed to be a Loan for all intents and purposes hereunder.

- 3.1.2. In the event that any portion of the Loan Facility is cancelled in accordance with this Agreement, an amount equal to the Commitment Fee accrued in respect of the unutilized portion of the Loan Facility so cancelled shall be calculated for the period from the Effective Date to the date of cancellation of such portion of the Loan Facility in accordance with this Agreement (such amount, a “**Commitment Fee Cancellation Accrual Amount**”). On the last day of the Interest Capitalization Period, the Commitment Fee in respect of any unutilized amount of the Loan Facility then remaining shall be calculated for the period from the Effective Date to (and including) that date, and shall constitute a Commitment Fee Cancellation Accrual Amount. For avoidance of doubt, each Commitment Fee Cancellation Accrual Amount shall be deemed to be a Loan for all intents and purposes hereunder (including, without limitation, that it shall become due and payable on the Loans Repayment Date).

Each Commitment Fee Cancellation Accrual Amount shall accrue interest at the Interest Rate, calculated daily (in accordance with actual/360) from the date of cancellation of such portion of the Loan Facility to (and including) the last day of each Interest Period during the Interest Capitalization Period, and such interest shall be capitalized to that Commitment Fee Cancellation Accrual Amount on the last day of each such Interest Period (other than the last date of the Interest Capitalization Period if such day is the Loans Repayment Date).

3.2. Interest.

- 3.2.1. The outstanding amount of each Loan and the outstanding amount of the Qoros Guarantee Liability Amount outstanding (including, in each case, interest amounts previously capitalized thereto in accordance with this Agreement), shall bear interest at the Interest Rate, which shall be calculated in accordance with Section 3.2.2 below with respect to each Interest Period from the date of which each such Loan is provided by IC or that such amount under the Qoros Guarantee Liability Amount is demanded by IC pursuant to Section 2.2, as applicable, and until the date of the final repayment of that Loan or the Qoros Guarantee Liability Amount, as applicable, provided that it shall not extend beyond the Final Repayment Date.
- 3.2.2. Interest as aforesaid in Section 3.2.1 above shall be calculated at the Interest Rate and accrue daily (in accordance with actual/360) from the date on which each such Loan is provided by IC or that amount under the Qoros Guarantee Liability Amount is demanded by IC pursuant to Section 2.2 (or, in the case of amounts capitalized to that Loan or Qoros Guarantee Liability Amount in accordance with this Agreement, from the date on which such amount is so capitalized thereto), as applicable, to (and including) the last day of each Interest Period during the Interest Capitalization Period, and capitalized to the relevant Loan or the Qoros Guarantee Liability Amount, as applicable, on the last day of each such Interest Period (other than the last date of the Interest Capitalization Period if such day is the Loans Repayment Date).
- 3.2.3. Interest on any Loan and the Qoros Guarantee Liability Amount outstanding, as applicable (including, in each case, interest amounts capitalized thereto in accordance with this Agreement), shall be calculated at the Interest Rate, shall accrue daily (in accordance with actual/360) during each Interest Period following the Interest Capitalization Period, and shall be payable on the last day of each such Interest Period (and in any event on the Loans Repayment Date).

- 3.3. Default interest. In the event that Kenon fails to pay any amount owing by it hereunder on the due date therefor (subject to any applicable grace or cure periods set forth in this Agreement), and IC has declared any amounts accrued or outstanding under the Agreement immediately due and payable, additional interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate of 3% per annum (the “**Default Rate**”). Any interest accruing at the Default Rate under this Section shall be immediately payable by Kenon upon demand by IC.
- 3.4. Costs and expenses. Kenon shall pay to IC on demand all costs and expenses reasonably incurred by IC, including reasonable fees and expenses of IC’s legal advisors, in connection with any default or the enforcement of, or preservation of rights under this Agreement (including with respect to the contemplation of any enforcement and preparation therefor, and the creation, perfection and preservation of any pledge granted pursuant hereto).

4. **Repayment and Prepayment**

- 4.1. Extension of the Loans Repayment Date. Kenon shall have the right to notify IC, on or prior to the date which is one month prior to the then designated Loans Repayment Date (an “**Extension Notice Date**”), and *provided that* an IPO has not been consummated on or prior to that Extension Notice Date, that the Loans Repayment Date be extended to the date which is the earlier of (i) the date falling no later than 2 years after the date which is then designated as the Loans Repayment Date, and (ii) the Final Repayment Date.
- 4.2. Repayment. Subject to Section 4.3, Kenon shall (i) on the Loans Repayment Date, repay to IC an amount equal to one hundred percent (100%) of the then-outstanding Loans and any Commitment Fee Cancellation Accrual Amounts and (ii) on the Final Repayment Date, pay to IC an amount equal to one hundred percent (100%) of the Qoros Guarantee Liability Amount then outstanding, in each case including interest amounts capitalized in accordance with this Agreement, together with any accrued interest and all other amounts owing hereunder which then remain unpaid.
- 4.3. Prepayment. Kenon shall have the option to prepay to IC all or any part of the then outstanding Loans, Qoros Guarantee Liability Amount and Commitment Fee Cancellation Accrual Amounts without being required to pay any make-whole or similar payments. Kenon shall deliver a notice to IC of its election to make such prepayment at least three (3) Business Days prior to the proposed prepayment date (which notice shall specify the prepayment amount and the proposed date for prepayment which must be a Business Day). Kenon shall pay the prepayment amount specified in its notice on the proposed date for prepayment.
- 4.4. No Reborrowing. Kenon shall not be entitled to reborrow under this Agreement any part of any Loan which is repaid or prepaid hereunder.

5. **Payment Mechanics**

- 5.1. **Payments.** All payments to be made by Kenon to IC shall be made in Dollar by bank transfer to an account designated by IC (if Kenon has not received instructions regarding details of such account at least 5 Business Days prior to the relevant payment date, it shall notify IC thereof and request such instructions).
- 5.2. **No Set-Off.** All payments to be made by Kenon to IC under this Agreement shall be calculated and made without (and free and clear of any deduction for) set-off or counterclaim.
- 5.3. **Taxes.**
- 5.3.1. If a deduction or withholding for or on account of tax (other than Israeli income tax of IC) from a payment under this Agreement is required by law to be made by Kenon ("**Tax Deduction**"), then the amount of the payment due from Kenon shall be increased to an amount which (following such Tax Deduction) leaves an amount equal to the payment which would have been due if no such Tax Deduction had been required.
- 5.3.2. Kenon shall make, in consultation with IC, any such Tax Deduction and any payment required in connection therewith, within the time allowed and in the minimum amount required by law, and shall deliver to IC, as soon as reasonably practicable thereafter, evidence reasonably satisfactory to IC that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.
- 5.3.3. Without derogating from the foregoing, IC and Kenon shall cooperate in good faith in completing any procedural formalities necessary for Kenon to apply (at Kenon's cost) for authorization to make that payment without a (or with a reduced) Tax Deduction under the Singapore-Israel Treaty for the Avoidance of Double Taxation (the "**Treaty**"). Such cooperation shall only extend to assisting Kenon, on a best efforts basis, with any documentation reasonably required in order to qualify for the Treaty (including a Certificate of Residence from the Israeli tax authorities) and otherwise assist in any procedures reasonably required for Kenon in claiming the benefits under the Treaty and to obtain authorization to make any payment with no (or with a reduced) Tax Deduction. Kenon shall timely transfer the withheld taxes to the Singapore tax authorities, and as soon as practicable thereafter shall deliver to IC all relevant documents and information in connection therewith.
- 5.3.4. If any payment is increased in accordance with Section 5.3.1, and IC actually receives a tax refund which is attributable to a Tax Deduction borne by Kenon under this Agreement, IC shall reimburse Kenon, within 30 days of receipt of such tax refund, an amount equal to the lower of (i) the amount by which any payment is increased in connection with said Tax Deduction in accordance with Section 5.3.1 and (ii) the amount of the tax refund actually received by IC. IC shall promptly notify Kenon of any tax refund obtained (if obtained) in Israel for such Tax Deduction. IC shall not be required to disclose any information relating to the administration of its tax affairs.

- 5.4. VAT. Unless expressly stated otherwise, all amounts payable by Kenon specified in this Agreement do not include value added tax or goods and services tax, to the extent applicable under applicable law of any jurisdiction. Kenon shall pay to IC all value added tax, if any, payable in respect of any payment to be made by Kenon under the Loan Agreement and shall bear any goods and services tax, if any, payable on any supply made by IC to Kenon under this Agreement.
- 5.5. Application of Payments. If IC and/or any receiver, administrator, administrative receiver, judicial manager, trustee or other similar officer, receives a payment that is insufficient to discharge all the amounts then owed or due and payable by Kenon under this Agreement, such amount shall be applied towards the obligations of Kenon under this Agreement in the following order or in such other order as IC may deem fit (notwithstanding any appropriation made (if made) by Kenon):
- 5.5.1. *first*, in or towards payment of all expenses with respect to the collection of any amount, including any unpaid fees of any receiver, judicial manager, administrator, trustee or other similar officer, in the amount determined by IC pursuant to this Agreement or by the relevant court, execution office or any other relevant authority;
- 5.5.2. *second*, in or towards payment of any unpaid costs and expenses of IC under this Agreement;
- 5.5.3. *third*, in or towards payment of any other amount owing under this Agreement to IC but unpaid, other than principal of the Loans and the Qoros Guarantee Liability Amount, in such order as IC deems fit; and
- 5.5.4. *fourth*, in or towards payment to IC on account of the principal of the Loans and the Qoros Guarantee Liability Amount.

6. **Representations and warranties of Kenon**

Kenon represents and warrants to IC (which representations will be deemed to be repeated on each day), in each case from the date of this Agreement and until all amounts owed or payable under this Agreement have been irrevocably paid in full and until the Qoros Guarantee Liability Termination, as follows and acknowledges that IC is entering into this Agreement in full reliance thereof:

- 6.1. Status. It is a company, duly incorporated and validly existing under the law of its jurisdiction of incorporation, and has the power to carry on its business as it is being conducted from time to time.
- 6.2. Capacity. It has the right, power, authority and capacity to execute and deliver this Agreement, to consummate the transactions contemplated hereby and to perform its obligations under this Agreement.
- 6.3. Authorization and binding obligations. This Agreement has been authorized by all necessary corporate action on its part, has been duly executed and delivered by it through its authorized officers, and it represents valid and binding obligations enforceable against it in accordance with its terms.
- 6.4. Consents. No consent, approval or authorization of, exemption by, or filing with, any governmental or regulatory authority or any third party is required in connection with the execution, delivery and performance by Kenon of this Agreement and the consummation of the transactions contemplated herein other than filing or other actions required for the perfection of the pledges and security interests under Section 7.3 hereto.

- 6.5. Non-conflict. Its entry into, and performance by it of, this Agreement does not and will not conflict with, or result in a violation of (i) its organizational documents, (ii) any other agreement to which it is a party, (iii) any order, judgment, award, injunction, decree, ordinance or regulation or any other restriction by which it is bound, or (iv) any authorization, consent to which it is subject.
- 6.6. Governmental regulation. It is not subject to regulation or other legal impediment under any applicable law which may limit its ability to incur indebtedness or which may otherwise render all or any portion of the obligations under this Agreement illegal, invalid or unenforceable.
- 6.7. No filing or stamp taxes. It is not necessary, under the laws of Kenon's jurisdiction of incorporation that this Agreement be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration or similar tax be paid on or in relation to this Agreement or the transactions contemplated by this Agreement other than in relation to the perfection of pledges and security interests under Section 7.3 hereto by (i) a statement containing particulars of charge in respect of the security documents to be filed and lodged with the Accounting and Corporate Regulatory Authority of Singapore, and (ii) the payment of stamp duty (which on the date hereof is in the amount of Singapore \$500) payable in Singapore in respect of the stamping of security documents to be executed in respect of such pledges and security interests.
- 6.8. Financial statements. The financial statements of Kenon are and will be prepared in accordance with generally accepted accounting principles, including International Financial Reporting Standards, consistently applied and truly and fairly represent the financial condition of Kenon for the relevant financial period referred to therein.
- 6.9. Governing law and enforcement.
- 6.9.1. The choice of the law of the state of Israel as the governing law of this Agreement and the submission by Kenon hereunder to the jurisdiction of the courts of Tel-Aviv-Jaffa, Israel will be recognized and enforced in Singapore, except, in respect of the choice of law provisions and solely in the case of enforcement of the provisions hereof in any court in Singapore, to the extent that such court determines any such provision to be illegal or contrary to public policy or applicable mandatory law in Singapore or that any matters of procedure including questions of set-off and counter-claim, interest chargeable on judgment debts, priorities, measure of damages, limitation of actions and submissions to the jurisdiction of foreign courts would be governed by the laws of Singapore to the exclusion of the relevant expressed governing law.
- 6.9.2. Any judgment obtained in the courts in Tel-Aviv-Jaffa, Israel in relation to this Agreement will be recognized in Singapore, and will be enforced in Singapore, provided it is a final and conclusive, monetary judgment for a fixed sum (other than for the payment of taxes, a fine or penalty), and subject to the following conditions: (i) the relevant court had jurisdiction over Kenon in that Kenon was, at the time such proceeding was instituted, resident in the jurisdiction in which such proceeding had been commenced or had submitted to the jurisdiction of the relevant court; (ii) that judgment was not obtained by fraud; (iii) the enforcement of that judgment would not be contrary to public policy of Singapore; and (iv) the judgment had not been obtained in contravention of the principles of natural justice.
- 6.10. Pari passu ranking. Its payment obligations under this Agreement will rank at all times at least *pari passu* with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

7. **Undertakings and Covenants of Kenon**

Kenon undertakes in favor of IC from the date of this Agreement and until the later of: (a) the date of final repayment of all amounts owed or payable under this Agreement and (b) the Qoros Guarantee Liability Termination, as follows:

7.1. **Information undertakings.**

- 7.1.1. to supply to IC as soon as the same are issued, the audited consolidated and unconsolidated annual financial statements as of the end of and for the previous financial year of Kenon, and in respect of each of the first three financial quarters of each financial year of Kenon, the unaudited consolidated and unconsolidated interim financial statements for that financial quarter of Kenon, in each case prepared in accordance with generally accepted accounting principles, including International Financial Reporting Standards, consistently applied;
- 7.1.2. to supply, as soon as the same are issued and become available, the audited consolidated annual financial statements (and if issued and when the same becomes available, the audited unconsolidated annual financial statements) as of the end of and for the previous financial year, and in respect of each of the first three financial quarters of each financial year of IC Power and Qoros, the unaudited consolidated interim financial statements (and if issued and when the same becomes available, the unaudited unconsolidated interim financial statements) for each financial quarter, of each of IC Power and Qoros, respectively, in each case prepared in accordance with generally accepted accounting principles, including International Financial Reporting Standards, consistently applied; and
- 7.1.3. to promptly provide information and/or documentation regarding the financial condition, business and operations of each of Kenon, IC Power and Qoros, as IC may reasonably request, including financial statements as of and for any financial period (whether before or after the Effective Date), in each case (including in respect of financial statements provided pursuant to Sections 7.1.1 or 7.1.2) together with all reports, management's letters, legal opinions and accountants/auditors' comfort letters and consents for the inclusion of the foregoing in IC's public regulatory filings (*provided that*, the provision of third party letters and opinions so requested is consistent with market practice), and any other information and/or documentation, and *provided further that* the aforesaid is required for fulfillment by IC of any legal or regulatory requirements, including for disclosure in any periodic report (including annual and quarterly reports and such other reports) and/or immediate report, according to applicable regulatory reporting obligations to which IC will be subject and under any applicable law, or in the course of preparing and filing of public offerings of any kind (prospectuses, shelf prospectuses, registration statements and the like) or other corporate filings in any jurisdiction required under any applicable law or regulations (in which case the request for such information shall be deemed to be reasonable).

Without prejudice to the foregoing, it is agreed that where the financial statements of Kenon, IC Power or Qoros have been filed with the Securities and Exchange Commission, failure to deliver such financial statements shall not constitute a breach of this undertaking unless IC has requested Kenon to deliver copies of such financial statements and Kenon has not delivered them to IC within 5 (five) Business Days of such request.

Notwithstanding anything to the contrary in this Agreement, following the Final Repayment Date, Kenon undertakes to promptly provide to IC, any of the aforesaid information and documents in accordance with Section 7.1.3 reasonably required by IC in order to comply with its filing obligations under applicable law (including financial statements). Notwithstanding the aforesaid, following the Qoros Guarantee Liability Termination, Kenon will be required to provide the aforesaid information and documents in relation to Qoros only to the extent these are required by IC in order to fulfill its filing obligations under applicable law. The provisions of this Section 7.1 shall survive the termination of this Agreement.

7.2. Notifications.

- 7.2.1. Kenon shall notify IC, promptly upon becoming aware, and otherwise at the request of IC, of the occurrence of any Default, breach of or non-compliance with any undertaking or condition contained in this Agreement (save as would be considered to be *de minimis*), and the steps, if any, being taken to remedy it.
- 7.2.2. Kenon shall notify IC, as soon as reasonably practicable after the occurrence of any acquisition or disposition of any material asset, any public offering or private placement of shares or other securities, or any restructuring, rehabilitation or rescheduling of indebtedness, reorganization, scheme of arrangement or any similar event (including the commencement of negotiations with creditors or other stakeholders in connection therewith), commencement of any proceedings for liquidation, bankruptcy, insolvency, winding-up or other proceedings affecting creditors' rights generally, in each case by or in respect of any of Kenon, IC Power (including any subsidiary thereof which is material to its business), Quantum (2007) LLC or Qoros. The report hereunder will contain a description of such events. Kenon's obligations to notify IC in connection with IC Power (including its subsidiary as aforesaid), Quantum (2007) LLC or Qoros as aforesaid shall be subject to the information being available to Kenon and within its knowledge.
- 7.2.3. Kenon shall notify IC, promptly upon becoming aware, and otherwise at the request of IC, of (i) any restructuring, material change or amendment to the Qoros Loan Agreement or any agreement entered into by any guarantor, credit support provider and/or by Quantum (2007) LLC in connection thereof, and (ii) the occurrence of any default or breach by Qoros pursuant to the Qoros Loan Agreement and/or by any guarantor, credit support provider and/or by Quantum (2007) LLC pursuant to any other agreement or document entered in connection therewith, and shall provide IC any relevant information in that respect.

7.3. Security interest over ICP Interests.

7.3.1. Prior to the consummation of an IPO, Kenon undertakes to grant the following pledges and security interest in favor of IC as security for the full and punctual payment of all amounts owing by Kenon to IC from time to time under this Agreement:

- (a) as soon as reasonably practicable following the Effective Date (and prior to the utilization of the Loan Facility in accordance with this Agreement (as a condition to the drawdown of the initial Loan hereunder)), create a first ranking priority fixed pledge and security interest in favor of IC with respect to ICP Interests comprising no less than 40% of all ICP Interests then issued and outstanding; and
- (b) prior to the utilization of any Loan under the Loan Facility in accordance with this Agreement (as a condition to the drawdown of any Loan thereunder), create, or ensure the existence of, for each amount of US\$50,000,000 (or part thereof) out of the aggregate principal amount of all the Loans to be outstanding following the draw-down of such Loan, a first ranking priority fixed pledge and security interest in favor of IC with respect to ICP Interests comprising 6.5% of all ICP Interests then issued and outstanding, *provided that*, the aggregate percentage of ICP Interests that shall be pledged hereunder shall not exceed 66% of all ICP Interests then outstanding.

By way of illustration: (I) the utilization of a Loan under the Loan Facility in a principal amount of US\$80,000,000 (assuming no Loans had been previously made) shall be subject to the creation of a pledge pursuant hereto with respect to ICP Interests comprising in the aggregate 53% of all ICP Interests then outstanding; (II) the utilization of a Loan under the Loan Facility such that the aggregate principal amount of all Loans previously utilized together with the Loan to be utilized would exceed US\$150,000,000 shall be subject to the creation or existence of a pledge(s) pursuant hereto with respect to ICP Interests comprising in the aggregate 66% of all ICP Interests then outstanding),

in each case, pursuant to security documents in form agreed by the parties prior to the draw-down of the initial Loan (*mutatis mutandis* according to the security interest pledged with respect to each Loan), provided that prior to the draw-down of future Loans, IC shall be entitled to amend the form of the pledge documents to be executed by Kenon to the extent required as a result of changes in applicable law.

7.3.2. Kenon shall execute and deliver to IC, no later than the dates referred to herein, all documents that are necessary for the purpose of registering or otherwise perfecting each pledge and security interest granted pursuant hereto in accordance with applicable law in any relevant jurisdiction (including the recordation or registration thereof in any public registry in such jurisdiction), and shall pay all fees and charges (if any) in connection with such registration or perfection and any stamp duty payable in Singapore in respect of the stamping of said security

documents. At the request of IC, Kenon shall provide, upon the registration of any pledge (or an amendment thereto, as may be applicable), a legal opinion of its Singaporean external legal counsel regarding the legality, validity and perfection of the pledge and security interest (and any amendment or extension thereof, as the case may be) under Singaporean law in form satisfactory to IC.

- 7.3.3. Without prejudice to the foregoing, Kenon shall, promptly following the request of IC, execute all documents and take all steps as IC may reasonably require in order to ensure that the pledges granted pursuant hereto shall be valid and binding against third parties, and to execute and/or deliver to IC any additional and/or new pledge or amendment of, or supplement to, the foregoing pledges and any other documents as IC shall require for this purpose.
- 7.3.4. In the event that any Transaction permitted by Section 7.5.2 is effected or consummated prior to the consummation of an IPO, Kenon undertakes to ensure that the closing or completion of such Transaction shall be subject to the creation and registration of a pledge and security interest over the corresponding shares of the Purchasing Entity (together with any related rights and other rights of Kenon as a shareholder in such entity), on substantially the same terms as the pledge granted over the ICP Interests pursuant hereto (provided however that IC may require to include or modify any term which it reasonably believes is necessary to protect its interest and enable it to exercise any rights or remedies with respect to such pledge in accordance with applicable law), and Kenon shall execute such documents, complete such procedures and take all such actions as required by Sections 7.3.2 and 7.3.3 (including the registration of the pledge and security interest and the delivery of a legal opinion at the request of IC). If Kenon shall notify IC that it is a condition to the closing or to the completion of the foregoing Transaction that any pledge(s) and security interest created and registered in favor of IC over any ICP Interests shall be released, IC shall execute and deliver to Kenon a release in respect of such pledge(s) and security interest, which IC may subject by the creation and registration of the pledge and security interest referred to above upon or immediately following the closing or completion of said Transaction.
- 7.3.5. For the avoidance of doubt, the provisions of this Section 7.3 shall not be construed as limiting or restricting the grant of any security interest by IC Power over its assets including any shares or interests in its subsidiaries.
- 7.3.6. Following the consummation of an IPO, IC shall, within 3 (three) Business Days of Kenon's request, and provided that no Default, breach of or non-compliance with any material undertaking or material condition contained in this Agreement under this Agreement is then continuing and the ratio of Holdings Value to Net Debt on such day is at least equal to 2:1, confirm in writing to Kenon that the pledges created pursuant hereto shall be released, and IC shall within such 3 Business Day period sign and deliver to Kenon the documents required in order to delete or deregister such pledges from any public registry in which they were recorded, in each case at the expense of Kenon.

- 7.4. Incurrence of Indebtedness. Following the consummation of an IPO, Kenon shall not incur nor assume any Financial Indebtedness (other than the drawdown of Loans under the Loan Facility in accordance with the terms of this Agreement, the Qoros Guarantee Liabilities Amounts, Commitment Fee Cancellation Accrual Amounts and any other indebtedness under this Agreement), unless the ratio of Holdings Value to Net Debt is at least equal to 2:1 as of immediately following such incurrence (as calculated immediately prior to such incurrence, taking into account and giving effect to such incurrence. In determining the effect of such incurrence, the net cash proceeds to be received under the Financial Indebtedness so incurred or assumed by Kenon shall not be taken into account in the calculation of the ratio of Holdings Value to Net Debt unless it is either (A) actually applied (in whole or in part, as may be applicable) in exchange for, or to renew, refund, refinance, replace or discharge, any other Financial Indebtedness (in whole or in part), or (B) deposited in a segregate account and pledged in favor of IC under a first ranking fixed pledge until application of any amount thereof in accordance with (A) above, in each case to the extent required to satisfy the required ratio of Holdings Value to Net Debt).
- 7.5. Transactions in IC Power or in ICP Interests.
- 7.5.1. Following the consummation of an IPO, Kenon shall not enter into nor permit, cause or agree to the entry into or consummation of, any transaction or a series of related transactions, including (but not limited to) any sale, transfer, assignment, issuance, tender offer, share exchange, merger, reverse merger, repurchase or other transaction(s) or as a result of any corporate restructuring or reorganization of IC Power, in each case involving the sale or issuance of any ICP Interests and/or the sale, transfer, conveyance, lease or other disposal of all of the assets of IC Power (a “**Transaction**”) in which Kenon receives any cash proceeds as consideration under the Transaction, unless the ratio of Holdings Value to Net Debt is at least equal to 2:1 as of immediately following such Transaction (as calculated immediately prior to the consummation thereof, taking into account and giving effect to such Transaction. In determining the effect of such Transaction, any amount of the net cash proceeds to be received by Kenon in the sale or issuance of ICP Interests (as opposed to the sale, transfer, conveyance, lease or other disposal of IC Power’s assets as aforesaid) shall not be taken into account in the calculation of the ratio of Holdings Value to Net Debt unless it is either (A) actually applied (in whole or in part, as may be applicable) in exchange for, or to renew, refund, refinance, replace or discharge, any Financial Indebtedness (in whole or in part), or (B) deposited in a segregate account and pledged in favor of IC under a first ranking fixed pledge until application of any amount thereof in accordance with (A) above, in each case to the extent required to satisfy the required ratio of Holdings Value to Net Debt).

7.5.2. Kenon shall not, enter into or effect a Transaction which would result in Kenon acquiring shares of another entity (including an entity formed by or surviving any merger, consolidation, amalgamation or combination with or into IC Power) (the “**Purchasing Entity**”) in consideration of, in exchange for or against the tendering of, its shares in IC Power or in consideration of the sale, transfer, conveyance, lease or other disposition of all or substantially all of the assets of IC Power to the Purchasing Entity, unless all of the following conditions are satisfied (without prejudice to the provisions of Section 7.3.4):

- (a) before the consummation of an IPO, the Purchasing Entity is organized in a country which has diplomatic ties with the State of Israel; and
- (b) following the consummation of an IPO, the shares of the Purchasing Entity acquired by Kenon in such Transaction are listed for trading on any recognized exchange in any jurisdiction.

In the event that a Transaction permitted under this Section is effected or consummated, the provisions of this Agreement that apply to shares in IC Power or to ICP Interests shall apply, *mutatis mutandis*, to the shares of the Purchasing Entity (and, where applicable, references to IC Power and to ICP Interests, including for the avoidance of doubt under the definition of Holdings Value and for the purpose of the undertakings under Sections 7.1 (*Information undertakings*) and 7.2 (*Notifications*), shall be construed as references to the Purchasing Entity and to the shares in the Purchasing Entity, and for the avoidance of doubt such provisions shall thereupon cease to apply to IC Power and to ICP Interests).

7.5.3. Notwithstanding anything to the contrary herein, Kenon shall not enter into any transaction or a series of related transactions following the consummation of an IPO, as a result of which the shares of IC Power cease or will cease to be listed or traded on a recognized exchange.

7.6. Distributions by Kenon. It will not make, nor resolve to make or permit, cause or agree to the payment of, any Distributions other than as set out below:

- 7.6.1. prior to the consummation of an IPO, Kenon may resolve or approve a Distribution in-kind to its shareholders consisting solely of shares of Zim Integrated Shipping Services Limited and/or shares of Renewable Energy Group, Inc and/or shares of Tower Semiconductor Limited held by Kenon;
- 7.6.2. following the consummation of an IPO, Kenon may make, resolve to make or permit, cause or agree to the payment of, any Distributions, provided that upon payment of such Distributions and immediately after giving effect to payment of such Distributions, the ratio of Holdings Value to Net Debt is at least equal to 2:1; and
- 7.6.3. IC agrees that in the event that Kenon meets its undertakings under this Section 7.6 but does not have sufficient retained earnings in order to make any non-cash distribution in-kind (but, for the avoidance of doubt, not any cash distribution (in whole or in part)), IC will not object to Kenon’s application for a capital reduction, if so needed in order to enable the making of such Distribution, provided however that such agreement shall not prejudice any other obligation of Kenon hereunder nor constitute a waiver by IC of any of its rights under this Agreement, including for the avoidance of doubt, any rights which arise following any breach by Kenon or a default under this Agreement.

8. **Events of Default**

Each of the events or circumstances set out in this Section 8 is an “**Event of Default**” (whether or not caused by any reason outside the control of Kenon or of any other person):

- 8.1. **Non-payment.** Kenon does not pay on the due date any amount payable pursuant to this Agreement, unless payment is made as soon as practicable and in any event within 5 (five) Business Days of its due date (other than any payments due on the Loans Repayment Date (as may be extended in accordance with Section 4.1 hereto) or the Final Repayment Date, as applicable, for which there shall be no grace or cure period).
- 8.2. **Breach of Certain Undertakings.** Kenon does not comply with any of the covenants or undertakings in Sections 7.4 (*Incurrence of Indebtedness*), 7.5 (*Transactions in IC Power or in ICP Interests*), and 7.6 (*Distributions by Kenon*).
- 8.3. **Cross default.** Any Financial Indebtedness of Kenon is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described), *provided that* the aggregate amount of such Financial Indebtedness exceeds individually or in aggregate US\$50,000,000 (fifty million US Dollars) (or its equivalent in any other currency or currencies) and such Financial Indebtedness remains unpaid for, or has not been discharged or stayed within, 14 consecutive days thereafter.
- 8.4. **Insolvency.** Kenon is unable to pay its debts as they fall due, commences negotiations with its creditors with a view to the general readjustment, rehabilitation or rescheduling of its indebtedness (excluding, for the avoidance of doubt, any *bona fide* refinancing of then existing debt), makes a general assignment for the benefit of a rehabilitation scheme with its creditors, or is declared by a competent court or a governmental authority as being insolvent for the purposes of any applicable insolvency or bankruptcy law.
- 8.5. **Insolvency proceedings.**

Any corporate action, legal proceedings or other procedure or step is taken in relation to:

- 8.5.1. The winding-up, dissolution, administration, judicial management, rehabilitation or reorganization (by way of voluntary arrangement, scheme of arrangement or otherwise) of Kenon;
- 8.5.2. the appointment of a liquidator, receiver, trustee, administrator, judicial manager, compulsory manager or other similar officer in respect of Kenon or any of its assets; or
- 8.5.3. enforcement of any security or attachment over any assets of Kenon in each case in respect of indebtedness exceeding individually or in aggregate US\$50,000,000 (fifty million US Dollars),

or any analogous procedure or step is taken in any jurisdiction or an application for the recognition of foreign proceedings under applicable law is made in respect of Kenon.

No Event of Default will occur under this Section 8.5 by reason of any legal proceedings or other procedure or step (or analogous procedure or step taken in any jurisdiction) presented or taken by any person other than by Kenon, as applicable, which is being contested in good faith and is fully cancelled or discharged within 45 (forty-five) Business Days of its commencement or presentation.

On and at any time after the occurrence of an Event of Default which is continuing, IC may, by written notice to Kenon: (i) cancel the Loan Facility or any part thereof whereupon it shall immediately be cancelled; (ii) declare that all or part of the Loans and the Qoros Guarantee Liability Amount then outstanding, together with accrued interest, and all other amounts accrued or outstanding under the Agreement be immediately due and payable, whereupon they shall become immediately due and payable; and/or (iii) declare that all or part of the Loans and the Qoros Guarantee Liability Amount then outstanding, together with accrued interest, and all other amounts accrued or outstanding under the Agreement be payable on demand, whereupon they shall immediately become payable on demand by IC.

In the event that all or any part of the Loans and the Qoros Guarantee Liability Amount have been declared payable pursuant hereto, IC shall be entitled to take all steps it deems fit in order to collect all sums owed by Kenon, including, to enforce any pledges granted pursuant to Section 7.3 and to realize all or any of the assets pledged under the security documents to recover any amounts owing by Kenon. For avoidance of doubt, the Events of Default set out in this Section 8 shall be in addition to, and nothing in this Section shall operate or be construed so as to prejudice or derogate from, any other rights, causes of action, remedies and relief available to IC under this Agreement or by applicable law.

Kenon acknowledges and agrees that any payment received by any of the foregoing (including following the enforcement or realization of any pledge and security interest created or granted to IC by Kenon in accordance with this Agreement) at a time when all amounts owing or that may become due and payable under this Agreement have not yet become due and payable, including in respect of any obligations, claims, charges and other liabilities of IC or that IC may incur in connection with the Qoros Guarantees, may be deposited by IC (or anyone acting on its behalf) in a weekly interest bearing cash deposit in a bank account at IC's name, and shall thereafter be applied towards the payment of any such amounts owing or that may become due and payable under this Agreement, including amounts actually paid by IC in connection with any Qoros Guarantee, in accordance with Section 5.5. Following the full payment of all amounts due to IC under this agreement and following the Qoros Guarantee Liability Termination, the balance remaining in the aforementioned bank account (including all interest and proceeds accrued thereon) shall be paid to Kenon.

9. **Miscellaneous**

- 9.1. **Announcements.** The Parties agree to use reasonable efforts to coordinate in advance any public announcement or filing in respect of this Agreement or the transactions contemplated hereby required by applicable law or by the regulations of any applicable stock exchange, and otherwise neither Party shall communicate with any media without the prior written consent of the other party, *provided that* nothing herein shall prevent either Party from making such disclosures in any manner as it shall determine are required by applicable law. The foregoing notwithstanding, Kenon acknowledges that information provided by it in connection with this Agreement may be disclosed by IC in its public filings.
- 9.2. **Entire Agreement.** This Agreement constitutes the entire agreement between the Parties hereto pertaining to the subject matter hereof, and any and all other written or oral agreements relating to the subject matter hereof existing between the Parties hereto are expressly cancelled.

9.3. Amendment. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Parties.

9.4. Limitation of Liability. In no circumstances shall IC be required to pay nor be liable to Kenon for any consequential, indirect or punitive damages, opportunity costs or lost profits (whether arising from its negligence or breach of contract or otherwise), save only that nothing herein shall exclude liability for fraud.

9.5. Assignment.

9.5.1. IC may, at any time, and without the consent of Kenon, assign or transfer all or any of its rights, benefits and obligations under the Agreement to any Financial Institution, provided that: (i) the transferee will take upon itself all such rights and obligations so transferred or assigned pursuant hereto and (ii) the assignment will not derogate from Kenon's rights under this Agreement and will not impose on Kenon any further or increased liability whatsoever to indemnify the other party or to pay for any tax liabilities in pursuant to this Agreement that are not applicable to it prior to such assignment.

In this Section, "**Financial Institution**" means any bank, insurer, trust, fund (including pension funds, provident funds and investment funds) or any other entity, incorporated in any jurisdiction, which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets and which is supervised by a governmental body in the country of its incorporation.

If as a result of circumstances existing at the date of the assignment or transfer, Kenon would be obliged to make an increased payment to the transferee in accordance with Section 5.3.1, then the transferee will only be entitled to receive payment under Section 5.3.1 to the same extent as the transferring party would have been if the assignment or transfer had not occurred.

9.5.2. Kenon's rights and obligations under this Agreement shall not be assigned, transferred or delegated without IC's prior written consent, except that Kenon may assign its obligations under this Agreement to any affiliate thereof (being any person or entity which is directly or indirectly controlling or controlled by or under direct or indirect common control with Kenon), provided that Kenon shall remain liable for all such obligations, jointly and severally with such transferee and without prejudice to any rights of IC under this Agreement (for the purpose hereof Kenon irrevocably waives any defense it may have and any right of first requiring to proceed against or enforce any other rights or security or claim payment from any person before claiming payment from Kenon, irrespective of any law or the provision of any agreement to the contrary), and provided further that such transfer shall not prejudice any rights of IC under this Agreement. Any assignment or attempted assignment without IC's written consent shall be void and of no force or effect.

- 9.6. Successors and Assigns. Without prejudice to the provisions of Section 9.5 (*Assignment*), this Agreement shall inure to the benefit of, and be binding upon, the successors and assigns of the Parties hereto.
- 9.7. Remedies. No failure to exercise, nor any delay in exercising, on the part of a party hereto, any right or remedy hereunder or under law shall operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise thereof or the exercise of any other right or remedy. The rights and remedies provided to the Parties under this Agreement are cumulative and not exhaustive or exclusive of any rights or remedies provided under applicable law. Specifically, the rights and remedies afforded to IC in Section 8 are not exhaustive or exclusive of any other causes of action in respect of breach (material or otherwise) or non-compliance which IC may claim against and/or remedies it may pursue in respect thereof. Any extension of time or waiver given, or compromise made, with respect to a specific event by IC, shall apply only with respect to such specific event and shall not be interpreted as applying to any other event and shall not derogate from IC's rights under this Agreement or under applicable law (save as expressly stated in such waiver or compromise).
- 9.8. No Third Party Beneficiaries. This Agreement is made for the Parties hereto, and no third party shall have any right hereunder or be deemed a beneficiary hereof (except as expressly set forth herein to the contrary).
- 9.9. Notices. Any notice, demand or other communication required to be given by one Party to another under this Agreement shall be in writing and shall be deemed to have been served: (i) if personally delivered, when actually delivered; or (ii) if sent by facsimile or e-mail, on the day sent (and if such day is not a Business Day, the Business Day immediately following) subject to receipt of confirmation of transmission; or (iii) 5 (five) Business Days after being mailed by certified or registered mail, postage prepaid (for the purposes of proving such service, it being sufficient to prove that such notice was properly addressed and posted) to the respective addresses of the Parties set out herein:

if to IC:

Address: Millennium Tower, 23 Aranha Street, P.O.B
20456, Tel Aviv, 61204, Israel

e-mail: mayaak@israelcorp.com
natany@israelcorp.com

Attention: Legal Department; Financial Department

if to Kenon:

Address: 1 Temasek Avenue #36-01
Millenia Tower
Singapore 039192

e-mail: RobertR@kenon-holdings.com
TzahiG@kenon-holdings.com

Attention: Legal Department, Finance Department

or at such other address or email as any Party shall have furnished to the other in writing in accordance with this Section.

- 9.10. Governing Law. The internal laws of the State of Israel, without regard to its conflict of laws rules, shall govern the validity, the construction of its terms and the interpretation of the rights and duties of the Parties hereunder.
- 9.11. Jurisdiction and Service of process. The appropriate courts in Tel-Aviv-Jaffa, Israel shall have exclusive jurisdiction over any dispute or claim in connection with this Agreement or any of the transactions contemplated hereby, and the Parties hereby irrevocably submit to such jurisdiction.

The parties agree that this Section is made for the benefit of IC only. As a result, IC shall not be prevented from taking proceedings to settle any matter, dispute or relating to this Agreement or to enforce any right or remedy it may have in connection herewith in any courts with jurisdiction in Singapore or in any jurisdiction in which Kenon has assets, as it may deem appropriate and necessary in its sole discretion. To the extent allowed by law, the taking of proceedings in one jurisdiction shall not limit preclude the taking of proceedings (whether concurrently or not) in any other jurisdiction.

Kenon hereby agrees that the process by which any suit, action or proceedings be initiated or conducted may be served on it by being delivered in connection with any such proceedings in Israel to IC Green Energy Ltd. (“**IC Green**”).

A copy of the appointment letter and the consent of IC Green to act as agent for service is attached hereto as **Exhibit A**. If the appointment of IC Green ceases to be effective, the undersigned shall immediately appoint another person or entity in Israel to accept service of process on its behalf in Israel and, failing such appointment within 21 (twenty one) days, service to the law firm of Meitar Liquornik Geva Leshem Tal Law Offices, to the attention of any two of the following: Advs. Dan Geva, Michael Rimon, Judith Gal-Or, Assaf Oz, Tomer Sela and David Glatt (or, in their absence, to any partner in that law firm) will constitute due service of process to Kenon. Nothing contained herein shall affect the right to serve process in any other manner permitted by applicable law.

- 9.12. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be enforceable against the Parties actually executing such counterparts, and all of which together shall constitute one instrument.

[Signature Page to Follow]

IN WITNESS WHEREOF, the Parties have executed this LOAN AGREEMENT as of the date first above written.

ISRAEL CORPORATION LTD.

/s/ Nir Gilad

By: Nir Gilad

Title: CEO

/s/ Avisar Paz

By: Avisar Paz

Title: CFO

KENON HOLDINGS LTD.

/s/ Yoav Doppelt

By: Yoav Doppelt

Title: CEO

SIGNATURE PAGE OF THE LOAN AGREEMENT

SCHEDULE 1

DRAWDOWN NOTICE

From: Kenon Holdings Ltd.
To: Israel Corporation Ltd.
Dated: []

Dear Sirs,

We refer to the loan agreement with you dated [], 2015 (the “**Agreement**”). Capitalized terms have the meanings given to them in the Agreement. We wish to borrow a Loan on the following terms:

- (a) **Amount:** US\$[]
- (b) **Date on which a Loan is to be made:** [], (or, if that date is not a Business Day, the next Business Day), such date being a date falling within the Availability Period.
- (c) Payment delivery details for proceeds of the Loan:
[]

We confirm that each of the conditions for submission of this Drawdown Notice as set forth by the Agreement is satisfied on the date of the requested drawdown (after giving effect thereto, if applicable).

Yours faithfully,

KENON HOLDINGS LTD.

EXHIBIT A

Kenon Holdings Ltd.
1 Temasek Avenue #36-01, Millenia Tower
Singapore 039192

IC Green Energy Ltd.
19 Ha'arba'a St., Hatichon Tower
Tel-Aviv 61204, Israel

Attention: [●]

[●][●], 2015

Dear Sirs,

Re: Appointment of Process Agent

1. We refer to the Loan Agreement dated day of January 2015, by and between Israel Corporation Ltd. ("IC") and Kenon Holdings Ltd. ("**Kenon**"), as may be amended, supplemented, modified or replaced (the "**Loan Agreement**"). Terms used hereinafter and hereinabove shall have the meanings ascribed to them in the Loan Agreement (including any Schedules or Exhibits thereto), unless explicitly dictated otherwise herein.
2. We hereby appoint you as our agent for service of process by which any suit, action or proceeding is begun in the courts of the State of Israel arising out of or in connection with the Loan Agreement, on the terms set out in this letter.
3. Your appointment shall cease only upon receipt of notice of confirmation from IC (or any successor, assignee or representative thereof).

If the Loan Agreement is extended, amended, restated or otherwise modified, your appointment will, nonetheless, be extended and continued accordingly.
4. On receipt of service of process addressed to us by which any suit, action or proceeding is begun in the courts of the State of Israel arising out of or in connection with the Loan Agreement, you shall:
 - 4.1 accept service on our behalf;
 - 4.2 notify in writing by email or by fax to the email address or the number stated in this letter, as applicable (or another email address or fax number notified in writing to you by us from time to time), in either case containing the following:
 - (a) the date on which you accepted service of process on our behalf.
 - (b) a request by you for the name of the law firm in the State of Israel to whom the originals of the document(s) served on you should be sent. but need not contain any other information nor details of the nature or substance of the claim made against us.
 - 4.3 You shall also send a copy of the notice referred to in paragraph 4.2 to us by mail or courier to the address stated in this letter (or another address notified in writing to you by us from time to time) with a copy of the process served.

5. Your dispatch of the notice referred to in paragraph 4.2 or paragraph 4.3 is a good discharge of your obligations contained in the relevant paragraph, whether or not we receive the relevant notice and whether or not you are aware that we may not have received a notice previously sent to us by you. If, in your opinion, your dispatch or our receipt of either of the notices to be sent to us pursuant to paragraph 4.2 or paragraph 4.3 might be prevented, hindered or delayed by a cause beyond your control (including, without limitation, interruptions in postal or other communications services) your obligations under those paragraphs are suspended until, in your opinion, dispatch will not be prevented, hindered or delayed in that way. While your obligations are suspended you shall, if the relevant telephone services are operating normally, use reasonable efforts to give us the information referred to in paragraph 4.2 by telephone call to the number stated in this letter (or another number notified in writing to you by us from time to time).
6. You are instructed to notify us and IC of any change in your name or address as well as of any proposed change in your status that could lead to your winding-up or dissolution or of any contemplated cessation in maintaining an office or place of business in Israel.
7. This letter and any obligations arising out of or in connection with it are governed by, and shall be construed in accordance with, Israeli law. The competent courts of Tel-Aviv-Jaffa, Israel shall have exclusive jurisdiction on any matters arising out of or in connection with this letter.
8. Please acknowledge your acceptance of the terms of this letter by signing the acknowledgement below. We shall notify the parties to the Loan Agreement that you have accepted the terms of this letter and provide them with a copy of this letter and your acceptance.

Yours faithfully

a duly authorized representative of Kenon Holdings
Ltd.

We acknowledge receipt of your letter of which this is a true copy. We accept the appointment as agent for service process described in the letter on the terms the letter sets out, and undertake to comply with such terms.

a duly authorized representative of IC Green Energy Ltd.

**SUPPLEMENT NO. 1
TO THE LOAN AGREEMENT**

This Supplement No. 1 (the “**Supplement**”) to the Loan Agreement dated 7 January 2015 is made and entered into as of the 17th day of March 2016, by and between Israel Corporation Ltd. (“**IC**”) and Kenon Holdings Ltd. (“**Kenon**”). IC and Kenon shall each be referred to as a “**Party**”, and collectively, the “**Parties**”.

WHEREAS, the Parties have entered into a Loan Agreement dated 7 January 2015 (the “**Loan Agreement**”);

WHEREAS, as security for its obligations under the Loan Agreement, Kenon pledged in first ranking pledge 6,600,066 ordinary shares of IC Power par value NIS 0.01 each (comprising 66% of the issued and outstanding share capital of IC Power) in favor of IC pursuant to Pledge Agreements dated 7 January 2015, 29 January 2015, 4 May 2015 and 7 October 2015 (the “**Existing Pledges**”);

WHEREAS, Kenon wishes to restructure its holdings in IC Power, by introducing ICPS (as defined below), a newly incorporated wholly-owned subsidiary of Kenon, as a new tier holding company to which all of the ICP Interests will be transferred under the ICPS IPO Restructuring (as defined below) pursuant to the Share Transfer Agreement (as defined below) and in consideration for the New ICPS Shares (as defined below) and undertaking to repay the Vendor Loans (as defined below), and which will seek to launch an initial public offering of its ordinary shares on the New York Stock Exchange (which offering will, when completed, constitute an IPO for the purposes of the Loan Agreement);

WHEREAS, pursuant to Section 7.5.2 of the Loan Agreement, the ICPS IPO Restructuring qualifies as a “Transaction” (as defined therein) which Kenon is permitted to enter into, subject to the terms set forth in the Loan Agreement;

WHEREAS, pursuant to Section 7.3.4 of the Loan Agreement, Kenon is required to grant (or cause to be granted) a pledge and security interest over ICPS Interests (and all related rights, including distributions thereon, benefits and proceeds in respect thereof or derived therefrom) in accordance with the terms of the Loan Agreement and the Existing Pledges;

WHEREAS, the parties further agreed to substitute for the Existing Pledges a security interest granted by ICPS over ICP Interests in favour of IC, as required in order to facilitate the ICPS IPO Restructuring, and further agreed that Kenon would grant IC with a security interest in respect of the Vendor Loans the subject of the 145M Loan Agreement (as defined below) and any ICPS Interests that may be issued in conversion thereof, and to add to, and implement certain terms of, the Loan Agreement, all set forth in this Supplement;

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Definitions and Interpretation**

- 1.1. The preamble and any schedules, exhibits or appendices hereto form an integral part of this Supplement.
- 1.2. In addition to the terms defined elsewhere in this Supplement, the following terms shall have the meanings given to them in this paragraph:
 - 1.2.1. “**Supplement 1 Date**” means the date upon which IC notifies Kenon in writing that it has received all of the Schedule 1 Documents (as defined below);

- 1.2.1. **"ICPS"** means IC Power Pte. Ltd., (Company Registration Number: 201511865D), a company incorporated in Singapore and having its registered office at 80 Raffles Place, #26-01, UOB Plaza, Singapore 048624; and
- 1.2.2. **"ICPS Interests"** means (i) shares of ICPS and any other securities or rights convertible into, exercisable for or otherwise conferring the right to acquire, shares of ICPS, in each case on a fully diluted basis, and (ii) any other means of control (within the meaning of that term under the Israeli Securities Law, 1968) in ICPS, either directly or indirectly, by virtue of the holding of any security, by agreement or otherwise.
- 1.2.3. **"Vendor Loans"** means loans in an aggregate amount of US\$220,000,000 to be provided by Kenon to ICPS, pursuant to the 145M Loan Agreement and the 75M Loan Agreement, in connection with financing the acquisition by ICPS of the ICP Interests from Kenon pursuant to the Share Transfer Agreement.
- 1.2.4. **"Vendor Loan Agreements"** means the 145M Loan Agreement and the 75M Loan Agreement.
- 1.2.5. **"145M Loan Agreement"** means one of two loan agreements (the other being the 75M Loan Agreement) to be entered into by Kenon and ICPS pursuant to which ICPS will received Vendor Loans to finance a portion of the cash consideration payable by it to Kenon for the acquisition of the ICP Interests from Kenon pursuant to the Share Transfer Agreement.
- 1.2.6. **"75M Loan Agreement"** means one of two loan agreements (the other being the 145M Loan Agreement) to be entered into by Kenon and ICPS pursuant to which ICPS will received Vendor Loans to finance a portion of the cash consideration payable by it to Kenon for the acquisition of the ICP Interests from Kenon pursuant to the Share Transfer Agreement.
- 1.3. Terms, words and expressions defined in the Loan Agreement, and not otherwise defined herein, shall bear the same meaning as in the Loan Agreement. All references in this Supplement to paragraphs are references to paragraphs of this Supplement and references to Sections are references to sections of the Loan Agreement.
- 1.4. The provisions of the Loan Agreement concerning principles of construction or interpretation shall apply to this Supplement as if set out herein.

2. **Application of Certain Provisions of the Loan Agreement with regard to the ICPS IPO Restructuring**

Effective as of the Supplement 1 Date, the Loan Agreement shall be supplemented as follows:

- 2.1. The definitions set out in this Supplement (including in paragraph 1.2 thereof) shall be read and construed as if set out in the Loan Agreement.
- 2.2. Without derogating from the generality of Section 2.6 below, the definition of "IPO" in Section 1.2.16 of the Loan Agreement shall refer to an initial public offering of the shares or equity securities of ICPS and references to such term in Section 7.5 of the Loan Agreement shall be construed accordingly.
- 2.3. Pursuant to Section 7.3.4 of the Loan Agreement, Kenon undertakes to grant (or cause to be granted) the following pledges and security interest in favor of IC as security for the full and punctual payment of all amounts owing by Kenon to IC from time to time under this Agreement:
 - (a) a first ranking priority fixed pledge and security interest in favor of IC with respect to ICP Interests comprising 66% of all ICP Interests issued and outstanding as of the Supplement 1 Date, in substitution for the Existing Pledges substantially in the form of the security documents used by the parties in connection with the Existing Pledges;

- (b) a first ranking priority fixed pledge and security interest in favor of IC with respect to ICPS Interests comprising 66% of all ICPS Interests issued and outstanding as of the Supplement 1 Date (including the New ICPS Shares), substantially in the form of the Security over Shares Agreement (as defined in Schedule 1 hereto); and
 - (c) a security assignment in respect of the rights, title and interest of Kenon under the 145M Loan Agreement for the benefit of IC, including with respect to any future ICPS Interests that may be issued to Kenon upon conversion of the Vendor Loans pursuant to such 145M Loan Agreement from time to time, substantially in the form of the Security Assignment Agreement (as defined in Schedule 1 hereto).
 - 2.4. It is expressly acknowledged that IC shall not have a security interest in the rights of Kenon under the 75M Loan Agreement. Notwithstanding the foregoing, pursuant to Section 7.3.4 of the Loan Agreement, Kenon undertakes that:
 - (a) it shall not cause ICPS to prepay any amounts under the 75M Loan Agreement if such prepayment would result in the occurrence of an Event of Default (as such term is defined in Loan Agreement);
 - (b) not to exercise any Conversion Right under the Vendor Loans if the exercise of such right results in the shares of ICPS that are subject to the Security over Shares Agreement and the Security over Shares Agreement to be entered into pursuant to Security Assignment Agreement constituting less than 66% of all the issued and outstanding shares of ICPS as of the date of such conversion ; and
 - (c) following the occurrence of an event of default (being an Event of Default as defined under the Loan Agreement) and while it is continuing, not to cause ICPS to repay in cash, nor enforce any of its rights under the Vendor Loan Agreements so as to result in, ICPS repaying in cash any part of the principal amounts owing under either of the Vendor Loan Agreements unless such repayments are in the same proportion to the principal amounts outstanding under each of the Vendor Loan Agreements.
- For the purpose of this Section, a Conversion Right means a right to convert amounts owed to it under the terms of the Vendor Loan Agreements (as the case may be) into shares of ICPS.
- 2.5. The Parties hereby agree that in the event that Kenon shall notify IC that ICPS has printed a Red Herring Prospectus in connection with the commencement of a roadshow in respect of the IPO (the date of Kenon's notice of same, a "**Red Herring Date**"), the following shall apply:
 - (a) The pledge and security interest in respect of ICP Interests granted by ICPS shall be released effective immediately, subject to the undertakings of Kenon under this Section.
 - (b) Kenon shall be entitled and authorized to (and shall be responsible for) date and use the Red Herring Release Documents (as defined below) to strike out the pledge and security interest over ICP Interests from any public registry and to instruct IC Power to remove any record of such pledge and security interest made in its shareholder register and for the purpose hereof, to request of the Escrow Agent to release the Red Herring Release Documents (as defined below) in accordance with the terms of the Escrow Instructions (as defined below).

- (c) Upon the occurrence of the following condition (the “**Pledge Reinstatement Condition**”): an IPO has not been consummated by the expiry of eight (8) weeks from the Red Herring Date (or such other date as the Parties may agree in writing) (such date, an “**Offering Launch Expiry Date**”), Kenon and ICPS will thereupon reinstate (and Kenon will cause ICPS to so reinstate) the pledge and security interest over 66% of ICP Interests in favour of IC substantially in the form of the security documents used by the parties in connection with the Existing Pledges and in accordance with the security documents agreed between the Parties, and shall take all action and deliver all documents required in respect thereof in accordance with the Loan Agreement and the ICP Share Pledge Agreement (as defined in Schedule 1 hereto). For the purpose aforesaid, Kenon or ICPS will deliver to MLG&LB Trust Ltd. (the “**Escrow Agent**”) on the Red Herring Date an undated executed set of ICP Pledge Reinstatement Documents (as defined below). Within seven (7) days from receiving a letter signed by IC confirming the occurrence of the Pledge Reinstatement Condition (a copy of which will be delivered concurrently to Kenon and ICPS) and if not legally barred by order of a competent court, the Escrow Agent shall deliver the ICP Pledge Reinstatement Documents to IC and IC is hereby authorized and empowered to date the ICP Pledge Reinstatement Documents (with the Offering Launch Expiry Date) and submit the documents required for the filing and registration of the ICP Share Pledge Agreement, and the pledge and security interest constituted thereby, with the Israeli Registrar of Pledges and with ACRA.
- (d) Until the earlier of the consummation of an IPO and the reinstatement of the pledge and security interest over the ICP Interests in accordance with paragraph (c) of this Section 2.5, Kenon and ICPS will not (and Kenon will ensure that ICPS will not) (i) sell, assign, transfer (by operation of law or otherwise), or otherwise dispose of, or grant any option with respect to, any of the ICP Interests, nor (ii) create or permit to exist any lien, security interest, option or other charge or encumbrance upon or with respect to any of the ICP Interests.

In this Section -

“**Red Herring Prospectus**” means a preliminary prospectus in connection with the IPO, in which the expected price range for the shares to be offered to the public thereunder is completed on the cover page of such preliminary prospectus and on the basis of which ICPS shall conduct its roadshow (or use some other manner of collecting binding purchase orders) for such offering.

- 2.6. All references in the Loan Agreement to IC Power and to ICP Interests shall be read and construed as references to ICPS and to ICPS Interests, respectively (and shall cease to apply to IC Power and to ICP Interests), save for such references contained in any recital paragraphs and in Sections 1.2.11, 1.2.12, 7.3.1, 7.3.1A and 7.3.5 of the Loan Agreement (which will continue to apply to IC Power and to ICP Interests only) and in Sections 7.1 (which will cease to apply to ICP once the ICP Interests are no longer pledged) and 7.2.2 (which will be read and construed as referring to both ICPS and IC Power). It is hereby agreed that reference in Section 7.3.6 to the Loan Agreement to the release of the pledges created under the Loan Agreement shall be read and construed as reference also to the securities created under Sections 2.3(c) hereto.
- 2.7. Until the consummation of an IPO, the events of default set out in Sections 8.3, 8.4 and 8.5 of the Loan Agreement shall be construed such that any reference therein to Kenon shall be read as a reference to each of Kenon or ICPS, as may be applicable.
- 2.8. Kenon undertakes that before effecting or entering into any Transaction (including an initial public offering) in respect of IC Power or the pledged ICP Interests (as applicable) prior to an IPO it shall notify IC thereof and the Parties shall consult in good faith to determine what adjustment is likely to be appropriate to account for the effect of such Transaction and to achieve the outcome that would have applied had the Parties not effected the arrangements pursuant to this Supplement.

3. **Representations**

The representations and warranties set out in Section 6 of the Loan Agreement are true and correct as of the date hereof and the Supplement 1 Date as if made on such dates with reference to the facts and circumstances then existing, and such that references to the Loan Agreement therein shall be construed as references which include this Supplement.

4. **Completion of ICPS IPO Restructuring and Conditions Subsequent**

- 4.1. On the Supplement 1 Date, being the date on which IC notifies Kenon in writing that it has received all of the documents listed in paragraph 1 of Schedule 1 (the “**Schedule 1 Documents**”), all of the following will be completed, satisfied and complied with:
- 4.1.1. Kenon will transfer 10,000,100 ordinary shares of IC Power par value NIS0.01 each, comprising all of the issued and outstanding share capital of IC Power (of which 6,600,066 ordinary shares (66%) are subject to the Existing Pledges and as of the Supplement 1 Date shall be subject to the pledge and security interest created by the ICP Share Pledge Agreement), to ICPS, a wholly-owned subsidiary of Kenon.
 - 4.1.2. In consideration for the transfer to it by Kenon of the ICP Interests, ICPS shall (i) issue to Kenon 559,309 ordinary shares in the capital of ICPS (the “**New ICPS Shares**”), which together with one ordinary share of ICPS issued and outstanding and owned by Kenon as of the date hereof, will constitute the entire (100%) ICPS Interests, free and clear of any charge, pledge, lien or other security interest (other than pursuant to the ICPS Share Pledge Agreement), options, third party rights or any restrictions or limitations on transfer; and (ii) undertake to repay the Vendor Loans pursuant to the 145M Loan Agreement and the 75M Loan Agreement (the transactions under paragraphs 4.1.1 and 4.1.2, the “**ICPS IPO Restructuring**”).
 - 4.1.3. IC will deliver to Kenon executed pledge annulment notification forms for the removal of the Existing Pledges from the public registry maintained by the Israeli Registrar of Pledges and by ACRA.
 - 4.1.4. IC will deliver to Kenon and IC Power a notice of its consent to the transfer of all of the shares in IC Power that are subject to the Existing Pledges from Kenon to ICPS in the form attached hereto as **Annex 4.1.4**.
 - 4.1.5. IC will deliver to the Escrow Agent (i) undated executed pledge annulment notification forms in respect of the pledge and security interest over ICP Interests registered with the Israeli Pledges Registrar under the ICP Share Pledge Agreement; (ii) undated executed pledge annulment notification forms in respect of the pledge and security interest over ICP Interests registered with ACRA under the ICP Share Pledge Agreement; and (iii) undated executed instructions to IC Power that it may delete the annotation entered in its internal shareholder register in respect of such pledge (together, the “**Red Herring Release Documents**”) all in the form attached hereto as **Annex 4.1.5A**. The Red Herring Release Documents will be held by the Escrow Agent in escrow and may be used in accordance with the escrow instructions in form attached hereto as **Annex 4.1.5B** (the “**Escrow Instructions**”).

- 4.1.6. Kenon will deliver to the Escrow Agent (i) an undated executed pledge agreement in the form of the ICP Share Pledge Agreement in respect of the pledge and security interest over ICP Interests to be reinstated in accordance with Section 2.5(c) above; (ii) undated executed pledge notification forms in respect of such pledge to be registered with the Israeli Pledges Registrar; (iii) undated executed statement containing particulars of charge in relation to the charge of and security interest over the ICP Interests which will be filed with ACRA; (iv) an authorisation letter authorising ICPS's legal counsel to file the above statement containing particulars of charge with ACRA; and (v) undated executed instructions to IC Power to reinstate the annotation in its internal shareholder register in respect of such pledge (together, the **"ICP Pledge Reinstatement Documents"**). The ICP Pledge Reinstatement Documents will be held by the Escrow Agent in escrow and may be used in accordance with the Escrow Instructions.

For the purpose of Section 4.1 hereto, delivery of the Schedule 1 Document shall be deemed completed by Kenon and ICPS by emailing of signed and scanned versions of the Schedule 1 Documents with a written confirmation from Adv. Robert Rosen that the originals of the executed Schedule 1 Documents are duly signed and will be promptly sent by express courier to IC.

For the purpose of Section 4.1.5 hereto, delivery of the ICP Pledge Reinstatement Documents shall be deemed completed by emailing of signed and scanned versions thereof to the Escrow Agent with a written confirmation from Adv. Robert Rosen that the originals of the executed ICP Pledge Reinstatement Documents are duly signed and will be promptly sent by express courier to the Escrow Agent.

- 4.2. Kenon will pay to IC on or before the Supplement 1 Date the amount of all costs and expenses (including legal fees) reasonably incurred by IC in connection with the negotiation, preparation and entry into this Supplement, not exceeding an amount of US\$115,000.
- 4.3. Kenon undertakes to deliver the documents set out in paragraph 2 of Schedule 2 (or cause the same to be delivered) to IC as soon as reasonably practicable, but not later than 7 Business Days following the Supplement 1 Date.
- 4.4. ICPS undertakes to deliver the documents set out in paragraph 3 of Schedule 3 (or cause the same to be delivered) to IC as soon as reasonably practicable, but not later than 10 Business Days following the Supplement 1 Date.

5. Notices

- 5.1. Notwithstanding the provisions of Section 9.9 (Notices), and in addition to the provisions of Section 9.11 (Jurisdiction and Service of process), of the Loan Agreement, any notice, demand or other communication required to be given by IC to Kenon and/or ICPS under the Loan Agreement and this Supplement will be sent, and copies of any documents served on IC Green or any other service of agent for process will also be sent, to Kenon and ICPS to their respective addresses set out herein by email to all email addresses set out below together with registered mail or hand delivery:

if to Kenon:

Address: 1 Temasek Avenue #36-01
Millenia Tower
Singapore 039192

e-mail: RobertR@kenon-holdings.com
 TzahiG@kenon-holdings.com
 yoavd@kenon-holdings.com

Attention: Legal Department, Finance Department
if to ICPS:

Address: 1 Temasek Avenue #36-01
 Millenia Tower
 Singapore 039192

e-mail: RobertR@kenon-holdings.com
 TzahiG@kenon-holdings.com
 yoavd@kenon-holdings.com

Attention: Legal Department, Finance Department

or at such other address or email as such Parties shall have furnished to the other in writing in accordance with this Section and Section 9.9 of the Loan Agreement.

6. **General Provisions**

- 6.1. This Supplement shall be read and construed together with the Loan Agreement as one agreement, and, save as expressly amended by this Supplement, all terms and conditions of the Loan Agreement shall remain unaltered and in full force and effect.
- 6.2. Nothing in this Supplement shall constitute a waiver by IC of any of the rights or remedies available to it under the Loan Agreement or any security.
- 6.3. This Supplement shall be construed in accordance with, and governed in all respects by, the internal laws of the State of Israel, without regard to its conflict of laws rules.
- 6.4. This Supplement may be executed in any number of counterparts (including by fax transmission and email) all of which, taken together, shall constitute one and the same Supplement and any parties may enter into this Supplement by executing a counterpart.

[Signature Page to Follow]

IN WITNESS WHEREOF, the Parties have executed this SUPPLEMENT NO. 1 to the LOAN AGREEMENT as of the date first above written.

ISRAEL CORPORATION LTD.

KENON HOLDINGS LTD.



By: Adv. Maya Alcheh-Kaplan
Title: Executive V.P., General Counsel and Company Secretary

By: _____
Title: _____

By: Mr. Sagi Kabla
Title: CFO

Acceptance and undertaking of ICPS

We, the undersigned, **IC Power Pte. Ltd.**, hereby accept and undertake in favour of IC, without prejudice to the obligations and liabilities of Kenon, to comply with and to observe the terms of the Loan Agreement. We confirm that this acceptance and undertaking has been duly signed by our authorised signatories, and is binding on us for all intents and purposes in accordance with its terms.

IC POWER PTE. LTD.

By: _____
Title: _____

IN WITNESS WHEREOF, the Parties have executed this SUPPLEMENT NO. 1 to the LOAN AGREEMENT as of the date first above written.

ISRAEL CORPORATION LTD.

KENON HOLDINGS LTD.

By: _____
Title: _____

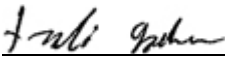


By: KENNETH GILBERT CAMBIE
Title: DIRECTOR

Acceptance and undertaking of ICPS

We, the undersigned, **IC Power Pte. Ltd.**, hereby accept and undertake in favour of IC, without prejudice to the obligations and liabilities of Kenon, to comply with and to observe the terms of the Loan Agreement. We confirm that this acceptance and undertaking has been duly signed by our authorised signatories, and is binding on us for all intents and purposes in accordance with its terms.

IC POWER PTE. LTD.



By: Tzahi Goshen
Title: Director

Schedule 1 - Conditions to Supplement

1. Conditions Precedent

- 1.1. A copy of:
 - 1.1.1. the share certificates in respect of the ICPS Interests;
 - 1.1.2. the stock transfer forms or equivalent duly executed by Kenon in blank in relation to the ICPS Interests; and
 - 1.1.3. the register of members of ICPS extracted from the Accounting and Corporate Regulatory Authority in Singapore (“ACRA”).
- 1.2. A copy of a charge agreement granting a first ranking charge and security interest in favor of IC over the ICPS Interests in the form of the Security over Shares Agreement attached hereto as **Annex 1.2** (the “**Security over Shares Agreement**”) duly executed by Kenon and IC.
- 1.3. A copy of the 145M Loan Agreement in the form attached hereto as Annex 1.3, duly executed by each of Kenon and ICPS.
- 1.4. A copy of the 75M Loan Agreement in the form attached hereto as Annex 1.4, duly executed by each of Kenon and ICPS.
- 1.5. A copy of a Security Assignment of Intercompany Loan Agreement in respect of the rights, title and interest of Kenon under the 145 M Loan Agreement entered into by Kenon for the benefit of IC in the form attached hereto as Annex 1.5 (the “**Security Assignment Agreement**”) duly executed by Kenon and IC.
- 1.6. A copy of a pledge agreement granting a first ranking pledge and security interest in favor of IC over the ICP Interests in the form delivered with respect to the Existing Pledges (the “**ICP Share Pledge Agreement**”) duly executed by ICPS and IC.
- 1.7. A copy of the share transfer agreement in the form of the Share Transfer Agreement attached hereto as **Annex 1.3** (the “**Share Transfer Agreement**”) duly executed by Kenon and ICPS.
- 1.8. The documents required for the filing and registration of the ICP Share Pledge Agreement, the Security over Shares Agreement, the Security Assignment Agreement, and the pledges, charges and security interests constituted thereby with ACRA.
- 1.9. The notice required for the filing and registration of the ICP Share Pledge Agreement and the pledge and security interest constituted thereby with the Israeli Registrar of Pledges.
- 1.10. Executed instructions of ICPS to IC Power pursuant to the ICP Share Pledge Agreement.
- 1.11. A copy of the updated shareholder register of IC Power (evidencing the pledge and security interest created by the ICP Share Pledge Agreement).
- 1.12. A copy of the constitutional documents of Kenon and ICPS.
- 1.13. A copy of the resolutions of the board of directors of ICPS:
 - 1.13.1. approving the terms of, and the transactions contemplated by, this Supplement, the ICP Share Pledge Agreement, the Share Transfer Agreement, the 145M Loan Agreement, the 75M Loan Agreement and the Security Assignment Agreement (the “**ICPS Documents**”) and resolving that it executes the ICPS Documents;

- 1.13.2. authorising a specified person or persons to execute the ICPS Documents on its behalf; and
- 1.13.3. authorising a specified person or persons, on its behalf, to sign and/or despatch all documents and notices to be signed and/or despatched by it under or in connection with the ICPS Documents.
- 1.14. A copy of a certificate under Section 76A(6) of the Companies Act, Chapter 50 of Singapore in relation to compliance with the Singapore financial assistance whitewash procedures by ICPS.
- 1.15. A copy of the resolutions of the board of directors of Kenon:
 - 1.15.1. approving the terms of, and the transactions contemplated by this Supplement, the Security Over Shares Agreement, the Share Transfer Agreement, the 145M Loan Agreement, the 75M Loan Agreement and the Security Assignment Agreement (the “**Kenon Documents**”) and resolving that it executes the Kenon Documents;
 - 1.15.2. authorising a specified person or persons to execute the Kenon Documents; and
 - 1.15.3. authorising a specified person or persons, on its behalf, to sign and/or despatch all documents to be signed and/or despatched by it under or in connection with the Kenon Documents.
- 1.16. A copy of the resolutions in writing of the sole shareholder of the issued shares in ICPS approving the terms of, and the transactions contemplated by, the ICPS Documents.
- 1.17. A certificate, in the form attached hereto as **Annex 1.17**, signed by duly authorised signatory/ies of Kenon confirming that as of the Supplement 1 Date, no Default, breach of or non-compliance with any material undertaking or material condition contained in the Loan Agreement has occurred and is continuing.

Schedule 2 - Conditions to Supplement

2. Conditions Subsequent

- 2.1. Evidence of the filing with ACRA of the documents referred to in paragraph 1.8 of Schedule 1.
- 2.2. Evidence of the filing with Israeli Registrar of Pledges of the documents referred to in paragraph 1.9 of Schedule 1.
- 2.3. Evidence of payment of stamp duty and any and all fees and charges payable in Singapore in respect of the documents referred to in paragraph 1.8 of Schedule 1.
- 2.4. A legal opinion of Allen & Gledhill LLP with respect to:
 - 2.4.1. the Security over Shares Agreement and the Security Assignment Agreement and the charges and security interests constituted thereby; and
 - 2.4.2. the capacity of ICPS to enter into the ICP Share Pledge Agreement,in each case, in the form attached hereto as Annex 2.4.

Schedule 3 - Conditions to Supplement

3. Conditions Subsequent (ICPS)

- 3.1. A copy of a resolution signed by all the holders of the issued shares in ICPS adopting such changes to the constitutional documents of ICPS as IC reasonably requires to, among other things, remove any restriction on any transfer of shares in ICPS pursuant to any enforcement of the Security over Shares Agreement in the form attached hereto as **Annex 3.1**.

TURNKEY ENGINEERING, PROCUREMENT AND CONSTRUCTION CONTRACT FOR
THE CERRO DEL AGUILA HYDROELECTRIC POWER PLANT

between

Cerro del Aguila SA

and

A joint venture comprising Astaldi S.p.A. and GyM SA

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This **TURNKEY ENGINEERING, PROCUREMENT AND CONSTRUCTION CONTRACT FOR CERRO DEL AGUILA HYDROELECTRIC POWER PLANT**, dated as of November 4th, 2011 (this “Contract”), is by and between:

Cerro del Aguila SA (“Owner”); and

Astaldi S.p.A. (“Astaldi”) and

GyM SA (“GyM”)

Astaldi and GyM (jointly with Astaldi and GyM, the “Contractor” and jointly with the Owner, the “Parties” including their successors and assignees as permitted herein).

WITNESSETH:

WHEREAS, Owner desires to build, own and operate a 504 MW hydroelectric power plant (as hereinafter described) to be located in the districts of Surcubamba and Colcabamba, department of Huancavelica, Peru (the “Plant”), in order to fulfill its obligations with the Ministry of Energy and Mines established in the Concession Contract (as hereinafter defined);

WHEREAS, the Contractor desires to provide all the goods and services necessary for the design, engineering, procurement, construction, commissioning and testing of the Plant, on a turnkey basis;

WHEREAS, Owner intends to obtain financing for the Plant;

NOW, THEREFORE, in consideration of the mutual premises contained herein, the Parties, intending to be legally bound, hereby agree as follows:

I. INTERPRETATION

1.1 Definitions - In this Contract (as defined below) the words and expressions defined below shall have the meanings assigned to them.

1.1.1 “Access Contract” means the contract to be executed by a Governmental Authority that provides terms and conditions that will govern the design, procurement and construction of some or all of the Access Roads and Accessways as set forth in Section 5.11.

1.1.2 “Access Roads” means the permanent roads, bridges and any infrastructure that the Contractor might need to build, alter or modify within the Concession Area for the execution of the Works, as further described in the Technical Specifications.

1.1.3 “Access Routes” means the existing roads, bridges and any infrastructure, outside the Concession Area, that the Contractor might need to alter or modify in order to access or execute the Works, as further described in the Technical Specifications.

- 1.1.4** “Accessway” means the temporary roads, bridges and any infrastructure, within the Concession Area, that the Contractor might need to build, alter or modify for the execution of the Works, as further described in the Technical Specifications.
- 1.1.5** “Actual Project Acceptance Certificate” means the certificate issued by Owner under Section 11.4 in the form set forth in Schedule 12.
- 1.1.6** “Actual Project Acceptance Date” means the date after the Final Taking-Over Date when the Contractor has accomplished all the criteria described in Section 11.4.
- 1.1.7** “Additional Installed Capacity Bonus” means (a) the difference between the Low Net Electric Output and the High Net Electric Output multiplied by (b) US\$ 450.00 per kilowatt.
- 1.1.8** “Advance Payment Bond” means the bank guaranty to be provided by Contractor substantially in the form set forth in Schedule 3.
- 1.1.9** “Affiliate” means a Person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, another Person. A Person “controls” any Person in which it has the power to vote, directly or indirectly, five percent (5%) or more of the voting interest in such Person or, in the case of a partnership, if it is the general partner.
- 1.1.10** “Applicable Laws” means all legally binding laws, statutes, orders, treaties, ordinances, judgments, decrees, injunctions, writs and orders of any court, arbitrator or governmental agency or authority applicable to, and legally binding rules, regulations, orders and interpretations of any governmental instrumentality or agency (including COES), court or other body having jurisdiction over:
- (a) the Contractor’s or Owner’s (as applicable) obligations to be performed hereunder;
 - (b) the provision of energy or capacity from the Plant; or
 - (c) the execution of the Works;
- all as such may be in effect from time to time.
- 1.1.11** “Applicable Permits” means all licenses, authorizations, consents, decrees, permits, waivers, privileges or approvals required to be obtained or maintained in connection with the Contractor’s and Owner’s obligations to be performed hereunder, the provision of energy, capacity or the performance of the Works, as may be in effect from time to time and includes the Environmental Impact Assessment.
- 1.1.12** “Astaldi” has the meaning ascribed to it in the introduction.

- 1.1.13** “Auxiliary Services” means the drainage system, illumination, air conditioning, fire prevention and other similar services required in connection with the Contractor’s performance of the Works, described in the Technical Specifications.
- 1.1.14** “Base Date” means the date fifteen (15) days prior to the Effective Date.
- 1.1.15** “Business Day” means any day that is not Saturday or Sunday, or a non working day for government employees in Peru pursuant to the Applicable Laws. With respect to any payment obligation by a Party under the Contract, shall mean a day on which the banks operating in Lima, Peru are open for the processing of transfer of funds.
- 1.1.16** “Buy-Down Amount” means the sum due and payable by the Contractor to Owner calculated with reference to Section 11.3.
- 1.1.17** “Center” means the center for dispute resolution of the International Chamber of Commerce.
- 1.1.18** “Change in Law” means changes to any Applicable Laws or Applicable Permits that directly affect the Contractor’s lawful design, construction or execution of the Works, commissioning and testing of the Plant which are issued, adopted, amended, modified, repealed, reinterpreted, promulgated or enacted by any Peruvian Government Authority after the Base Date.
- 1.1.19** “COES” means “Comité de Operación Económica del Sistema Interconectado Nacional”.
- 1.1.20** “Concession Area” means the geographical area identified as such and described in Exhibit H.
- 1.1.21** “Concession Contract” means the contract executed between Owner and the Ministry of Energy and Mines of Peru dated June 24, 2011, as it may be assigned or amended.
- 1.1.22** “Contract” is defined in the Preamble hereof and includes the Schedules, the Technical Specifications and the Exhibits and such documents as may be expressly incorporated herein.
- 1.1.23** “Commencement Date” means the date on which Owner’s Representative issues the Limited Notice to Commence to the Contractor.
- 1.1.24** “Confidential Information” has the meaning defined in Section 22.8.
- 1.1.25** “Consortium Agreement” means the consortium agreement to be entered by and between Astaldi and GyM.

- 1.1.26** “Construction Documents” means all drawings, calculations, samples, patterns, models, operation and maintenance manuals, and other manuals and information of a similar nature, to be submitted by the Contractor as required hereby including all engineering and construction documentation required by the Technical Specifications.
- 1.1.27** “Contractor” is defined in the introduction hereof.
- 1.1.28** “Contractor’s Equipment” means all machinery, apparatus and other things (other than Temporary Works) required for the execution and completion of the Works and the remedying of any Defects or Deficiencies, but does not include Major Items of Equipment, Materials, or other things intended to form or forming part of the Permanent Works.
- 1.1.29** “Contractor’s Permits” means the permits described in Exhibit F.
- 1.1.30** “Contractor’s Organizational Chart” means the organizational chart included in Exhibit E.
- 1.1.31** “Contractor’s Representative” means the Person named as such in this Contract or other Person appointed from time to time by the Contractor under Section 5.2.
- 1.1.32** “Cost” means (a) all expenditure properly incurred or to be incurred by Contractor, whether on or off the Project Areas, plus ten percent (10%) for head office costs and any similar concepts and (b) excluding Profit unless expressly so provided herein.
- 1.1.33** “Cure Period” has the meaning specified in Section 10.5.
- 1.1.34** “Dangerous Substance” means any natural or artificial substance, whether in the form of solid, liquid or gas, alone or in combination with each other or any other substance, or radiation in each of the foregoing cases capable of causing harm to man or any other living organism, or capable of damaging the environment or public health or welfare, including but not limited to, controlled, special, hazardous, toxic or dangerous waste, and whether or not subject to regulation, licensing or permitting under any Applicable Laws or otherwise.
- 1.1.35** “Defects, Deficiencies, Deficient or Deficiency” means any portion of the Works which, on the date when any such works are completed by the Contractor, do not conform to the Technical Specifications, the Construction Documents or the warranties given in the Contract or is defective or deficient including defects in materials, workmanship or design.
- 1.1.36** “Detailed Design” means the drawings, calculations and other technical documentation and information to be prepared by the Contractor for the final design of the Plant.
- 1.1.37** “Disclosing Party” means (a) a Party that provides Confidential Information to the Receiving Party; (b) such Party’s Affiliates; and, (c) such Party’s or its Affiliate’s directors, officers, employees, consultants, subcontractors, advisors, rating agencies, insurers or financial institutions.

- 1.1.38** “Dispute” means any controversy, discussion, demand, difference, disagreement or claim arising from, or related or connected to this Contract, including but not limited to any controversy, discussion, demand, difference, disagreement or claim over the validity, interpretation, effectiveness, termination, enforcement or non-performance thereof.
- 1.1.39** “Dollars” or “US\$” means Dollars of the United States of America.
- 1.1.40** “Early Final Taking Over Bonus” means US\$ 65,000.00 per day with respect to the first Generator Set, US\$ 50,000.00 per day with respect to the second Generator Set and US\$ 80,000.00 per day with respect to the Plant.
- 1.1.41** “Early Operation Extension Period” has the meaning set forth in Section 5.1.
- 1.1.42** “Easement Rights” means the easement rights or any other right to possess or use land or real estate granted in favor of Owner by the owners of the land or by any Governmental Authority to execute the Works.
- 1.1.43** “Effective Date” means the date of this Contract, which is November 4th, 2011.
- 1.1.44** “Efficiency Test” means the test (conducted in accordance with Exhibit C) of each of the Generator Sets, meeting at all times all the other Performance Guarantee Levels, to determine the compliance with the Guaranteed Efficiency or the Minimum Efficiency Levels.
- 1.1.45** “Electricity Measuring Point” is the high voltage side of the step up transformers for each Generator Set.
- 1.1.46** “Eligible Bank” means any bank or financial institution which has non-credited enhanced long-term senior unsecured debt rated at least A3 by Moody’s Investors Service or A- by Standard & Poor’s Rating Services, and is acceptable to Owner.
- 1.1.47** “Environmental Impact Assessment” or “EIA” means the Environmental Impact Assessment attached in Exhibit D, as it may be amended.
- 1.1.48** “EST” means the Q System subdivision of different excavation and support types for tunnels to be excavated at the Works, as determined in Exhibit I.
- 1.1.49** “Final Acceptance Certificate” means the certificate issued by Owner substantially in the form set forth in Schedule 13.

- 1.1.50** “Final Payment” means the payments made upon approval by Owner of the Final Payment Certificate.
- 1.1.51** “Final Payment Certificate” means the payment certificate approved by Owner and submitted by the Contractor substantially in the form set forth in Schedule 14.
- 1.1.52** “Final Taking-Over Certificate” means a certificate issued under Section 11.1 for the Plant as a whole, in the form set forth in Schedule 11.
- 1.1.53** “Final Taking-Over Date” means the date when the Contractor has demonstrated that the Plant, as a whole, meets or exceeds the Final Taking-Over Levels, which notification date shall be the date acknowledged and stated by Owner’s Representative in the Final Taking-Over Certificate.
- 1.1.54** “Final Taking-Over Levels” means the following levels for the Plant as a whole, demonstrated during the Performance Tests, while it is operating in compliance with all Applicable Laws of Peru and Applicable Permits: (a) the Minimum Efficiency Levels, (b) the Minimum Functional Levels of Plant Equipment and (c) the Minimum Net Electric Output Levels.
- 1.1.55** “Financing Documents” means any collateral or intercreditor agreement, security document, credit agreement, indenture or contract between Owner and the Lenders and the other parties thereto and also includes all amendments, restatements and replacements thereof as well as any other document or agreement pursuant to which Owner obtains financing or refinancing (including any credit enhancement with respect to the issuance of any bonds or notes) for the acquisition, development, construction, construction loan retirement, modification, repair, or operation of the Plant.
- 1.1.56** “Force Majeure” is defined in Section 20.1.
- 1.1.57** “Functional Guarantees over Plant Equipment” means the operational and functional levels applicable to the Plant Equipment excluding the turbines and the generators, guaranteed by the Contractor according to the Technical Specifications.
- 1.1.58** “Functional Test” means the test (conducted in accordance with Exhibit C) to determine the adequate operation and function of the Plant, including the Major Items of Equipment.
- 1.1.59** “Generator Set” means each turbine and its transformers and generator in the Plant.
- 1.1.60** “Governmental Authority” means any federal, regional, national, state, municipal, local, territorial, or other governmental department, commission, board, bureau, agency, regulatory authority, instrumentality, judicial or administrative body, domestic or foreign having jurisdiction over the applicable portion of the Works.

- 1.1.61** “Grid” means the Peruvian national electrical grid.
- 1.1.62** “Guaranteed Deductible” means the deductible payable under the insurance policy referenced under Section 19.4(a) equal to: (a) US\$ 100,000 for each loss classified under the LEG 2/96 clause of such policy, (b) US\$ 25,000 for each loss suffered during land transportation, (c) 250,000 for each loss suffered during hot testing and commissioning, (d) US\$ 500,000 for losses suffered during the performance of Surface Invasive and Subsurface Civil Work and (e) US\$ 500,000 for losses caused by an earthquake that is not considered a Force Majeure event.
- 1.1.63** “Guaranteed Efficiency” means the efficiency that the Contractor guarantees for each Generator Set excluding the Spill Water Generator, according to the Technical Specifications.
- 1.1.64** “Guaranteed Net Electric Output” means the net electric output that the Contractor guarantees for each Generator Set and for the Plant as a whole of 504 MW using a water flow of 210.5 m3/sec, excluding the Spill Water Generator, according to the Technical Specifications.
- 1.1.65** “GyM” has the meaning ascribed to it in the introduction.
- 1.1.66** “Headrace Tunnel” means the tunnel which conveys water from the water intake to the powerhouse, to be designed and constructed by Contractor under this Contract.
- 1.1.67** “High Net Electric Output” means the measured Net Electric Output using a water flow in excess of 210.5 m3/sec.
- 1.1.68** “Increased Installed Capacity Bonus” means the difference between (a) the Low Net Electric Output and the Guaranteed Net Electric Output multiplied by (b) US\$ 900.00 per kilowatt.
- 1.1.69** “Lender” means any party to the Financing Documents (including any trustee or agent) other than Owner and its Affiliates.
- 1.1.70** “Lender’s Representative” means any Person engaged by or on behalf of Lender in connection with the Financing Documents whose rights and duties may include, but shall not be limited to: (a) examination of the design, engineering and technical efficacy of the Construction Documents; (b) examination of substantial changes in such Construction Documents; (c) periodic inspections of the Works, including confirmation of construction schedule estimates and cost estimates; (d) attend the Partial Taking-Over Date, the Final Taking-Over Date and the Actual Project Acceptance Date; and (e) review of the information contained in each of the Progress Reports, Monthly Payment Certificates or the Final Payment Certificate.

- 1.1.71** “Liability Cap” is defined in Section 18.4.
- 1.1.72** “LIBOR” means (a) the three-month rate prevailing for deposits in U.S. Dollars in the London Interbank market as of approximately 11:00 a.m., London Time, as reported by Thomson Reuters appearing on Bloomberg BBAM1 Page (or any equivalent successor page); or (b) if the rate referenced in the preceding clause (a) is not available, the three-month rate equal to the British Bankers Association Interest Settlement Rate for deposits in Dollars, determined as of approximately 11:00 a.m., London Time. For the purpose of this definition, “Bloomberg BBAM1 Page” means the display so designated on the Reuters Screen or such other page as may replace that page on that service.
- 1.1.73** “Limited Notice to Commence” means the written notice to the Contractor issued by Owner authorizing and directing Contractor to perform the Preliminary Works.
- 1.1.74** “Low Net Electric Output” means the measured Net Electric Output using a water flow of up to 210.5 m³/sec.
- 1.1.75** “Lump Sum Price” means the fixed lump sum of Four Hundred and Fifty Two Million Seven Hundred and Sixty Five Thousand Three Hundred and Forty Seven Dollars (US\$ 452,765,347) and of Six Hundred and Twenty Four Million Three Hundred and Fourteen Thousand One Hundred and Seven Peruvian Soles (S/. 624,314,107) as it may be adjusted pursuant to this Contract.
- 1.1.76** “Main Spare Parts” means the spare parts described in Exhibit G.
- 1.1.77** “Major Items of Equipment” means the turbine, the generator, the step-up transformer, equipments and parts thereto, which form the principal components of the Plant.
- 1.1.78** “Materials” means things of all kinds to be provided for the Works and/or incorporated in the Permanent Works by the Contractor, including without limitation Main Spare Parts, equipment and other parts.
- 1.1.79** “Maximum Deductible” means US\$ 500,000.
- 1.1.80** “Maximum Load” means the maximum load at which each Generator Set individually and the Plant as a whole, excluding the Spill Water Generator, are able to operate continuously and with the stability recommended for normal, safe and continuous operation by equipment manufacturers and within all other limits recommended by such vendors and in accordance with the Detailed Design of the Plant and the Technical Specifications.

- 1.1.81** “Minimum Efficiency Levels” means the minimum efficiency levels that each Generator Set and the Spill Water Generator must comply with, according to the Technical Specifications.
- 1.1.82** “Minimum Functional Levels of Plant Equipment” means the minimum operational and functional levels that the Plant Equipment excluding the turbines and the generators must comply with, according to the Technical Specifications.
- 1.1.83** “Minimum Net Electric Output Levels” means the minimum electric output levels that each Generator Set and the Plant as a whole must comply with, according to the Technical Specifications.
- 1.1.84** “Minimum Spill Water Demonstrated Capacity” means 3 MW.
- 1.1.85** “Mobilization” means the commencement of Works at the Project Area by the Contractor.
- 1.1.86** “Monthly Payment Certificate” means a certificate issued under Section 14.1.2., in the form set forth in Schedule 7.
- 1.1.87** “Net Electric Output” means the sum of the electric output as measured at the Electricity Measuring Point during Performance Tests, while each or some of the Generator Sets or the Plant as a whole are operating at Maximum Load (but excluding any generating capacity of the Spill Water Generator). Net Electric Output will be expressed in KW.
- 1.1.88** “Net Electric Output Test” means a test (conducted in accordance with Exhibit C) of each or some of the Generator Sets or the Plant as a whole (but excluding any generating capacity of the Spill Water Generator), while they are operating at Maximum Load meeting at all times all the other Performance Guarantee Levels, to determine the compliance with the Guaranteed Net Electric Output or the Minimum Net Electric Output Levels.
- 1.1.89** “Notice to Commence” means the written notice to the Contractor issued by Owner directing the Contractor to begin all activities necessary to complete the Works as contemplated herein.
- 1.1.90** “Official” means: (a) any officer or employee of a local or foreign government, department (whether executive, legislative, judicial or administrative), agency or instrumentality of such government, including a regional governmental body or a government-owned business, or of a public international organization; (b) any person acting in an official capacity for or on behalf of such government, department, agency.
- 1.1.91** “Owner” is defined in the preamble hereto and includes legal successors of such Person, including any assignee of such Person permitted under Section 22.18 but not (except with the consent of the Contractor provided that such consent may not be unreasonably withheld or delayed) any subsequent assignee of such Person.

- 1.1.92** “Owner Permits” means the permits described in Exhibit F.
- 1.1.93** “Owner’s Representative” means any and all Persons appointed from time to time by Owner and notified as such to the Contractor.
- 1.1.94** “Parent Guaranty” means each parent guaranty executed by each of Astaldi and GyM substantially in the form set forth in Schedule 15.
- 1.1.95** “Partial Taking-Over Certificate” means a certificate issued under Section 11.1 for each Generator Set, in the form set forth in Schedule 10.
- 1.1.96** “Partial Taking-Over Date” means the date when the Contractor has demonstrated that each Generator Set, individually, meets or exceeds the Partial Taking-Over Levels, which notification date shall be the date acknowledged and stated by Owner’s Representative in the Partial Taking-Over Certificate.
- 1.1.97** “Partial Taking-Over Levels” means with respect to each Generator Set, no less than eighty percent (80 %) of the Performance Guarantee Levels for Net Electric Output.
- 1.1.98** “Parties” has the meaning ascribed to it in the introduction.
- 1.1.99** “Performance Guarantee Level(s)” means the Guaranteed Efficiency and the Guaranteed Net Electric Output of each Generator Set and for the Plant as a whole, excluding the Spill Water Generator, and the Functional Guarantees over other Plant Equipment and Minimum Spill Water Demonstrated Capacity, measured during Performance Tests while the Works are operating in compliance with all Applicable Laws of Peru and Applicable Permits and in accordance with Exhibit B.
- 1.1.100** “Performance Bond” means the letter of credit to be provided by the Contractor substantially in the form set forth in Schedule 4.
- 1.1.101** “Performance Test Certificate” means the certificate issued by Owner under Sections 10.4 and 10.7 in the form set forth in Schedule 9.
- 1.1.102** “Performance Test Protocol” means the procedures for performance and acceptance testing for each Generator Set and for the Plant as a whole, set forth in Exhibit C.
- 1.1.103** “Performance Tests” means the tests specified in this Contract and designated as such, and any other such tests as may be agreed by Owner’s Representative and the Contractor or instructed as a Variation, which are to be carried out by the Contractor before the Plant is taken over by Owner, in accordance with Article X hereof and Exhibits A and C.

- 1.1.104** “Permanent Works” means all those components and civil works defined or contemplated in the Technical Specifications for the Plant, including all related facilities located on, under or around the Project Areas, taken as a whole, including the dam, the Spill Water Generator, the Access Roads, all underground structures and the substation and transmission line.
- 1.1.105** “Person” means any individual, corporation, company, partnership, joint venture, association, trust, unincorporated organization, entity or Governmental Authority.
- 1.1.106** “Peru” means the Republic of Peru.
- 1.1.107** “Peruvian Soles” means Nuevos Soles of Peru.
- 1.1.108** “Plant” has the meaning ascribed to it in the recitals.
- 1.1.109** “Plant Equipment” means all hydromechanical equipments, mechanical and electrical apparatus and parts which form part of the Plant, including the Major Items of Equipment.
- 1.1.110** “Precommissioning” means the acts, tests and procedures involved in checking-out, starting-up and initially operating the Permanent Works
- 1.1.111** “Preliminary Schedule of Payments” means Contractor’s referential schedule of payments described in Schedule 6.
- 1.1.112** “Preliminary Works” means the part of the Works which will be performed by the Contractor between the Limited Notice to Commence and the Notice to Commence, as described in Exhibit A, and which includes topographic surveys, geo-physic investigation, geologic investigation, engineering basic design, purchase orders of critical equipment and plants, construction of Access Roads and Accessways to the dam and powerhouse areas, including mobile working camps and spoil area preparation, maintenance and conditioning of the Access Routes where necessary to allow safety transit of the personnel and equipment, commencement of the construction of bridges over the Mantaro river, commencement of the earth moving activities of the camp sites and of the construction of the temporary electric transmission line for construction purposes.
- 1.1.113** “Preliminary Works Lump Sum” means the portion of the Lump Sum Price payable to Contractor for the performance of the Preliminary Works, as described in the Preliminary Schedule of Payments, for the amount of Forty Million Dollars (US\$ 40,000,000.00).
- 1.1.114** “Profit” means, with respect to any Cost, an amount equal to five percent (5%) of such Cost.
- 1.1.115** “Progress Reports” means the progress reports to be delivered by the Contractor as set forth in Section 5.13.

- 1.1.116** “Project Areas” means the geographical areas, within the Concession Area, where the Works are to be executed as described in Exhibit H.
- 1.1.117** “Project Data” means the information described in Section 5.8 as set forth in Exhibit D.
- 1.1.118** “Project Schedule” means Contractor’s detailed schedule for performing the Works pursuant to Section 5.12. Contractor’s preliminary Project Schedule (summary level) is set forth in Schedule 1.
- 1.1.119** “Prudent Electrical Practices” means with regard to the design, construction and erection, installation of the Plant, those practices, methods, standards and equipment as changed, from time to time, that are generally accepted internationally for use in electric utility industries and that are compatible with the safety and reliability of the Grid, as well as the employment of competent technical personnel qualified in established and generally accepted electrical engineering applications and operations, in order to operate the Plant Equipment lawfully, safely, efficiently and with dependability in accordance with all applicable Peruvian statutes, regulations, codes and standards.
- 1.1.120** “Prudent Utility Practices” means those practices, methods and equipment, in effect at the time of performance of the applicable Works, that are commonly used by reputable utilities operating on an international basis in the electric utility industry and having regard to operational considerations in Peru as prudent to design, construct, equip, operate and maintain electric power generating equipment lawfully and giving due regard to safety, dependability, efficiency and economy.
- 1.1.121** “Punch List” means the list submitted by the Contractor and approved by Owner’s Representative of items that are not completed as of the date required regarding the Works, such as insulation, painting, final cleanup, final grading and any other portion of the Works which do not constitute Defects or Deficiencies and which do not affect the operability, safety or mechanical and electrical integrity of the Plant.
- 1.1.122** “Q-System” means the Norwegian Geotechnical Institute System classification (*Barton et al., 1974, 1994, 2002*) used to express the quality of the rock mass classification for Surface Invasive and Subsurface Civil Works.
- 1.1.123** “Raw Data” means data that has not been processed for use and that is collected as a result of the performance of any Performance Test pursuant to this Contract.
- 1.1.124** “Receiving Party” means (a) a Party that receives Confidential Information from the Disclosing Party; (b) such Party’s Affiliates; and, (c) such Party’s or its Affiliate’s directors, officers, employees, consultants, subcontractors, advisors, rating agencies, insurers or financial institutions provided that any such person is bound to a duty of confidentiality with the relevant Party.

- 1.1.125** “Remains” means all fossils, coins, articles of value or antiquity, and structures and other remains or things of geological or archaeological interest.
- 1.1.126** “Remedial Plan” is defined in Section 9.3.
- 1.1.127** “Representatives” means Owner’s Representative, Contractor’s Representative and the Lender’s Representative.
- 1.1.128** “Review Period” means in connection to any Construction Document, the period required by Owner’s Representative for review and approval of such Construction Document as provided in Exhibit A.
- 1.1.129** “RM” means a Q System specific rock class mass condition, as established in Exhibit I.
- 1.1.130** “Rules” means Rules of Arbitration adopted by the Center, as in effect at the time the party requesting the arbitration files its request for arbitration.
- 1.1.131** “Scheduled Final Taking-Over Date” means forty-eight (48) months from the Commencement Date.
- 1.1.132** “Scheduled Partial Taking-Over Dates” means one thousand three hundred and sixty (1360) days for the first Generator Set and one thousand four hundred and twenty five (1425) days for the second Generator Set, from Commencement Date.
- 1.1.133** “Shipment Notice” has the meanings ascribed to it in Section 8.2.
- 1.1.134** “Site” means Contractor’s central office to be located within the boundaries of the areas specified in Schedule 21.
- 1.1.135** “Spill Water Generator” means the electric generator(s) to be powered solely by the ecological flow of the dam approved by the Peruvian Governmental Authority, with a maximum capacity of the lower of 10 MW or the capacity in megawatts agreed by the Parties in writing.
- 1.1.136** “Spill Water Generator Bonus” means an amount equal to the difference between the Tested Spill Water MW Capacity minus the lower of the Minimum Spill Water Demonstrated Capacity and the maximum capacity of the Spill Water Generator, multiplied by US\$ 1,000.00 per kilowatt.
- 1.1.137** “Start-Up” means the process of collectively starting and initially operating the aggregate of systems, subsystems, and components of each Generator Set. A necessary prerequisite of Start-Up is that Pre-commissioning on individual systems, subsystems, components and auxiliaries for the relevant Generator Set has been safely and successfully completed. Unless otherwise stated herein, Start-Up will commence at energization of the low voltage bus and will conclude upon the commencement of the Performance Tests of the relevant Generator Set.

- 1.1.138** “Subcontractor” means any subcontractor, contractor, manufacturer, supplier or other Person engaged in any part of the Works or any Person to whom a part of the Works has been subcontracted in accordance with Section 5.4, and the legal successors to such Person, but not any assignee of such Person and for the avoidance of doubt will not include contractors or subcontractors of Owner. In no case shall Subcontractor include any Person retained by Owner or any third party to perform work.
- 1.1.139** “Subcontractor List” means the list of Subcontractors as set forth in Schedule 2.
- 1.1.140** “Supervisor” means the Person or Persons appointed by Owner to supervise the execution of the Works in accordance with Section 4.1 hereof.
- 1.1.141** “Surface Invasive and Subsurface Civil Work” is any part of the Works involving major excavation or tunneling (the powerhouse cavern, the left half of the dam’s foundation, the Headrace Tunnel, the tailrace tunnel and auxiliary tunnels) but excludes any work related to the diversion tunnel, Access Routes, Accessways and quarries, as described in Exhibit I.
- 1.1.142** “Technical Specifications” means the document entitled Technical Specifications included in Exhibit A, including the Construction Documents, the basic design and the Detailed Design, which contain the technical characteristics and conditions of the Works.
- 1.1.143** “Temporary Works” means all temporary works of every kind, other than Contractor’s Equipment, including the Accessways, required for the execution and completion of the Works and the remedying of any Defects or Deficiencies.
- 1.1.144** “Termination Fee” means the fees for termination as set forth in Section 17.3.
- 1.1.145** “Test Procedures” has the meaning ascribed to it in Section 10.4.
- 1.1.146** “Tested Spill Water MW Capacity” means the Net Electrical Output measured during the Performance Test of the Spill Water Generator.
- 1.1.147** “Time for Completion” means the time required herein for achieving the Partial Taking-Over Date, the Final Taking-Over Date and the Actual Project Acceptance Date, from Commencement Date and includes adjustments (if any) in accordance with this Contract.

- 1.1.148 “Training Program” means the training program provided by the Contractor for operators of the Plant as set forth in Exhibit A.
 - 1.1.149 “Variation” means any alteration or modification to this Contract, which is instructed in writing by Owner or approved in writing as a Variation by Owner, in accordance with Article XV.
 - 1.1.150 “Unit Rates” means the unitary value assigned to Surface Invasive or Subsurface Civil Work as set forth in Exhibit I.
 - 1.1.151 “Unit Values” means the value of all items listed in the bill of quantities detailed in the Preliminary Schedule of Payments, Schedule 6.
 - 1.1.152 “Warranty Letter of Credit” means the bank guarantee to be provided by Contractor substantially in the form set forth in Schedule 5.
 - 1.1.153 “Warranty Period” means the period starting on the Final Taking-Over Date and ending on (a) the first anniversary of the Final Taking-Over Date in the case of all Works which are not civil Works; and (b) the fifth anniversary of the Final Taking-Over Date in the case of civil Works;
 - 1.1.154 “Works” means the Permanent Works and the Temporary Works concerning the Plant, including engineering and design, procurement, manufacture, delivery, site clearance, civil works, construction and erection, installation, training, Start-Up (including calibration, inspection and Start-Up operation), demonstration and testing with respect to the Permanent Works and Temporary Works to be performed by the Contractor pursuant to the Contract. The term ‘Works’ includes all or partial portions of the foregoing, including labor, materials, equipment, machinery, tools, transportation, construction fuels, chemicals, utilities, administration, and any other services or items to be used by the Contractor or its Subcontractors in the prosecution of this Contract, wherever the same are being performed.
 - 1.1.155 “Workbook” means a numbered book/registry to be maintained by the Contractor in which the Representatives shall write and sign all the daily incidences, occurrences, orders, questions, consultations and answers to such questions and consultations during the execution of the Works.
- 1.2 **Headings** - Headings are for ease of reference only and may not be used to determine or interpret the content of the provisions of this Contract.
- 1.3 **Interpretation** - Words importing Persons or parties shall include firms and corporations and any organization having legal capacity. Words importing the singular also include the plural and vice versa where the context requires. Words importing one gender also include other genders. The words “herein” “hereof” and “hereunder” shall refer to this Contract as a whole and not to any particular section or subsection of this Contract; and the words “include” “includes” or “including” shall mean “including, but not limited to.”

Any reference to the terms “articles”, “clauses”, “sections”, “exhibits” or any similar term generally used to identify specific subdivisions of a contract or document, shall be deemed to mean an “article”, “clause”, “section”, “exhibit” or any other specific subdivision of this Contract, as the case may be. References to any document, instrument or agreement shall mean such document, instrument or agreement, as amended, modified and supplemented from time to time and in effect at any given time.

II. OWNER

2.1 Access to and Possession of the Project Areas -. Owner shall timely grant the Contractor right of access to and possession of Project Areas as necessary for the performance of the Works by Contractor in accordance with the Project Schedule.

Owner will be responsible of acquiring the land and/or establish Easement Rights over all areas which are Project Areas and are required by the Contractor for the construction, alteration or modification of the Works, Accessways and Access Roads, in accordance with Exhibit H.

Easement Rights and/or acquisition of land and/or permits required for Access Routes will be the exclusive responsibility of the Contractor. The imposition of Easements Rights and the acquisition of property rights over additional areas within the Concession Area that are not Project Areas will be the exclusive responsibility of the Contractor.

If the Contractor suffers delay or incurs Cost from failure on the part of Owner to grant right of access to or possession of Project Areas, in accordance with the previous paragraphs, the Contractor shall give notice to Owner’s Representative within ten (10) days of suffering such delay or incurring such Cost, and after receipt of such notice and provided that the Owner’s failure to grant right of access to or possession of Project Areas was not caused by the Contractor, Owner’s Representative shall proceed in accordance with Article XV to agree or determine:

- (a) any extension of time to which the Contractor is entitled under Section 9.4; and
- (b) the amount of such Cost plus Profit thereon which shall be added to the Lump Sum Price and shall notify the Contractor accordingly.

For the avoidance of doubt, the granting of possession of Project Areas shall not be treated as creating any legal or other interest over Project Areas in favor of the Contractor.

If by application of this section, the Contractor acquires title or any legal interest over pieces of land located within the Project Areas, the Contractor must transfer title of such pieces of land to Owner promptly free and clear of any and all liens, claims, security interests or other encumbrances.

The Contractor shall provide, at his own cost and subject to Owner's approval, any additional pieces of land, any clearances, temporary rights of access, rights of way, work space or easement rights outside the Project Areas that are required by it for the purposes of the Works.

Owner will retain unlimited access for itself, for the Owner's Representative, for the Lenders, the Lender's Representative, the insurer or the insurers and the Supervisor who shall be entitled to enter into and remain at the Project Areas at all times without prior notice and without the Contractor's prior consent. Contractor shall also permit unrestricted access to the Project Areas to any Governmental Authority according to the Applicable Laws.

- 2.2 Permits, Licenses or Approvals** - Owner shall timely obtain all the Owner Permits as necessary for the performance of the Works by Contractor in accordance with the Project Schedule. Owner will also be responsible for obtaining all authorizations needed to modify or adjust those permits to the new design of the Works according to the Technical Specifications.

If the Contractor suffers delay or incurs Cost from failure on the part of Owner to obtain Owner's Permits in accordance with the previous paragraph, the Contractor shall give notice to Owner's Representative within ten (10) days of suffering such delay or incurring such Cost, and after receipt of such notice and provided that the Owner's failure to obtain Owner's Permits was not caused by the Contractor, Owner's Representative shall proceed in accordance with Article XV to agree or determine:

- (a) any extension of time to which the Contractor is entitled under Section 9.4; and
- (b) the amount of such Cost plus Profit thereon which shall be added to the Lump Sum Price and shall notify the Contractor accordingly.

Owner shall, at the request of the Contractor, provide reasonable assistance in applying for permits, licenses or approvals which are required for any part of the Works and required to be obtained by the Contractor for delivery (including clearance through customs) of Major Items of Equipment, Materials and Contractor's Equipment, and for the completion of the Works. Such requests may also include requests for Owner's assistance in applying for any necessary government consent to the re-export of Contractor's Equipment when it is removed from the Project Areas. It is the sole responsibility of the Contractor to timely request such assistance and to provide all necessary documentation and other information to facilitate the provision of such assistance. The Contractor shall reimburse the Owner for any documented out of pocket expenses incurred by the Owner in providing the assistance provided by the Owner to the Contractor pursuant to this Section 2.2.

- 2.3 Owner's Right to do Work** - If the Contractor fails to commence to furnish sufficient workers of the required skill, or materials of the required quality or quantity or fails to perform the Work in accordance with the requirements hereof or the Project Schedule, within fifteen (15) days after written notice specifying such failure, and such failure is affecting the Time for Completion, Owner shall have the option to supply workers, materials, or both, and perform the Works.

Owner shall deduct expenses incurred in engaging other contractors, and supplying workers and material from payments due or which may become due to the Contractor. If expenses exceed the balance due or which becomes due to the Contractor, the Contractor shall pay the excess to Owner immediately upon written demand therefor.

The Contractor shall allow other contractors or entities access to their work within the Project Areas. The Contractor shall make no claims against Owner for additional payment due to delays or other conditions created by the reasonable operations of such other parties, provided that, if such other parties materially interfere with the Contractor's reasonable performance of the Works, the Contractor shall have the right to request a Variation in accordance with Section 15.1 to the extent necessary to overcome the impact of such interference or hindrance.

Any Work provided by Owner due to the Contractor's failure to perform shall be charged to the Contractor at Owner's Cost plus Profit and shall not relieve the Contractor from any obligation or responsibility provided in this Contract.

- 2.4 **Owner's Financial Arrangements** – The Owner within ten (10) days after the Notice to Commence has been delivered, and up to three (3) times before the Actual Project Acceptance Date, upon Contractor's written request, will provide reasonable evidence that financial arrangements have been made as to enable the Owner to pay the Lump Sum Price in accordance with Section 14. If the Owner makes any material change to any of Financing Documents, the Owner shall promptly give notice to the Contractor with detailed particulars.

III. OWNER'S REPRESENTATIVE

- 3.1 **Owner's Representatives Duties and Authority** - Owner's Representative shall carry out the duties and exercise the authority provided in this Contract. Owner's Representative shall have no authority to amend this Contract and the Contractor shall have no obligations to perform any such amendment except pursuant to an executed Variation.
- 3.2 **No Implied Waiver**
- Any proposal, inspection, examination, testing, consent, approval or similar act by Owner's Representative, including any omission by Owner's Representative to disapprove, object or notify any breach of the Contractor's obligations under this Contract, will not relieve the Contractor from any duty, responsibility or obligation, including responsibility for errors, omissions, discrepancies, and non-compliance with Sections 6.3 and 6.4.
- 3.3 **Owner's Representative's Authority to Delegate** - Owner's Representative may from time to time delegate any of his duties to the Supervisor or assistants, and may at any time revoke any such delegation. Any such delegation or revocation shall be in writing and shall not take effect until a copy has been delivered to Owner and the Contractor, specifying the powers, functions and authorities being delegated or revoked

The Supervisor or the assistants shall be suitably qualified persons who are competent to carry out these duties and exercise this authority.

Any determination, instruction, inspection, examination, testing, consent, approval or similar act by any such assistant of Owner's Representative in accordance with the delegation shall have the same effect as though it had been an act of Owner's Representative. However:

- (a) any failure to disapprove any equipment, Materials, Main Spare Part, design or workmanship shall not prejudice the right of Owner's Representative to reject (if prior to the start of the Warranty Period) or make a warranty claim (if the Warranty Period is in effect) on such defective item, Materials, Main Spare Part, design or workmanship;
- (b) if the Contractor questions any determination or instruction of an assistant of Owner's Representative, the Contractor may refer the matter to Owner's Representative who shall confirm, reverse or vary such determination or instruction.

3.4 Owner's Representative's Instructions - The Contractor shall comply with instructions given by Owner's Representative in accordance with this Contract.

IV. SUPERVISOR

4.1 General Obligations –

Owner will communicate to the Contractor the appointment of the Supervisor before the Limited Notice to Commence or the Notice to Commence, as applicable. However, from the Limited Notice to Commence until the Notice to Commence, the Supervisor's duties may be performed by Owner.

Owner may change the Supervisor at any time by notice to Contractor.

The Supervisor will provide assistance to Owner for the observational oversight of this Contract during the construction of the Plant and until the Actual Project Acceptance.

The observation to be carried out by the Supervisor mainly encompass the following:

- (a) observe and inventory the engineering and design and the Detailed Design and the Construction Documents produced by the Contractor;
- (b) observe the manufacturing, factory assembling, testing and preparation for shipment of the Plant Equipment, including the Major Items of Equipment;

- (c) observe and inventory the methods and procedures to be used in the design and manufacturing by the Contractor;
- (d) observe the execution of the civil works;
- (e) observe the quality control of all construction, erection, testing of equipment and the commissioning activities carried out by the Contractor to determine if such is being performed properly and according to the terms and conditions of this Contract;
- (f) attend the execution of the Performance Tests;
- (g) approve the respective payments to the Contractor; and
- (h) Issue reports on the above matters to Owner.

Any proposal, inspection, examination, testing, consent, approval or similar act by the Supervisor (including absence of disapproval) shall not relieve the Contractor from any duty, responsibility or obligation, including responsibility for errors, omissions, discrepancies, and non-compliance with Sections 6.3 and 6.4.

- 4.2 Supervisor's Rights** –The Supervisor may maintain on the Project Areas throughout the construction of the Plant and until the Actual Project Acceptance a team of resident engineers and technicians. This team may observe any and all construction, Plant Equipment erection, testing and commissioning operations of the Contractor, in order to assess the conformity and quality of the Works for Owner. In addition, the Supervisor or its personnel may carry out at all reasonable times and whenever deemed necessary, inspection visits to the Project Areas as well as to all workshops, storage facilities and installations where Major Items of Equipment are manufactured, assembled, tested or prepared for shipment.

All information produced by the Contractor shall be communicated to the Supervisor with the authorization of and information to Owner.

- 4.3 Control and Monitoring of the Project Schedule** –The Supervisor may observe all phases and operations of the Works to see if they remain organized throughout construction to respect the Project Schedule. The Supervisor may alert the Contractor promptly, whenever the Supervisor foresees any risk of delays and may request that the Contractor analyze its programs and sequences of work. The Supervisor may suggest partial or general adaptations of the program whenever it deems necessary.

- 4.4 Reporting** –The Supervisor may prepare and submit to Owner monthly progress and site activity reports basically containing all figures and site measurements, results of quality control, observations and description of factual events occurring on the Project Areas and in home offices or shops of all Major Items of Equipment, and any other report that Owner may deem appropriate.

- 4.5 Supervisor's duties during Warranty Period** –The Supervisor will provide assistance to Owner during the Warranty Period when required by Owner. Plant Equipment as well as civil works specialists and experts will be made available to Owner for performing site visits when needed to provide the technical and contract management services during this period.

V. CONTRACTOR

- 5.1 General Obligations** - The Contractor shall perform or cause to be performed the Preliminary Works once the Limited Notice to Commence has been given and Permanent Works and the Temporary Works once the Notice to Commence has been given, including as applicable, engineering and design, procurement, manufacture, delivery, site clearance, civil works, construction and erection, installation, training, start-up (including calibration, inspection and start-up operation), demonstration and testing of the Works, and provide all labor, Major Items of Equipment, Materials, Auxiliary Services, equipment, machinery, tools, transportation, construction fuels, chemicals required in connection with the Contractor's performance of any part of the Works, utilities required in connection with the Contractor's performance of any part of the Works (except to the extent expressly provided otherwise herein), administration and other services or items required to complete the Works, all on a lump sum, fixed price (with the exception of Surface Invasive and Subsurface Civil Work), turnkey basis and otherwise in accordance with this Contract, including without limitation the Technical Specifications, and in compliance with all Applicable Laws and Applicable Permits which apply to the Works, and generally recognized professional and industry standards (including Prudent Utility Practices and Prudent Electrical Practices). The Contractor shall further design, engineer, construct and execute the Works in a manner consistent with the requirements of this Contract and to provide Owner a complete, integrated and fully functional hydropower generating Plant to be used for base load service.

Owner is relying upon the expertise of the Contractor to furnish the completed Plant in accordance with the terms of this Contract. The Contractor acknowledges Owner's reliance upon the expertise of the Contractor as set forth in this Section 5.1.

The Works shall be completed by the Contractor wholly in accordance with this Contract and generally recognized professional and industry standards (including Prudent Utility Practices and Prudent Electrical Practices), compliant with the Applicable Laws of Peru and Applicable Permits. The Works shall include any work which is necessary to satisfy the Technical Specifications and Schedules, or is implied by this Contract, or arises from any obligation of the Contractor, and all works not mentioned in this Contract but which may be reasonably inferred from this Contract to be necessary for the stability or completion or the safe, reliable and efficient operation of the applicable Works.

The Contractor shall design, execute and complete the Works, including providing Construction Documents, within the Time for Completion, each as provided herein, and shall remedy any Defects or Deficiencies that may arise within the Warranty Period irrespective of whether such Defects or Deficiencies can be remedied during such Warranty Period. The Contractor shall provide all superintendence, labor, plant, Materials, Main Spare Parts, Contractor's Equipment, Temporary Works and all other things, whether of a temporary or permanent nature, required in and for such design, execution, completion and remedying of Defects or Deficiencies.

The Contractor shall execute the Works continuously and diligently and shall achieve the Partial Taking-Over Dates and the Final Taking-Over Date on or before the Scheduled Partial Taking-Over Date and the Scheduled Final Taking-Over Date, and thereafter achieve the Actual Project Acceptance Date as expeditiously as possible, but not later than one hundred eighty (180) days after the Final Taking-Over Date, or if Owner exercises its right under Section 10.9, one hundred eighty (180) days after the Contractor is provided access again to the Works to perform Performance Tests (“Early Operation Extension Period”).

Unless as otherwise stated in the Contract, the Contractor knows and accepts that during the execution of the Works (with the exception provided in Sections 5.9 and 5.10) it may find geological, hydrological or meteorological or other conditions that could affect construction costs or the Time for Completion. The Contractor declares that has reviewed the Project Data and made such other investigations as it deems necessary and has considered all risks (whether related thereto or not) in its derivation of the Lump Sum Price. As a result, if any such risks arise, the Contractor will not be released from its obligations under the Contract on the basis of a Force Majeure claim or on any other basis and will not be entitled to a Variation for the adjustment of the Lump Sum Price or the extension of the Time for Completion. This provision shall not prejudice Contractor’s rights according to Article XX for future supervening Force Majeure events that are not caused by the conditions existing at the Effective Date.

The Contractor shall satisfy itself prior to the Effective Date regarding the design criteria (if any) included in the Technical Specifications and the accuracy of any setting-out points, lines and levels of reference specified therein. The Contractor shall make no claim for additional compensation, extension of the Time for Completion, Variation or otherwise for any alleged error, fault or defect in the Technical Specifications.

The Contractor shall take full responsibility for the adequacy, stability and safety of the Plant, of all means and methods of construction by Contractor and its Subcontractors and of all the Works, irrespective of any approval or consent or the lack thereof by Owner’s Representative or the Supervisor. Once the Works are completed, they shall be fit for purpose as defined under this Contract and the Technical Specifications.

The intent of this Contract is to relieve Owner of the necessity of engaging or supplying any labor, service or material to complete the Plant unless the labor, service or material is expressly stated in this Contract as being furnished by Owner.

- 5.2 Contractor’s Representative** - Unless the Contractor’s Representative is named in this Contract, the Contractor shall, within fourteen (14) days of the Effective Date, submit to Owner’s Representative for consent the name and particulars of the Person the Contractor proposes to appoint, which shall not be unreasonably delayed or withheld. The Contractor shall not revoke the appointment of the Contractor’s Representative without the prior consent of Owner’s Representative.

The Contractor's Representative shall be a full time employee of the Contractor dedicated to directing the preparation of the Construction Documents and the execution of the Works. Except as otherwise stated in this Contract, the Contractor's Representative shall receive (on behalf of the Contractor) all notices, instructions, consents, approvals, certificates, determinations and other communications under this Contract. Whenever the Contractor's Representative is to be absent, a suitable replacement person shall be appointed, and Owner's Representative shall be notified accordingly. Owner will have the right to approve those individuals who will hold key project positions as defined in Exhibit E. Owner shall have the right at all times to require that any personnel (whether or not previously approved by Owner) be removed and replaced by personnel acceptable to Owner in the case that any person is not fit, skilled or capable of performing the work assigned to him or otherwise jeopardizes the safety or efficient performance of any part of the Works.

Subject to the written consent of Owner's Representative, the Contractor's Representative may delegate any of his powers, functions and authorities to any competent person, and may at any time revoke any such delegation. Any such delegation or revocation shall be in writing and shall not take effect until Owner's Representative has received prior notice signed by the Contractor's Representative, specifying the powers, functions and authorities being delegated or revoked. The Contractor's Representative and such persons shall be fluent for day-to-day communications in written and verbal English and Spanish.

5.3 Coordination of the Works - The Contractor shall be responsible for the coordination and proper execution of the Works, including cooperation with Owner's other contractors so as to minimize conflicts with the Works. The Contractor shall, as specified in the Technical Specifications, afford all reasonable opportunities for carrying out its work to:

- (a) any other contractors employed by Owner and their workmen;
- (b) the workmen of Owner; and
- (c) the workmen of any legally constituted public authorities who may be employed in the execution on or near the Project Areas of any work not included in this Contract, which Owner may require.

If any part of the Works depends for proper and timely execution or results upon the work of any other contractor, the Contractor shall inspect and promptly report in writing to Owner any Defects or cause of delay in such work that renders it unsuitable for such proper and timely execution or results. Failure of the Contractor to do so shall constitute its acceptance of such other work as fit and proper for the reception of the Works.

The Contractor shall timely inform to Owner's Representative and the Supervisor the scope of works related to Subcontractors and suppliers who will perform works within the Project Areas.

5.4

Subcontractors - The Contractor shall not subcontract any portion of the Works whose value exceeds five millions Dollars (US\$ 5,000,000) without the prior written consent of Owner. Unless otherwise stated in this Contract:

- (a) the Contractor shall not be required to obtain consent for purchases of new Materials or for subcontracts for which the Subcontractor is an Affiliate or named in this Contract or identified in the Subcontractor List set forth in Schedule 2;
- (b) the prior consent of Owner's Representative shall be obtained (and shall not be unreasonably delayed, withheld or conditioned) to other proposed Subcontractors not set forth in subparagraph (a) above; and
- (c) not less than twenty-eight (28) days before the intended date of each new Subcontractor commencing work on the Project Areas, the Contractor shall notify Owner's Representative and the Supervisor of such intention.

The Contractor shall be responsible for observance by all Subcontractors of all the provisions of this Contract. The Contractor shall be responsible for the acts or defaults of any Subcontractor, his agents or employees, in the performance of the Works as fully as if they were the acts or defaults of the Contractor, his agents or employees. Any subcontracting by the Contractor of any portion of the Works shall not release or discharge the Contractor of any of its responsibilities or obligations under this Contract. Any Subcontractor warranties extending beyond the Warranty Period (or any longer applicable period agreed to by the Contractor) shall be assigned to Owner.

All Works performed for the Contractor by a Subcontractor shall be governed by terms and conditions provided in written contracts executed between Contractor and Subcontractor.

The Contractor agrees to incorporate into each Subcontractor agreement greater than one million five hundred thousand Dollars (US\$1,500,000) in value, terms and conditions substantially equivalent to those in this Contract to the extent applicable to such Subcontractor's work. All such Subcontract agreements and purchase orders shall contain a provision providing for assignment of such subcontracts or purchase orders to Owner in the event of termination of the Contractor's employment pursuant to the terms of this Contract. Such assignment will be at the discretion of Owner and at no cost to Owner.

At any time during the execution of the Works, Owner may reasonably require the Contractor to remove any Subcontractor employed on the Project Areas.

The Contractor shall pay each Subcontractor the amount to which said Subcontractor is entitled under the applicable subcontract. Contractor shall execute and deliver to Owner a certificate substantially in the form of Schedule 22 (Form of Proof of Subcontractor Payment) every three (3) months, by which Contractor will represent and warrant to Owner that it paid to the Subcontractors any amounts due to the Subcontractor that are related to the amounts evidenced in the relevant invoice.

- 5.5 Assignment of Subcontractor's Obligations** - If a Subcontractor has undertaken a continuing obligation to the Contractor for work designed or executed, or Major Items of Equipment, Materials, Auxiliary Services or other services supplied, by such Subcontractor, and if such obligation extends beyond the expiry of the Warranty Period, the Contractor shall if permitted under the terms of such Subcontract, upon the expiry of the Warranty Period, assign the benefit of such obligation to Owner for its unexpired duration at the request of Owner. The Contractor shall ensure that all of its rights under any Subcontract that is valued at greater than one million five hundred thousand Dollars (US\$1,500,000), are capable of being assign to Owner. Such assignment will be at the discretion of Owner and at no cost to Owner.
- 5.6 Setting Out** - The Contractor shall set out the Works in relation to original points, lines and levels of reference specified in the Technical Specifications or, if not specified, given by Owner's Representative in writing. The Contractor shall correct, at his cost, any error in the positions, levels, dimensions or alignment of the Works. The Contractor shall be responsible for the joining and fitting of all civil works and parts of the Works in a manner such that the Plant can operate as an integrated power plant, and any checking or inspection by Owner or the Supervisor shall not relieve the Contractor of any responsibility as to the correctness of the Works.
- 5.7 Quality Assurance/Quality Control (QA/QC)** - Unless otherwise stated in this Contract, the Contractor shall institute a quality assurance system to demonstrate compliance with the requirements of this Contract that conforms to the guidelines provided by Schedule 20. The implementation of a quality assurance system pursuant to this Section 5.7 will not relieve the Contractor of any of its duties, obligations or responsibilities with Owner under this Contract.
- The Contractor shall make available to Owner's Representative and the Supervisor all quality assurance or quality control procedures and compliance documents at the Contractor's premises before the commencement of each design and execution stage. When any QA/QC document is issued to Owner's Representative and the Supervisor, it shall be accompanied by the signed quality statements for such document, in accordance with the details stated in this Contract. Owner's Representative may instruct the Contractor to amend any quality assurance or quality control procedure that does not adhere to the guidelines provided in Schedule 20 and to take any corrective action that is needed to achieve compliance with such guideline.
- 5.8 Existing Project Data** - The Contractor shall be solely responsible for interpreting and using all of the data provided by Owner and contained in Exhibits A and D, and Owner makes no warranty or representation that such information is accurate, complete or exhaustive, except as stated below. In case of contradiction between the information contained in Exhibits A and D, Exhibit A will prevail. Exhibit D shall supplement the omissions that may exist in Exhibit A.

The Contractor shall be deemed to have inspected and examined the Concession Area, its surroundings, the Project Data and other available information, and to have satisfied itself prior to the Effective Date as to:

- (a) the form and nature of the Concession Area, including all Concession Area conditions;
- (b) unless as otherwise stated in the Contract, all applicable hydrological and climatic conditions, including those of the Concession Area and Peru;
- (c) the extent and nature of the work, labor, manpower, services including Auxiliary Services, construction equipment, Materials necessary for the execution and completion of the Works, and the remedying of any Defects or Deficiencies; and
- (d) the means of access to the Project Areas and the accommodation it may require.

The Contractor shall be deemed to have obtained all necessary information as to risks, contingencies and all other circumstances which may influence or affect the Lump Sum Price or Project Schedule.

The Contractor has thoroughly investigated the Concession Area, including any applicable easements, water sources, access to the Project Areas, transportation, international and local labor conditions, all Applicable Laws in the locations where Works are to be performed; and has investigated the Applicable Permits required as of the Effective Date and all attachments hereto; and investigated all other matters or conditions it deems relevant or that could affect execution of the Works, and the Contractor shall not be entitled to and shall make any claim for additional compensation, Force Majeure, extension of the Time for Completion, Variation or otherwise, for any reason relating to any of the foregoing matters (other than as provided in this Contract) or for any matter relating to conditions encountered above, below on or at the Project Areas on the ground of any allegation or fact that incorrect or insufficient information was given to them by Owner or any other Person, whether in the employ of Owner or otherwise.

The Owner acknowledges that the Contractor shall design the Plant on the basis of hydrological and water quality data supplied by the Owner included in Exhibit D and therefore, the Contractor shall not be held liable for the accuracy of such data. Correctness and Sufficiency of the Lump Sum Price—The Contractor shall be deemed to have satisfied itself as to the correctness and sufficiency of the Lump Sum Price. Unless otherwise stated in this Contract, the Lump Sum Price (other than with respect to Surface Invasive or Subsurface Civil Work) shall cover the performance of all its obligations under this Contract.

5.9 Foundations and Tunnels - All Surface Invasive and Subsurface Civil Work, will be subject to the risk sharing mechanism set forth in Exhibit I. Modifications to the Lump Sum Price and/or an extension of Time for Completion will be granted to the Contractor according to the geological risk sharing procedures and Unit Rates set forth in Exhibit I, through the execution of a Variation.

5.10 Access to the Concession Area - The Contractor shall be responsible for the selection, design and construction of Access Roads and Accessways and for the alterations or modifications that it may need to introduce in Access Routes, without prejudice to Section 2.1 and Exhibit F. The Contractor shall maintain and repair all Access Roads and Accessways and shall be responsible for repairing the Access Routes damaged by the Contractor or his Subcontractors. Such selection, design, construction, alterations, modifications, maintenance and repair of Access Roads, Access Routes and Accessways, including their use and signaling, shall conform to the Applicable Laws. The Contractor shall provide any signs or directions which he may consider necessary for the guidance and security of its staff, labor and others. The Contractor shall obtain any permission that may be required from any Governmental Authority or from any third party for the construction, modification, alteration or use of such routes, signs and directions.

Owner will not be responsible for any claims which may arise from the use or otherwise of any Access Route, Access Road or Accessway and the Contractor will defend Owner against and indemnify Owner for any third party claim or sanction imposed by any Governmental Authority for the use of any such route or for the damages suffered as a result of any such use.

The Contractor shall be deemed to have satisfied himself as to the suitability and availability of the Access Routes, Access Roads and Accessways he chooses to use in order to reach the Concession Area or the Project Areas, as applicable. Owner does not guarantee the suitability or availability of any particular route, including those described by reference in the Project Data, and the Contractor shall not be entitled to any Variation for any non-suitability or non-availability for continuous use during construction of any such route except (a) as a result of Force Majeure, if applicable, or (b) civil works on any route carried out by a Governmental Authority.

The Contractor shall use reasonable efforts to prevent any of the highways or bridges connecting with or on the route to the Concession Area from being damaged or injured by any traffic of the Contractor or any of his Subcontractors. The Contractor in particular shall select routes, choose and use vehicles and restrict and distribute loads so that any extraordinary traffic that will inevitably arise from moving the Major Items of Equipment and Material from and to the Concession Area shall be limited as far as reasonably possible so that damage or injury to such highways and bridges shall be minimized or avoided altogether.

Any modification or change in the selection, design or use of any Access Road, Access Route or Accessway shall be previously approved by Owner.

In case that the design and construction of some or all Access Roads and Accessways, are executed by local or regional authorities within the Concession Area, then the Contractor shall participate in the public bid solicitation processes conducted by such authorities according to the Applicable Law and the Contractor shall make its best efforts to be awarded the Access Contract. The Contractor shall be responsible for complying with the rules of the bid solicitation process and for the performance of its obligations under any Access Contract. The Parties will execute a Variation to reflect the impact in the cost of the Works caused by the construction of such Access Roads and Accessways under any Access Contract.

5.11 Project Schedule -

The Contractor shall submit a detailed Project Schedule of the execution of the Works to Owner's Representative, for information, within forty-five (45) days after the Commencement Date.

The Project Schedule (in the form of a GANTT chart) shall be in a level of detail reasonably acceptable to Owner's Representative, shall not substantially deviate from the durations and milestones established in the preliminary Project Schedule set out in Schedule 1 and shall be in accordance with the requirements hereof. The final Project Schedule shall include the following:

- (a) the order (identifying the tasks that are on the critical path) in which the Contractor proposes to carry out the Works (including each stage of design, procurement, manufacture, delivery to the Project Areas, construction, erection, testing and Precommissioning, Start-Up and the Performance Tests);
- (b) the times when submissions and approvals or consents by Owner's Representative are required, but only if indicated as required in the Technical Specifications; and
- (c) the Precommissioning, Start-Up and Performance Tests.

The Contractor shall prepare the Project Schedule or any amendment or update to the Project Schedule in Primavera software or equivalent. The Project Schedule shall include all major events and activities in the production of Construction Documents and the periods for the pre-construction reviews under Section 6.2. Unless otherwise stated in this Contract, the Project Schedule shall be developed using critical path method and precedence networking techniques, showing early start, late start, early finish and late finish dates.

The Contractor shall, whenever required by the Owner's Representatives or the Supervisor, provide in writing a general description of the arrangements and methods which the Contractor proposes to adopt for the execution of the Works. If Contractor materially alters any such actions, obligations or Works, the Contractor shall inform Owner's Representative. If the progress of the Works does not conform to the Project Schedule, Owner's Representative may request the Contractor to revise the Project Schedule, showing the modifications necessary to achieve completion within the Time for Completion.

The Contractor will not be relieved or excused of any obligation undertaken hereunder by the absence or delay of Owner's acceptance of the Project Schedule.

5.12

Progress Reports and Meetings – Daily reports shall be prepared by Contractor and submitted to the Representatives and the Supervisor electronically on the following day. The daily report shall include all occurrences of the last twenty four (24) hours together with a description of the labour and Materials which have been incorporated in the Works.

Monthly progress reports shall be prepared by the Contractor and submitted to the Owner's Representatives and the Supervisor electronically. One physical copy shall be delivered to Owner. The first report shall cover the period up to the end of the calendar month after that in which the Commencement Date occurred; reports shall be submitted monthly thereafter, on or before the fifth (5th) Business Day of each calendar month. Reporting shall continue until the Contractor has completed all Works which are known to be outstanding at the completion date stated in the Final Taking-Over Certificate. Each monthly report shall include:

- (a) photographs and detailed descriptions of progress, including each stage of design, procurement, manufacture, delivery to Project Areas, construction, erection, testing and Precommissioning, Start-Up and Performance Tests;
- (b) charts showing the status of Construction Documents, purchase orders, manufacture and construction;
- (c) for the manufacture of each Major Item of Equipment, Materials and Spare Parts, the name of manufacturer, manufacture location, percentage progress and the actual or expected dates of commencement of manufacture, Contractor's inspections, tests and delivery;
- (d) records of personnel and Contractor's Equipment on the Project Areas;
- (e) log of quality assurance documents, test results and certificates of Materials and equipment issued during the prior month;
- (f) safety statistics, including details of any hazardous incidents and activities relating to environmental aspects and public relations;

- (g) comparisons of actual and planned progress (including a summary of the Works expected to be completed during the ensuing calendar month), with details of any aspects which may jeopardize the completion in accordance with the Project Schedule and this Contract, and the measures being (or to be) adopted to overcome such aspects (including material quantities installed, tables and charts for comparison versus total quantities for complete installation);
- (h) any and all unresolved claims or disputes that involve requests for extension to the Time for Completion, or adjustment to any other date or milestone set forth in this Contract or increases in the Lump Sum Price; and
- (i) any additional information that Owner's Representative or any Governmental Authority may request.

Notwithstanding the obligations provided in this Section 5.13, the Contractor shall promptly deliver any information reasonably requested by Owner or any Governmental Authority regarding the execution of the Works.

Weekly meetings will be held at the Site between the Contractor, Owner's Representative and the Supervisor to review the status of the Works and all issues relating to the performance of Contractor's obligations hereunder.

Once a month the Contractor, Owner's Representative and the Supervisor shall attend a meeting in order to discuss the previous monthly progress report. Owner will inform seven (7) days in advance the date and location of the meeting.

The Contractor shall attend any other meeting reasonably requested by Owner or the Supervisor.

5.13 Contractor's Equipment - The Contractor shall provide all Contractor's Equipment necessary to complete the Works within the Time for Completion. Contractor guarantees that all equipment and materials listed on Exhibit A will be on site at the times and in at least the quantities listed therein. All Contractor's Equipment shall, when brought on to the Project Areas, be deemed to be exclusively intended for the execution of the Works in order to comply with the Technical Specifications. The Contractor shall not remove from the Project Areas any such Contractor's Equipment without the consent of Owner's Representative, which shall not be unreasonably withheld.

5.14 Safety Precautions - The Contractor shall comply with all applicable safety laws and regulations in his design, access arrangements and operations on the Project Areas, including, without limitation, Applicable Laws of Peru, Applicable Permits, the Equator Principles based on the International Finance Corporation Performance Standards and particularly the EIA, *Reglamento de Seguridad y Salud en el Trabajo de las Actividades Eléctricas* (RM No. 161-2007-MEM-DM del 13 de abril de 2007) and the most recent revisions of standards published by the International Organization for Standardization for the Protection of the Environment and Human Health and Safety. The Contractor shall, from the commencement of Works on the Project Areas until the Final Taking-Over Date, provide the following in relation to on-site activities at the Project Areas:

- (a) fencing, lighting, guarding, watching and protecting the Works;

- (b) temporary roadways, footways, flagmen, warning signs, guards and fences which may be necessary for the accommodation and protection of owners and occupiers of adjacent land, the public and others;
- (c) reasonable measure for the prevention of fires;
- (d) the elimination of excessive dust or smoke;
- (e) the protection of overhead utility lines, underground pipes, conduit or cables clearly identified with full description thereof in Exhibits A and D;
- (f) protection of adjacent properties from subsidence, collapse, discharge, and from dust, smoke, fire and chemical or other intrusion from the performance of the Works;
- (g) personnel protection equipment for the Contractor's personnel, Owner's personnel and the Supervisor's personnel; and
- (h) first aid facilities for the Contractor's personnel, Owner's personnel and the Supervisor's personnel.

Should Owner request that Contractor provide safeguards reasonably required by Applicable Laws or Applicable Permits for the protection of persons or property as required by this Section 5.15 and should the Contractor fail to comply with such request within a reasonable time, Owner may provide such safeguards and the Contractor shall reimburse Owner for the reasonable costs thereof.

5.15 Protection of the Environment - The Contractor shall comply with all Applicable Laws in the locations where Works are being performed and the portions of Applicable Permits which apply to Contractor's performance of Works, particularly the Environmental Management Plan contained in the EIA and other EIA regulations concerning construction, in its design, access arrangements and operations on the Concession Area. During construction, the Contractor shall take all necessary steps to protect the environment (both on and off the Project Areas) pursuant to the Applicable Permits and the Applicable Laws in force in Peru from time to time.

The Contractor shall provide properly designed storage areas which are impermeable to leakage into the surrounding soil for storage of oils, lubricants or other hazardous wastes. Such storage will also be covered and protected from inundation and overflow by rainfall into the surrounding soil. Dangerous Substances generated during completion of the Works will be properly disposed of by the Contractor.

The Contractor shall be responsible only for Dangerous Substances which the Contractor brings onto the Concession Area to use in the performance of the Works or which are generated by the Contractor at the Project Areas and shall not be responsible for Dangerous Substances nor any other environmental liabilities which exist at the Concession Area on or before the Limited Notice to Commence.

Contractor shall remove any Dangerous Substances from the Concession Area before returning any part thereof to Owner.

The Contractor shall, immediately upon discovery of any Dangerous Substance for which Owner is responsible, notify Owner's Representative, who may issue instructions to the Contractor regarding the removal of such Dangerous Substance. If the Contractor suffers delay or incurs Cost as a result of the execution of Owner's Representative instructions to remove Dangerous Substance, the Contractor shall give notice to Owner's Representative of such delay or of the incurrence of such Costs, with a copy to Owner and Owner's Representative shall promptly thereafter agree or determine pursuant to Article XV:

- (a) the extension of time to which the Contractor is entitled under Section 9.4; and
- (b) the amount of such Cost, which shall be added to the Lump Sum Price, and shall notify the Contractor accordingly.

5.16 Public Relations with the Local Communities - During the execution of the Works the Contractor, its personnel and its Subcontractors shall undertake best efforts to keep and maintain good relations with the local communities located within the Concession Area, respecting their customs and traditions. The Contractor must comply with the Community Relations Plan contained in the EIA in coordination with Owner.

The Contractor shall appoint a person with experience in community relations management to liaise with Owner on the management of relations with communities established in areas surrounding the Concession Area. The Contractor may not execute agreements or undertake commitments with stakeholders of the Works, including but not limited to Governmental Authorities, community leaders, unions and others, without the prior written consent of Owner and once it executes any such agreement or assumes any such commitment, it shall comply with the obligations it has assumed therein.

5.17 Clearance of Project Areas - During the execution of the Works, the Contractor shall keep the Project Areas free from all unnecessary obstruction, and shall store or dispose of any Contractor's Equipment or surplus materials. The Contractor shall clear away and remove from the Project Areas any wreckage, rubbish or Temporary Works no longer required. Clearance of the Project Areas by the Contractor must comply with the Applicable Laws and particularly with any environmental regulation.

Upon the issue of the Final Taking-Over Certificate, the Contractor shall clear away and remove, from that part of the Project Areas, all Contractor's Equipment, surplus material, wreckage, rubbish and Temporary Works. The Contractor shall leave the Project Areas, the Works, the Access Routes and the Access Roads in a clean, safe and good condition to the reasonable satisfaction of Owner's Representative, except that, the Contractor shall be entitled to retain on the Project Areas, until the expiry of the Warranty Period, such Contractor's Equipment, Materials and Temporary Works as reasonably required by it for the purpose of fulfilling its obligations under this Contract.

Owner will have the option to purchase for one (1) dollar the work camps infrastructure and buildings installed by the Contractor on the Project Areas for itself or for the local communities, or to instruct the Contractor to remove such camps and leave the Project Areas in a clean condition.

If the Contractor fails to remove from the Project Areas, by twenty-eight (28) days after the issue of the Actual Project Acceptance Certificate, any remaining Contractor's Equipment, surplus material, wreckage, rubbish and Temporary Works or camp infrastructure, Owner may sell or otherwise dispose of such items. Owner shall be entitled to retain, from the proceeds of such sale, a sum sufficient to meet the costs incurred in connection with the sale or disposal, and in restoring the Project Areas. Any balance of the proceeds remaining after Owner has reimbursed itself of disposal costs pursuant to this Section 5.18, shall be paid by Owner to the Contractor.

5.18 Security of the Project Areas - Unless otherwise stated herein:

- (a) the Contractor shall be responsible for keeping unauthorized encroachment or persons off the Project Areas and shall not be entitled to a Variation if such occurs and damage or theft results therefrom and such shall not be considered Force Majeure; and
- (b) authorized persons shall be limited to the employees of the Contractor, employees of Subcontractors, employees of the Supervisor and persons authorized by Owner or the Representatives.

The Contractor shall allow Owner, Owner's Representative, the Supervisor and any other Person notified to the Contractor by Owner, Owner's Representative or the Supervisor to inspect the Works at all times.

5.19 Contractor's Operations on Project Areas - The Contractor shall confine his operations for Works to the Project Areas. The Contractor shall take all necessary precautions to keep his personnel, equipment and Subcontractors within the Project Areas, and to keep and prohibit them from encroaching on adjacent land.

5.20 **Remains** - The Contractor may not claim any property interest or rights of any other nature over the Remains discovered by the Contractor on the Project Areas. The Contractor shall take reasonable precautions to prevent its staff, labor or other Persons from removing or damaging any Remains discovered in the Project Areas.

The Contractor shall, immediately upon discovery of a Remains of archeological nature, suspend the Works and advise Owner's Representative, who may issue instructions how to proceed regarding such findings. The Contractor shall advise Owner's Representative of the estimated costs of removing any such Remains promptly after receiving instructions to remove the relevant remain and shall not commence the removal of the Remains until it receives written approval from Owner's Representative. If the Contractor suffers delay or incurs Cost as a result of the finding of the Remains or the execution of Owner's Representative's instructions regarding the Remains, the Contractor shall give notice to Owner's Representative of such delay or of the incurrence of such Costs with a copy to Owner and Owner's Representative shall promptly thereafter agree or determine pursuant to Article XV:

- (a) the extension of time to which the Contractor is entitled under Section 9.4; and
- (b) the amount of such Cost, which shall be added to the Lump Sum Price, and shall notify the Contractor accordingly.

The Contractor will be responsible of obtaining all permits and authorizations necessary for the exploitation of the quarries needed for the executions of the Works.

The Contractor shall immediately inform Owner of any discovery of minerals and seek instructions for dealing with them. The manipulation and disposal of minerals shall be done in compliance with the corresponding rules of the EIA and the Applicable Laws.

The Contractor, its Subcontractors, their Affiliates, agents, staff and labor shall not file any application, petition or request to be granted an authorization, permission or concession to explore or exploit minerals within the Concession Area and surrounding areas that could interfere with the proper execution of the Works.

5.21 **Use of Explosives** - The Contractor shall comply with the Technical Specifications and with all Applicable Laws and internationally accepted practices related to the acquisition, transportation, storage, handling and use of explosives for the execution of the Works. The Contractor shall build adequate explosives storage facilities on the Project Areas duly approved by the competent Government Authority. The acquisition, transportation, storage, handling and use of explosives shall be executed by the Contractor according to a written proceeding protocol previously delivered by the Contractor and approved by Owner. The Contractor shall obtain all Applicable Permits and shall be the only responsible for the acquisition, transportation, storage, handling and use of explosives in the Works, including all security issues and safety precautions thereto.

The Contractor shall inform the communities located in the Concession Area the dates and times of programmed use of explosives, the recommended safety measures and any other information relevant to guarantee their security and safety, pursuant to a communication plan previously approved by Owner.

- 5.22 Water Borne Traffic** - Where the nature of the Works is such that Contractor elects to use of water borne transport, the Contractor shall use reasonable efforts to prevent any of the locks, docks, sea walls or other structures related to a waterway from being damaged or injured by any traffic of the Contractor or any of his Subcontractors. The Contractor in particular shall select routes, choose and use crafts and restrict and distribute loads so that any extraordinary traffic that will inevitably arise from moving the Major Items of Equipment and Material from and to the Concession Area shall be limited as far as reasonably possible so that damage or injury to such waterway structures shall be minimized or avoided altogether.
- 5.23 Training Program** - The Contractor shall provide, at no additional cost to Owner, training at the Plant for the operators of the Plant pursuant to the Training Program set forth in Exhibit A. Such training shall commence ninety (90) days prior to the first Partial Taking-Over Date.
- 5.24 Participation** - The Contractor shall and shall cause each of its Subcontractors carrying out Works in Peru:
- (a) to the maximum extent possible, give preference to the use of construction equipment and other equipment, materials and products produced and manufactured in Peru; and
 - (b) to the maximum extent possible, give preference to the use in the performance of its obligations under this Contract to local labor (both skilled and unskilled), local supervisory, professional and other personnel, local services and local contractors.

VI. DESIGN

- 6.1 Design of the Works** - The Contractor shall carry out and be responsible for all the design of the Works. Detailed Design shall be prepared by qualified designers who are engineers or other professionals and who are also internationally experienced designers. Once approved by Owner's Representative, in accordance with Exhibit A, Detailed Design will become part of the Technical Specification. Any examination, comment or approval to the Detailed Design by Owner's Representative or the Supervisor will not relieve the Contractor from any duty, responsibility or obligation under this Contract.

For each part of the Works, the prior written consent of Owner's Representative shall be obtained before any design engineer or design Subcontractor, if they are not named as such in this Contract or identified in the Subcontractor List set forth in Schedule 2. Nothing contained in this Contract shall create any contractual relationship or professional obligations between any design engineer or a design Subcontractor (including in each case, between their respective employee or employers) and Owner.

The Contractor represents and warrants to the Owner that the Contractor, its designers and design Subcontractors have the experience and capability necessary for the design of the Plant. The Contractor shall make available all designer engineers for discussions with Owner's Representative and the Supervisor at any time prior to the expiration of the Warranty Period and promptly after the receipt of a request from Owner.

6.2

Construction Documents and Workbook –The Contractor shall prepare Construction Documents which must satisfy the Technical Specifications (Exhibit A), all Applicable Laws, Applicable Permits and all regulatory approvals, to provide Contractor's suppliers and construction personnel sufficient instruction to execute the Works, and to describe the operation of the completed Works.

Construction Documents shall, when considered ready for use, be submitted to Owner's Representative for review and approval when required in accordance with Exhibit A. The Contractor shall issue at least one counterpart of each Construction Document in Spanish and shall be approved as required by Applicable Law.

If Owner's Representative, within the applicable Review Period, notifies the Contractor that a proposed Construction Document is deficient, such Construction Document shall be rectified and resubmitted by the Contractor for review in accordance with this Section at the Contractor's expense.

For each part of the Works:

- (a) construction shall not commence prior to either the date on which Owner's Representative gives its final review comments and such have been addressed by the Contractor in a manner satisfactory to the Owner's Representative or the expiry of the Review Periods (whichever is earlier) (including, to the extent required by Exhibit A, the receipt of Owner's Representative's approval within such Review Period) for the Construction Documents which are relevant to the design and construction of such part as indicated in Exhibit A;
- (b) construction shall be strictly in accordance with such Construction Documents; and
- (c) if the Contractor modifies any Construction Document which has previously been submitted for such pre-construction review, the Contractor shall immediately in writing notify Owner's Representative of the change and provide Owner with a copy of the modified Construction Document, which shall be submitted for pre-construction review within a new Review Period.

Errors, omissions, ambiguities, inconsistencies, inadequacies and other Defects in the Construction Documents or arising therefrom shall be rectified by the Contractor at its sole cost and risk.

6.2.1 No Relief from Liability - Neither:

- (a) the examination, review or approval of Construction Documents under this Section 6.2 or the making of objections, representations, comments or suggestions, or failure to make the same in relation to the said Construction Documents, the Workbook or any other aspect of the Works; nor
- (b) any other act or omission of Owner, the Representatives, the Supervisor or of any other Person acting or purporting to act on its behalf in relation to any aspect of the Works (including without limitation the issue of any payment certificate or other certificate or the issue of any order or instruction pursuant to this Contract);

shall relieve the Contractor in whole or in part of any duty, obligation or liability undertaken by the Contractor in relation to the Works under this Contract or otherwise, or diminish or vary any such duty, obligation or liability, whether by way of contribution or otherwise. Neither Owner nor the Representatives or the Supervisor shall be under any duty or obligation to warn or notify the Contractor of the breach of any duty or obligation owed by the Contractor hereunder or otherwise in relation to the Works of which Owner, the Supervisor or the Representatives are aware.

6.2.2 No Variation - Neither any review of Construction Documents or the Workbook by the Representatives or the Supervisor under this Section 6.2 nor any modification as a result of such review shall be capable of constituting a Variation pursuant to Article XV and no additional payment of any kind or extension of Time for Completion shall be awarded in respect of the time taken for, or other circumstances whatsoever surrounding, review of the Construction Documents by Owner's Representative and the Supervisor or the subsequent carrying out of the Works.

6.3 Contractor's Undertaking - The Contractor represents and warrants that the design, the Construction Documents, the execution and the completed Works will be in accordance with the following, in order of priority:

- (a) the Applicable Permits;
- (b) the Applicable Laws of Peru; and
- (c) the documents forming this Contract, as altered or modified by Variations.

The Contractor shall not, under any circumstances, deviate from the requirements of (a) and (b) above without Owner's prior written approval. The Contractor shall make no claim for any additional compensation, extension of the Time for Completion, Variation or otherwise for any such deviations due to legal or physical impossibility except and only to the extent expressly permitted by this Contract. The Contractor further represents and warrants that as of the Base Date, it is not aware of any conflict between the Applicable Laws in Peru and the requirements of this Contract. The above additional compensation does not include any indemnification for loss or damages arising from Owner's breach of Contract.

- 6.4 Technical Standards and Regulations** - The design, the Construction Documents, the execution and the completed Works shall comply with the technical standards specified in the Technical Specifications and Schedules or as defined by Applicable Laws and Applicable Permits including requirements of local utility providers and the electric transmission grid. References in this Contract to such specifications and other matters shall be understood to be references to the edition applicable on the Base Date, unless explicitly stated otherwise herein. If a Change in Law occurs after the Base Date, the Contractor, if it does so within thirty (30) days after knowledge of such Change in Law, may submit proposals for compliance to Owner's Representative and upon Owner's Representative's acceptance of the technical solution included in such proposal the Contractor shall be entitled to a Variation in accordance with Article XV.

- 6.5 Samples** - The Construction Documents shall include the following samples and any relevant information, which the Contractor shall submit for pre-construction review by Owner's Representative in accordance with Section 6.2:

- (a) samples (if any) specified in the Technical Specifications;
- (b) additional samples instructed by Owner's Representative under Article XV; and,
- (c) additional samples proposed or requested by the Contractor.

Each sample shall be labeled as to origin and intended use in the Works.

- 6.6 As-Built Drawings** - The Contractor shall prepare and keep up-to-date a complete set of "as-built" records of the execution of the Works pursuant to Applicable Law, showing the exact as-built locations, sizes and details of the Works as executed. These records shall be kept on the Site.

"As-built" records shall be submitted to the Owner's Representatives and the Supervisor prior to the commencement of the Performance Tests for the Plant. The Works shall not be considered to be completed for the purposes of issuing the Final Taking-Over Certificate under Article XI until such "as-built" records have been submitted to Owner's Representative and the Supervisor.

Two (2) full-size original copies and six (6) printed copies of the relevant 'as-built drawings' and digital support of such as-built drawings, all of which must be compatible with the latest version of AUTOCAD and shall be available at the Site, shall be provided to Owner's Representative and the Supervisor within ninety (90) days after the Final Taking-Over Date. As-built drawing requirements are as specified in the Technical Specifications.

- 6.7 Operation and Maintenance Manuals** - The Contractor shall prepare operation and maintenance manuals for all equipment included in the Works and of the Plant's control system and shall deliver two (2) printed and one (1) electronic copies to Owner's Representative no later than thirty (30) days prior to the commencement of the Training Program. The manuals referenced herein shall be drafted in English and in Spanish pursuant to the Contract and shall contain sufficient detail to enable Owner to operate, maintain, adjust and repair the Works. The Works shall not be considered to be completed for the purposes of issuing the Final Taking-Over Certificate under Article XI until such operation and maintenance manuals have been submitted to Owner's Representative and the Supervisor. Prior to the Actual Project Acceptance Date, the Contractor shall provide to Owner and the Supervisor with final versions of said operation and maintenance manuals reflecting any revisions that are required according to the conclusions of the testing, Start-Up, Precommissioning and Performance Tests processes. The Contractor shall assist Owner in preparing operating procedures for the Works.
- 6.8 Error by Contractor** - If errors are found in the Construction Documents and a warranty claim made prior to the expiration of the Warranty Period, they and any resulting Defective Works shall be corrected promptly at the Contractor's cost.
- 6.9 Patent Rights** - The Contractor shall indemnify Owner and its Affiliates against all claims of infringement of any patent, registered design, copyright, trade mark or trade name, or other intellectual property right if the claim or proceedings arises out of the design, construction, manufacture or use of the Works.

VII. STAFF AND LABOR

- 7.1 Engagement of Staff and Labor** - The Contractor shall make its own arrangements for the engagement of all staff and labor, local or otherwise, and for its payment, housing, feeding, security, and transport.
- The Contractor may import such staff, artisans, and laborers as are required to execute the Works. The Contractor is solely responsible for ensuring that all such staff and labor are provided with the required migratory condition and work permits, and shall be responsible for their safety and security while under its employ. The Contractor shall be responsible for the return to the place where they were recruited or to the domicile of all persons whom the Contractor recruited and employed for the purposes of or in connection with the Works and this Contract. The Contractor shall be responsible for such persons until they have left the Project Areas and shall cause any person employed by it who is not a citizen of Peru to leave the territory of Peru when required by such person's migratory condition pursuant to Applicable Law.

The Contractor shall defend the Owner against any threatened or actual claim brought by any employee of the Contractor or its Subcontractors or any person engaged by any of the latter for the performance of the Works relating to the breach of any obligations of the Contractor or its Subcontractors under this section 7.1 and shall indemnify the Owner and hold the Owner harmless of any loss or damage suffered by the Owner of the result of any such claim.

7.2 Rates of Wages and Conditions of Labor - For the Works being carried out in Peru, the Contractor shall pay rates of wages and observe conditions of labor not less favorable than those established for the Applicable Law. If no such established rate or conditions are applicable, the Contractor shall pay rates of wages and observe conditions not less favorable than the general level of wages and conditions observed by other countries in Latin America which have labor conditions similar to those of Peru and in any case, no less favorable than those imposed by Applicable Law. On each date on which wages are paid, the Contractor shall deliver to each employee in Peru receiving wages a copy of the payroll slip evidencing the amounts withheld by Contractor pursuant to Applicable Law and the Contractor shall require all Subcontractors to provide each of its employees in Peru with such payroll slip upon payment of wages.

7.3 Persons in the Service of Others - Any Party shall not recruit, or attempt to recruit, its staff and labor from amongst persons in the service of the other Party, its Representatives, Supervisor or Owner's consultants.

7.4 Labor Laws - The Contractor shall comply, and shall cause its Subcontractors to comply, with all the relevant labor laws applying to their employees, and shall duly pay and afford to them all their legal rights under Applicable Laws and Applicable Permits. The Contractor shall require all such employees and Subcontractors to obey all Applicable Laws and regulations concerning safety and health at work.

The Contractor shall submit detailed reports showing the supervisory staff and the numbers of the several classes of labor from time to time employed by the Contractor and Subcontractors on the Project Areas. The reports shall be submitted in such form and at such intervals as Owner's Representative may prescribe.

The Contractor shall submit details in the prescribed forms to the appropriate manpower agencies having jurisdiction over the Concession Area showing supervisory staff and the numbers of the several classes of labor from time to time employed by the Contractor and the Subcontractors on the Project Areas. The forms shall be submitted in such manner and at such intervals as prescribed under the labor laws of Peru and other applicable regulations, with copies to Owner's Representative and the Supervisor.

In addition, Contractor shall deliver to Owner a certificate substantially in the form of Schedule 23 (Form of Labor Obligations' Certificate), enclosed to each invoice to be issued by the Owner, by which Contractor will represent and warrant to Owner that the Contractor and any Subcontractor have complied with all of their obligations pursuant to applicable labor legislation with respect to employees performing activities at the Site related to the amounts evidenced in the relevant invoice.

Whenever threatened or actual picketing, slowdowns, work stoppages, strikes or other forms of labor dispute may threaten to or cause delay or otherwise affect the Works, the Contractor shall immediately notify Owner in writing about the existence of any such dispute. Such notice shall include all relevant information regarding the labor dispute, its background, its estimated impact and the steps the Contractor proposes to take to resolve or prevent its occurrence.

In the event of a labor dispute directed at the Contractor, the Contractor shall promptly take action, whether to initiate proceedings in such administrative, judicial, or arbitral forum having jurisdiction, or to otherwise resolve, or minimize the impact of the labor dispute. No such labor dispute directed at the Contractor shall constitute Force Majeure unless expressly within the coverage of Section 20.1 or entitle the Contractor to a Variation or any other relief.

The Contractor's obligations in the event of any labor dispute shall include taking all reasonable steps necessary to have pickets or any other obstruction to the Works removed.

- 7.5 Working Hours** - The Contractor shall be permitted to work at the Project Areas at any time or hour, as permitted by Applicable Laws and Applicable Permits. The Contractor's Representative or a qualified supervisor shall be present during all periods, including overtime and second and third shifts, when work is in progress at the Project Areas.

The Contractor shall in dealings with its staff and labor have due regard to all recognized festivals, days of rest and religious or other customs observed by its staff and labor and in Peru all of which shall remain the exclusive responsibility of Contractor, and none of the latter shall have an impact in the Project Schedule or the Lump Sum Price.

- 7.6 Facilities for Staff and Labor** - The Contractor shall provide and maintain all necessary accommodation and welfare facilities for its, its Subcontractor's, Owner's and the Supervisor's staff and labor, as may be required under Applicable Laws or hereby, as well as accommodation and welfare facilities for the Lender's Representative. The Contractor shall not permit any of its employees or any of the employees of Subcontractors to maintain any temporary or permanent living quarters within the structures forming part of the Works.

- 7.7 Health and Safety** - Precautions shall be taken by the Contractor to ensure the health and safety of its staff and labor. The Contractor agrees to abide by the undertakings assumed by Owner with the competent Governmental Authority and all applicable standards issued by the World Health Organization as applicable to the practices prevailing in Peru. The Contractor shall, in collaboration with and to the requirements of the local health authorities, ensure that medical staff, first aid facilities, sick bay and ambulance service are available at the staff's accommodation and on the Project Areas during all times the Works are being executed and that suitable arrangements are made for all necessary welfare and hygiene requirements provided by Applicable Law, including but not limited to material and procedures necessary for the prevention of epidemics.

The Contractor shall maintain records and make reports concerning health, safety and welfare of persons, and damage to property, as Owner's Representative may reasonably require.

The Contractor shall appoint a member of its staff at the Site to be responsible for maintaining the safety, and protection against accidents, of personnel on the Project Areas. This person shall be qualified to perform such function, shall be a full time employee of the Contractor and shall have the authority to issue instructions and take protective measures to prevent accidents. The Contractor shall send to Owner's Representative and the Supervisor details of any accident as soon as possible (but in any event within twenty-four (24) hours) after its occurrence.

The Contractor shall at all times take the necessary precautions to protect all staff and labor employed on the Project Areas from any health hazard that may be caused by insects, animals or any pest nuisance. The Contractor shall cause any competent third party to spray thoroughly all buildings erected on the Project Areas with an insecticide whose use is permissible under Applicable Laws of Peru, at least twice each month or as instructed by such authorities.

In the event of any outbreak of illness of an epidemic nature, the Contractor shall comply with and carry out such regulations, orders and requirements as may be made by the government of Peru, or the local medical or sanitary authorities, for the purpose of dealing with and overcoming the same.

The Contractor agrees to comply with any and all safety and health requirements established by Owner and provided in this Contract and in Applicable Law.

7.8 Contractor's Superintendence - The Contractor shall provide all necessary superintendence during the design and execution of the Works, and as long thereafter as Owner's Representative may consider necessary for the proper fulfilling of the Contractor's obligations under this Contract. Such superintendence shall be given by sufficient and suitably qualified persons having adequate knowledge of the operations to be carried out (including the methods and techniques required, the hazards likely to be encountered and methods of preventing accidents) for the satisfactory and safe execution of the Works. For proper superintendence, the Contractor's Construction Manager shall dedicate sufficient attention to her or his responsibilities regarding the Works.

7.9 Contractor's Personnel - The Contractor shall employ (or cause to be employed) only persons who are careful and appropriately qualified, skilled and experienced in their respective trades or occupations. Owner's Representative may reasonably require the Contractor to remove (or cause to be removed) any person employed on the Project Areas or Works, including the Contractor's Representative, who in the opinion of Owner's Representative:

- (a) persists in any misconduct;

- (b) is incompetent or negligent in the performance of her or his duties;
- (c) fails to conform with any provisions of this Contract; or
- (d) persists in any conduct which is prejudicial to safety, health, or the protection of the environment.

If appropriate, the Contractor shall then appoint (or cause to be appointed), at Contractor's sole cost, a suitable replacement person.

- 7.10 Disorderly Conduct** - The Contractor shall cause its staff and labor to comply with Owner's policies and procedures and at all times take all reasonable precautions to prevent any unlawful, riotous or disorderly conduct by or amongst its staff and labor and the staff and labor of its Subcontractors, and to preserve peace and protection of persons and property in the Concession Area against such conduct, including offsite locations, and no such conduct shall be considered Force Majeure or entitle the Contractor to a Variation. The Contractor shall be responsible for observance by the Subcontractors of the foregoing.
- 7.11 Alcoholic Liquor or Drugs** - The Contractor shall not, otherwise in accordance with the statutes, ordinances and government regulations or orders or under any Applicable Laws, import, sell, give, barter or otherwise dispose of any alcoholic liquor or drugs, or permit or suffer any such importation, sale, gift, barter or disposal by its Subcontractors, agents, staff and labor. The Contractor shall be responsible for observance by the Subcontractors of the foregoing.
- 7.12 Contractor's Organizational Chart** - None of the individuals identified in the Contractor's Organizational Chart as key individuals may be withdrawn from the Plant without prior notification to Owner and all such listed individuals shall dedicate appropriate attention to their responsibilities regarding the Works. No such withdrawal shall be made if it will jeopardize successful completion of the Works within the Time for Completion.
- 7.13 Labor Actions** -The Contractor shall establish and maintain for each Project Areas a primary access gate and an access policy. The Contractor shall also establish and maintain at all times for the each Project Areas a reserve gate. The Contractor shall be obligated and shall ensure that all Subcontractors continue the proper performance of the work and meet all reasonable manning requirements notwithstanding the use of pickets at the reserve gate established for use by the Contractor and any of the Subcontractors or at any other location or entrance at or near the Project Areas. The Contractor shall ensure that its Subcontractors and all persons entering the Project Areas enter and exit the gate designated for their use and will instruct all persons exiting and entering the Project Areas as to the proper gates. If for any reason the Contractor fails to perform any condition contained in this Section 7.13, and thereafter fails to remedy such condition within thirty (30) days after notice from Owner, the Contractor shall be in default of its obligations under this Contract and the Contractor shall not be entitled to an adjustment in any amounts payable under this Contract or the Time for Completion. The Contractor and all Subcontractors shall comply with and observe all terms and conditions of any collective bargaining or labor agreements to which any of them is a party.

VIII. MATERIALS AND WORKMANSHIP

8.1 Manner of Execution - All Major Items of Equipment and Materials to be supplied shall be manufactured and all work to be done shall be executed in the manner set out in this Contract. The Contractor shall supply only new Materials to Owner. Owner may reject the delivery, installment or use of any previously used Materials. The Works shall be executed in a proper, workmanlike and careful manner with properly equipped facilities and non-hazardous Materials (except for those fluids, lubricants and materials routinely used by Contractor in this type of work and whose use is permissible under Applicable Laws of Peru and to Applicable Permits), in accordance with recognized good practice and Prudent Utility Practices.

8.2 Delivery to the Concession Area - The Contractor shall be responsible for procurement, transport, receiving, unloading and safe keeping of all Major Items of Equipment, Materials, Contractor's Equipment and other things required for the completion of the Works. At least thirty (30) days prior to the first shipment of Contractor's Equipment, the Contractor shall submit to Owner a shipping schedule giving the proposed month of shipment of each of the Major Items of Equipment, Materials as well as Contractor's Equipment. The Contractor may from time to time revise such shipping schedule to take account of any changes and supply to Owner each such revised schedule within five (5) days of its revision. Not later than four (4) days before departure of any shipment of a Major Item of Equipment or relevant Materials which shipment is covered by an insurance policy of Owner, the Contractor shall provide Owner with a written notice (a "Shipment Notice") forwarded by facsimile specifying:

- (a) the item to be shipped;
- (b) the date of shipment;
- (c) the point of loading or transfer of each shipment;
- (d) the anticipated date of arrival in Peru and at the Project Areas of each shipment;
and
- (e) the name of the carrier and the name of the ship (or other means of transport) of each shipment.

The Contractor shall confirm to Owner the details referred to in paragraphs (a) through (e) above by facsimile immediately after departure of each shipment or in any case no later than (a) by the close of business in Peru of the fourth day after departure of each shipment or (b) on the last date by which Owner would be able to forward the information contained in the Shipment Notice to its insurer or insurers pursuant to the insurance policy or policies covering such shipment, whichever is earlier.

8.3 Inspection - To the extent provided herein or to the extent there exists reasonable justification therefor under the circumstances at the time, Owner, the Supervisor and the Owner's Representatives shall be entitled, during manufacture, lubrication and preparation at any places where work is being carried out (but only at reasonably agreed witness or hold points in the case of Subcontractors who are not Affiliates of the Contractor), to inspect, examine and test the materials and workmanship, and to check the progress of manufacture, of all Major Items of Equipment and Materials to be supplied under this Contract. In furtherance of the foregoing, the Contractor shall within ninety (90) days of the Notice to Commence submit to Owner and the Supervisor a detailed plan of all inspections concerning any subcontracted or purchased portion of the Works which would be dictated by Prudent Utility Practices and give the foregoing parties full opportunity to inspect, examine, measure and test any work on the Project Areas or wherever carried out. All costs related to the inspections under this Section 8.3 shall be at Owner's expense.

The Contractor shall give due notice (but in any event, not more than seven (7) days' prior Notice) to the Owner's Representatives and the Supervisor whenever work subject to the above witness plan coverage is ready, before packaging, covering up or putting out of view such work. The Owner's Representatives and the Supervisor shall then witness the inspection, examination, measurement or testing without unreasonable delay, or notify the Contractor that it is considered unnecessary. If the Contractor fails to give such notice, it shall, when required by the Representatives, uncover such work and thereafter reinstate and make good at its own cost.

8.4 Testing - If this Contract specifies some tests, the Contractor shall provide all documents and other information necessary for testing and such assistance, labor, materials, electricity, stores, apparatus and instruments as are necessary to carry out such tests efficiently.

The Contractor shall notify Owner's Representative and the Supervisor the time and place for the testing of any equipment and other parts of the Works as specified in this Contract. Owner's Representative and the Supervisor shall give the Contractor written notice of their intention to attend the tests not less than twenty-four (24) hours prior to the time in which the test is schedule to occur.

If the Owner does not attend or does not notify the Contractor as specified above, at the time and place agreed, the Contractor will proceed with the tests.

The Contractor's notification pursuant to this paragraph shall be made no later than the fifteenth Business Day prior to the date in which the relevant test is scheduled. The Contractor shall provide sufficient suitably qualified and experienced staff to carry out the tests specified in this Contract.

The Contractor shall promptly make available at the place of testing to Owner's Representative and the Supervisor duly certified reports of the tests and copies of the data upon which the reports are based. When the specified tests have been passed, Owner's Representative shall endorse the Contractor's test certificate, or issue a certificate to them, certifying that the test was passed as of the date on which the tests were passed.

8.5 Rejection - If, as a result of inspection, examination or testing made prior to the start of the Warranty Period, it is determined that any item or service provided has Defects or Deficiencies or otherwise is not in accordance with this Contract, Owner's Representative may reject such item or service and shall notify the Contractor promptly, stating its reasons. The Contractor shall then promptly remedy the Defects or Deficiencies and ensure that the item complies with this Contract at its sole cost and risk of delay.

If Owner's Representative requires such defective item of Works or service rejected under this Section 8.5 to be retested, the tests shall be repeated under the same terms and conditions. If such correction and retesting cause Owner to incur additional costs, such costs shall be recoverable from the Contractor by Owner, and may be deducted by Owner from any monies due, or to become due, to the Contractor.

8.6 Ownership of Major Items of Equipment, Materials or Other Works - Title to each Major Items of Equipment, Materials or Works shall pass to Owner at Final Taking Over Date.

The Contractor warrants and guarantees that legal title to all Materials, equipment, tools and supplies furnished by the Contractor, Subcontractors or their agents which are being shipped to the Project Areas, incorporated in the Works or in storage at the Project Areas, shall pass free and clear of any and all liens, claims, security interests or other encumbrances. Without derogating from the generality of the foregoing, the Contractor hereby irrevocably waives the right to assert any contractor's lien over the Works, the Plant or the Project Areas. If at any time prior to the expiry of the Warranty Period there is evidence of any lien or claim for which Owner might be or become liable and to which the Works or any part thereof, the Plant or the Project Areas might become subject and which arises from any act or omission on the part of the Contractor or any debt or liability of the Contractor, the Contractor shall indemnify Owner against all losses suffered by Owner as a result thereof. Owner may retain an amount (not to exceed the amount of the claim in respect of which the lien was placed) as security until Owner is satisfied that such lien or claim is invalid unless such lien or claim is delaying the Partial Taking-Over Date or the Final Taking-Over Date or adversely affects the Owner's ability to operate the Plant, in which case, Owner may after giving Contractor seven (7) days' prior written notice, pay and discharge the same and deduct the amount so paid from any amount due and payable to the Contractor under the Contract or otherwise recover the same as a debt due from the Contractor.

Notwithstanding transfer of title or ownership, risk of loss or damage shall be as stated in Article XVIII.

IX. COMMENCEMENT, DELAYS AND SUSPENSION

Commencement of Works – The Limited Notice to Commence authorizes and directs the Contractor to perform the Preliminary Works. The Limited Notice to Commence shall be issued by Owner no later than December 30, 2011. If Owner gives the Limited Notice to Commence after December 30, 2011, the Contractor shall be entitled to a Variation of the Time for Completion and Lump Sum Price in accordance with Article XV.

The Contractor shall commence the execution of the Works immediately after the receipt of (a) the Notice to Commence issued by Owner's Representative and (b) the information required under Section 2.4. The Contractor shall then proceed with the Works with due expedition and without delay until completion. Owner shall be under no obligation or liability to give the Notice to Commence.

If Owner does not give the Notice to Commence by the end of the sixth month after the Commencement Date the Parties shall negotiate for a term of thirty (30) days changes to the Time for Completion and Lump Sum Price. For such purpose the right of Owner under Section 15.2 shall not apply. If such changes are not agreed within the term above, this Contract shall be automatically terminated upon the receipt by a Party of written notice from the other Party indicating its decision to terminate. Such termination shall be without any further liability to the Parties, except for payment of the Preliminary Works Lump Sum that is due hereunder as of the date of termination and reimbursement of Costs incurred by Contractor until the date of termination of the Contract; provided, that Contractor shall reimburse Owner for the roads included in the Preliminary Works paid but not performed by such date, according to and only for their Unit Values. The remaining balance of the Preliminary Works Lump Sum after such reimbursement is made, will be retained by the Contractor. During such thirty (30) day period Contractor shall not perform any Works nor enter into any purchase or similar orders and shall limit all its actions to maintaining a stand-by status minimizing any costs associated thereto.

- 9.1 Time for Completion** - The Contractor guarantees that the Partial Taking-Over Date will be achieved on or before the Scheduled Partial Taking-Over Date and that the Final Taking-Over Date will be achieved on or before the Schedule Final Taking-Over Date. The Contractor further agrees that it shall use its best efforts to achieve the Actual Project Acceptance Date as expeditiously as possible, but in no event later than one hundred eighty (180) days after the Final Taking-Over Date (as such time may be extended under Section 5.1). If the Partial Taking-Over Date or the Final Taking-Over Date do not occur on or before the Scheduled Partial Taking-Over Date or the Scheduled Final Taking-Over Date, then the Contractor shall, within fifteen (15) days of Schedule Partial Taking-Over Date or the Scheduled Final Taking-Over Date, submit to Owner a detailed technical and narrative analysis of the root causes that prevented the achievement of Partial Taking-Over Date or Final Taking-Over Date and a detailed plan (the "Remedial Plan") designating the new expected date for Partial Taking-Over Date or Final Taking-Over Date and setting out the technical steps necessary for such.

9.2 Extension of Time for Completion -

- 9.2.1 Causes for extension of Time for Completion** - In addition to any extension provided under Section 5.1, the Contractor may apply for an extension of the Time for Completion if any of the following events effectively causes a delay in the Works:

- (a) a Variation (unless an adjustment to the Time for Completion is agreed under Section 15.2);

- (b) a Force Majeure event (as defined in Section 20.1);
- (c) interference by Owner with Contractor's performance of Performance Tests to the extent permitted under Section 10.6;
- (d) delays in the execution or performance of Access Contracts due to causes not attributable to the Contractor;
- (e) failure by Owner to perform any of its obligations in accordance with Section 2.1 of this Contract;
- (f) a Change in Law;
- (g) if the Contractor suffers delays due to failure on Owner's part to remove any Dangerous Substance or as a result of the execution of Owner's Representative's instructions to remove Remains in accordance with Section 5.16 or 5.21; or
- (h) Suspension of Works in accordance with Section 9.7;
- (i) delay in obtaining the Owner's Permits, as eventually modified or adjusted in accordance with Section 2.2;
- (j) the presence or discovery of Remains which delay or interfere with the Works;
- (k) non availability of the COES for connection of the Works at the time for testing or commissioning, for more than seven (7) days regarding the last Generator Set to be subject to Performance Tests;
- (l) insufficient water flows to perform the Performance Tests during any period in which the Contractor is required to perform such tests under the Contract;
- (m) the Owner directing tests under Section 8.4 and Section X that are additional to those specified in this Contract; and
- (n) physical action of Governmental Authority where such physical action prevents the Contractor from carrying out any portion of the Works and which is not due to the (i) negligence or lack of due diligence or reasonable efforts of the Contractor to overcome such physical action and/or omissions on the part of Contractor with respect to the action or inaction claim or (ii) failure to wait a reasonable and customary period for such action to be resolved; and
- (o) delay in obtaining Owner's Representative approval of Construction Documents as provided by Exhibit A.

9.2.2 Exclusions for Extension of Time for Completion – Except where otherwise expressly specified in the Contract including Section 20.1, the Contractor is expressly precluded from any extension of the Time for Completion due to:

- (a) actions or inactions of (i) any Governmental Authority if caused by or attributable to the Contractor's failure to make due and timely application for an Applicable Permit for which it is responsible under Section 2.2 in accordance with the procedures laid down by the relevant Governmental Authority or (ii) the Contractor, including the lapse of any Applicable Permit;
- (b) delays in obtaining labor or delivery of goods or services from any Subcontractor unless such is caused by a Force Majeure event affecting such Subcontractor;
- (c) physical conditions at or under the Project Areas of any kind or character (except in accordance with Sections 5.10 and 5.11); or
- (d) any other reason attributable to the Contractor that has caused a delay to the progress of the Works.

9.3 Extension of the Time for Completion –

The Contractor shall be entitled to an extension of the Time for Completion by the time the Contractor is delayed by any one or more of the events identified in Section 9.3.1 above, provided (i) notice is given as hereinafter provided, (ii) the delay is on the critical path as determined by the final Project Schedule submitted under Section 5.12 in the form approved by Owner (but taking into account all Variations that have been executed) and is outside the reasonable control of the Contractor or its Subcontractors; (iii) there is no concurrent delay or interruption according to 9.3.2 above; (iv) the Contractor and its Subcontractors, in view of all the circumstances, have exercised all reasonable efforts to avoid and minimize the delay; and (v) the Final Taking-Over Date is actually delayed by such events. In the event of a concurrent delay under item (iii) above, the amount of such concurrent delay shall be deducted from the aggregate of the time the Contractor would otherwise be entitled to receive as an extension under this Section 9.4.

If the Contractor intends to apply for an extension of the Time for Completion, the Contractor must give notice to Owner's Representative and of such intention as soon as possible and in any event no later than the seventh day after the date in which it acquired or should acquire knowledge of the start of the event giving rise to the delay, together with any other notice required by this Contract and relevant to such cause. If the Contractor cannot submit all relevant details within such period because the cause of delay continued for a period exceeding twenty-eight (28) days, the Contractor shall submit interim details at intervals of not more than twenty-eight (28) days (from the first day of its knowledge of such delay) and full and final supporting details of his application within twenty-one (21) days of the last day of delay. The Contractor is further required to submit to Owner, as part of its request for an extension of the Time for Completion, an acceleration schedule on a "fragnet" basis to demonstrate how such delay can be overcome. The Contractor shall keep such contemporary records as may be necessary to substantiate any application, either on the Site or at another location acceptable to Owner's Representative, and such other records as may reasonably be requested by Owner's Representative. The Contractor shall permit Owner's Representative and the Supervisor to inspect all such records and shall provide Owner's Representative and the Supervisor with copies as required.

Compliance by the Contractor with the conditions of this Section 9.4 is a condition precedent to the Contractor's right or entitlement to any extension of the Time for Completion.

Owner's Representative shall proceed in accordance with Article XV to agree or determine either prospectively or retrospectively such extension of the Time for Completion as may be due. Owner's Representative shall notify the Contractor accordingly. When determining each extension of time, Owner's Representative shall review his previous determinations and may revise, but shall not decrease, the total extension of time.

Any extension of time granted (above or below) by Owner's Representative to the Contractor shall, except as expressly provided elsewhere in this Contract, be deemed to be in full and final compensation and satisfaction for and in respect of any actual or probable loss or injury sustained or sustainable by the Contractor in respect of any matter or thing in connection with which such extension shall have been granted. If Contractor disagrees with the determination of Owner's Representative, it shall be entitled to submit such dispute for resolution under Article XXI.

9.5 Rate of Progress - If at any time the Contractor's actual progress (measured in physical executed volumes) falls behind the Project Schedule referred to in Section 5.12, or it becomes apparent that it will so fall behind schedule that it is likely to be unable to meet the Time for Completion (as applicable) within fifteen (15) days after the date shown in the Project Schedule (as adjusted under the Contract), the Contractor shall immediately submit to Owner's Representative and the Supervisor a revised Project Schedule taking into account the prevailing circumstances. The Contractor

shall, at the same time, notify Owner's Representative and the Supervisor of the steps being taken to expedite progress, so as to achieve completion for the Works within the Time for Completion. The costs of implementing such steps or of revising the Project Schedule as herein noted, shall be solely for the Contractor's account.

If any steps taken by the Contractor in meeting its obligations under this Section 9.5 require Owner to incur additional costs, such costs shall be recoverable from the Contractor by Owner, and may be deducted by Owner from any monies due, or to become due, to the Contractor.

If the Contractor falls behind the critical path identified in the Project Schedule so as to delay achieving the Partial Taking-Over Date or the Final Taking-Over Date by the Scheduled Partial Taking-Over Date or the Scheduled Final Taking-Over Date for the Plant, except to the extent the Contractor is entitled hereunder to an extension of the time therefor, the Contractor shall, upon written notice by Owner's Representative and at no additional cost to Owner, develop and submit to Owner a detailed written recovery plan and schedule and work such hours (including night shifts, weekends and holidays) and furnish such additional labor and equipment as necessary to overcome the effects of such delay.

9.6 Liquidated Damages for Delay and Bonuses -

If the Partial Taking-Over Date of the first Generator Set is not achieved by the Scheduled Partial Taking-Over Date for such Generator Set, the Contractor shall pay Owner liquidated damages in the amount of US\$ 130,000.00 for each day of delay until the Partial Taking-Over Date is achieved.

If the Partial Taking-Over Date of the second Generator Set is not achieved by the Scheduled Partial Taking-Over Date for such Generator Set, the Contractor shall pay Owner liquidated damages in the amount of US\$ 100,000 for each day of delay until the Partial Taking-Over Date is achieved.

If the Partial Taking-Over Date of the last Generator Set is not achieved by the Scheduled Final Taking-Over Date, the Contractor shall pay Owner liquidated damages in the amount of US\$ 160,000.00 for each day of delay until the Partial Taking-Over Date is achieved.

If any Generator Set stop working or reduce their output after their Partial Taking-Over Date and such outage or reduction of output is caused by a Defect or by a Contractor's request, then the Contractor shall pay Owner liquidated damages in the amount of US\$ 100,000.00 for each day of outage or reduction in output excluding the first day in aggregate in which an outage or reduction in output occurred.

If the Contractor achieves the Partial Taking-Over Date of the first Generator Set before the one hundredth day prior to the fourth anniversary of the Commencement Date, Contractor will be entitled to the Early Final Taking Over Bonus for such Generator Set.

If the Contractor achieves the Partial Taking-Over Date of the second Generator Set before the fiftieth day prior to the fourth anniversary of the Commencement Date, Contractor will be entitled to the Early Final Taking Over Bonus for such Generator Set.

If Contractor achieves the Final Taking Over Date before the fourth anniversary of the Commencement Date, Contractor will be entitled to the Early Final Taking Over Bonus for the Plant.

The liquidated damages provided in this Section 9.6 shall be in lieu of all liability of Contractor to Owner for any and all extra costs, losses or expenses of whatsoever nature incurred or to be incurred by Owner as a result of any delay in achieving the Partial Taking-Over Date or the Final Taking-Over Date, and shall be the sole and exclusive remedy to the Owner in case of delay. The forgoing liquidated damages shall be paid within twenty (20) days of written demand therefor and if not so paid, may be collected by Owner from any amount then owed to the Contractor.

The above liquidated damages are a reasonable forecast of the actual costs, losses and expenses incurred by Owner as a result of delays in achieving the Partial Taking-Over Date and the Final Taking-Over Date by the Time for Completion and therefore, do not constitute a penalty. The parties, having bargained in good faith for such specific damages, are estopped from contesting the validity or enforceability of such damages.

The payment or deduction of such liquidated damages shall not relieve the Contractor from its obligation to complete the Works and achieve the Final Taking-Over Levels, remedy any Defects or Deficiencies or from any other of its outstanding duties, obligations or responsibilities under this Contract.

The Contractor shall issue an invoice evidencing the applicable bonuses within thirty (30) days after the issuance of the Final Taking-Over Certificate. Payment of such invoice shall occur in accordance with Section 14.3.

9.7

Suspension of Works - Owner may at any time instruct the Contractor in writing to slow or suspend progress of part or all of the Works. During suspension or slowing, the Contractor shall continue to guard, protect, store and secure such part of the Works against any deterioration, loss or damage at Owner's expense.

Promptly upon providing the Contractor with written instructions regarding the slowing or suspension, Owner shall meet with the Contractor to review the progress of the completed Works and the status of Works that are in progress. In addition, Owner and the Contractor shall meet to review the advantages and disadvantages of having the Contractor complete during the suspension period certain Works that are in progress. The Contractor shall follow Owner's written instructions with respect to performing Works during any slowing or suspension period and the Contractor shall be paid for such Works in accordance with the applicable Monthly Payment Certificate as reasonably adjusted to take into account such slowing or the suspension while preserving any profit the Contractor would have been expected to earn on such reductions.

9.8 Consequences of Suspension - If the Contractor suffers delay and/or incurs Costs in following Owner's instructions under Section 9.7 or in resumption of the Works, the Contractor shall give prompt written notice thereof to the Owner's Representatives and the Supervisor, with a copy to Owner. After receipt of such notice Owner shall proceed to agree or determine:

- (a) any extension of time to which the Contractor is entitled under Section 9.4; and
- (b) the amount of such Cost plus Profit thereon which shall be added to the Lump Sum Price and shall notify the Contractor accordingly.

The Contractor shall not be entitled to any extension of time or payment of Cost if the suspension is due to a cause attributable to the Contractor, or required as a result of a Contractor's risk under this Contract.

The Contractor shall not be entitled to extension of time for, or payment of the Costs incurred in, making good any deterioration, defect or loss caused by faulty design, workmanship or Materials, or by the Contractor's failure to take the measures specified in Section 9.7.

9.9 Prolonged Suspension - If suspension under Section 9.7 has continued for more than either (i) eighty-four (84) consecutive days, or (ii) one hundred twenty-six (126) non-consecutive days and the suspension is not due to a cause attributable to the Contractor, the Contractor may by notice to Owner require permission to proceed within fourteen (14) days. If permission is not granted within that time, the Contractor may, at its sole discretion, either (i) treat the suspension as a Variation under Article XV regarding the affected part of the Works or (ii) terminate this Contract pursuant to Section 17.2.

9.10 Resumption of Works - After receipt of permission or of a written instruction to proceed, the Contractor shall, after notice to Owner and the Supervisor, and together with Owner and the Supervisor, examine the Works and Materials affected by the suspension. The Contractor shall at Owner's cost make good any deterioration or defect in or loss of the Works or Materials, which has occurred during the suspension.

If Owner has taken over risk and responsibility for the suspended Works, risk and responsibility shall revert to the Contractor fourteen (14) days after receipt of the permission or instruction to resume Works.

9.11 Burden of Proof - In case of a dispute regarding the application of the provisions of this Article IX, including any dispute as to whether the Contractor is entitled to an extension of the Time for Completion, the Contractor shall have the burden of proof as to its entitlement to relief under this Article IX.

X. PERFORMANCE TESTS

- 10.1 Contractor's Obligations** - The Contractor shall carry out the Performance Tests in accordance with Exhibits A and C, this Section 10.1, and Section 8.4, after providing the documents in accordance with Sections 6.6 and 6.7. The Contractor shall propose to the Owner's Representatives a date in which the Performance Tests would be carried out no later than ninety (90) days in advance of the proposed date. Such proposed date can be updated by the Contractor forty five (45) days thereafter. The Owner's Representatives shall promptly after receipt of such proposal respond to the Contractor by scheduling a date for the performance of the Performance Tests which shall not be later than fourteen (14) days after the date proposed by the Contractor as provided herein.

Specific Performance Tests are identified in the Technical Specifications (Exhibit A) and in the Performance Test Protocol (Exhibit C), and are generally categorized as: (i) Efficiency Test, (ii) Net Electric Output Test; and (iii) Functional Test.

The Raw Data that is obtained by the Contractor as a result of the Performance Tests shall be delivered to Owner promptly after the Performance Tests have been completed.

As soon as the Works have passed the Performance Tests, the Contractor shall provide the Representatives, the Supervisor and Owner with a certified report of the results of all such Tests.

If during any Performance Tests it is discovered that the Works cannot be operated in a safe manner in accordance with Prudent Utility Practices and Prudent Electrical Practice, the Performance Test shall be stopped and the Deficient system or component promptly replaced or repaired by the Contractor at its expense, whereupon the Performance Test shall start over from hour one.

- 10.2 Preparation and Timing for Performance Tests** - Performance Tests shall be performed by the Contractor utilizing Owner's normal complement of operating personnel and the Contractor's employees under the Contractor's direction and supervision.

The Performance Tests shall be carried out at the times authorized by COES. Owner shall request the authorization of COES for the performance of the Performance Tests with sufficient advance written notice to COES. Any limitations or scheduled restrictions imposed by COES shall not constitute Force Majeure or serve to postpone the Scheduled Partial Taking-Over Date or the Scheduled Final Taking-Over Date unless such delays is more than seven (7) days on the last Generator Set that is within the critical path, in the case of either the applicable Scheduled Partial Taking-Over Date or the Scheduled Final Taking-Over Date and are not as result of Contractor's failure to comply with a request or rule of COES.

- 10.3 Punch List** - The Partial Taking-Over Certificate or the Final Taking-Over Certificate will not be issued until such time as the Punch List has been prepared and agreed upon as set out below. Contractor and Owner's Representative shall jointly prepare the Punch List prior to the anticipated Partial Taking-Over Date or Final Taking-Over Date. The Contractor shall provide it to Owner and Owner's Representative together with an estimate of the cost and time required to complete or correct each Punch List item. Owner's Representative shall

notify the Contractor whether it accepts such Punch List and estimate or shall otherwise state its reasons for disagreement therewith in reasonable detail; provided, however, that acceptance or rejection thereof shall not relieve the Contractor of its liability to complete or correct the Punch List items. Owner may withhold from amounts otherwise payable hereunder an amount equal to one hundred fifty percent (150%) of the estimated value of each Punch List item until the Contractor has completed that item. Alternatively the Contractor may provide a bank guarantee in the form of Schedule 8 equal to the above referred value. If the Contractor fails to complete all Punch List items once it has been given ninety (90) days of access to the Works after the Partial Taking-Over Date or the Final Taking-Over Date, Owner may complete, or cause to be completed, any item which the Contractor has so failed to complete at the Contractor's expense including third party costs and costs of Owner for such item.

- 10.4 Conduct of Performance Tests** - Guidelines for the conduct of Precommissioning and Start-Up are set forth in Exhibit A. The Performance Test Protocols shall be in accordance with Exhibit C. No later than ninety (90) days prior to the commencement of the Performance Tests, the Contractor will submit to the Representatives and the Supervisor its proposed detailed testing procedures, which shall complement and be in accordance with Exhibit C (the "Test Procedures") for the conduct of Performance Tests. The Owner's Representatives and the Supervisor will review and respond to the Contractor's proposed Test Procedures within thirty (30) days of the submission, and the Parties, and the Supervisor shall meet to finalize the Test Procedures within five (5) days of the Owner's Representatives' and the Supervisor's response. The Contractor will submit the final version of the Test Procedures to the Representatives and the Supervisor not more than fifteen (15) days prior to the commencement of the Performance Tests.

The Net Electric Output Test shall define the capacity in KW as a single value measured in KW and shall not allow for any tolerance. Allowances are only those set forth in the Technical Specifications.

The Contractor shall use plant instrumentation and non-plant instrumentation as specified and calibrated in accordance with the approved protocol, the Technical Specifications, and applicable codes and standards and no tolerances will be permitted. Employees of Owner will witness all Performance Tests. The Contractor shall be solely responsible for directing such employees in implementing such tests.

Upon completion of any Performance Test, regardless of the test results or when the test was performed, the Contractor shall prepare and deliver to Owner's Representative and the Supervisor for information a Performance Tests report to document the results of the test. Each Party shall have the right to perform data collection for each Performance Test. The Parties shall agree on the data to be used for analysis, and the analysis will be performed by the Contractor. Owner may direct that the Performance Test be stopped and restarted after appropriate corrective action has been taken by the Contractor at the Contractor's sole cost and expense, if (a) Owner observes any Defects or Deficiencies in any Plant Equipment or the Plant or their performance during any Performance Test, (b) Owner has notified the Contractor in writing promptly thereafter, and (c) in Owner's reasonable judgment such Defect or Deficiency calls into question the validity of the Performance Test or poses any risk of damage or injury to property or persons.

Once Performance Tests are completed and Partial Taking-Over Levels or Final Taking-Over Levels have been accomplished by Contractor, a Performance Test Certificate shall be requested by Contractor to Owner and Owner shall issue the requested Performance Test Certificate substantially in the form set forth in Schedule 9.

The Performance Tests shall be deemed to be successfully completed when the Contractor has successfully completed all of the criteria specified in Exhibit C at levels meeting or exceeding the Partial Taking-Over Levels or the Final Taking-Over Levels. If the Partial Taking-Over Levels or the Final Taking-Over Levels are not met, the Contractor is obligated to conduct additional work as necessary in an attempt to meet such levels.

Once the Contractor has successfully completed the Performance Tests, the Contractor may request that Owner issue to the Contractor a Final Taking-Over Certificate, substantially in the form set forth in Schedule 10 and in Schedule 11 accordingly.

The Contractor is entitled to the issuance of the Partial Taking-Over Certificate by the Owner after both Parties verify that the relevant Generation Set has accomplished the Partial Taking-Over Levels measured by the measuring instrument of the Generator Set pursuant to Section 11.1. For this purpose, an additional Performance Test is not required. The Contractor is entitled to the issuance of the Final Taking-Over Certificate by the Owner after both Parties verify that the Generation Sets have accomplished the Final Taking-Over Levels measured by the measuring instruments of the Generator Sets pursuant to Section 11.1. For this purpose, an additional Performance Test is not required.

The Performance Test described in Exhibit A shall be completed by the Contractor prior to the date of issuance of the Final Taking-Over Certificate and the Performance Test described in Exhibit C shall be completed by the Contractor no later than sixty days after the date of issuance of the Final Taking-Over Certificate. The provisions contained in the three last paragraphs of this Section 10.4 prevail over any other provision of this Contract.

- 10.5 Failure to Achieve Performance Guarantee Level** - In the event the Contractor has failed, as of the Partial Taking-Over Date or the Final Taking-Over Date, to successfully complete Performance Tests at levels meeting or exceeding the Partial Taking-Over Levels or Performance Guarantee Level(s), respectively, the Contractor shall (unless commercially unreasonable to do so) conduct additional testing and work in an attempt to meet such Partial Taking-Over Levels or Performance Guarantee Level(s), respectively. The Contractor shall have one hundred and twenty (120) days from the Partial Taking-Over Date or the Final Taking-Over Date, respectively, to achieve the Partial Taking-Over Levels or Performance Guarantee Level(s), respectively (the "Cure Period").

Performance Tests carried out within such period, if any, cannot be corrected by degradation curves. The Contractor and Owner shall use their best efforts to minimize the economic impact on Owner during periods of repairs or Performance Tests carried out during such period, if any. Failure of the Contractor to successfully complete Performance Tests at levels meeting or exceeding the Partial Taking-Over Levels or Performance Guarantee Level(s), respectively, within the above-referenced period (as extended by Section 5.1, if applicable) shall require the payment on demand to Owner by the Contractor of the Buy-Down Amount (but only for Guaranteed Net Elective Output in the case of the Partial Taking-Over Date). If the Buy-Down Amount is not paid on demand, Owner may withhold such sums and set off such sums against any amount then owed to the Contractor, or resort to any other remedy available to it in law or equity for the recovery of the Buy-Down Amount.

- 10.6 Interference with Performance Tests** - If the Contractor is prevented from carrying out the Performance Tests by Owner's failure to perform its obligations hereunder or due to Owner's breach of this Contract the Contractor may request an extension of the Time for Completion, pursuant to Section 9.4. If the Contractor incurs additional Cost as a result of this delay in carrying out the Performance Tests, such Cost plus Profit thereon shall be determined mutually by Owner's Representative and Contractor's Representative pursuant to the provisions of Article XV and such Cost and Profit shall be added to the Lump Sum Price.
- 10.7 Issuance of Certificates** - Owner agrees to promptly issue any certificate required under this Article X if the criteria for the issuance of such a certificate have been satisfied to Owner's satisfaction and to certify in such certificate, the date in which the event giving rise to the certification was completed.
- 10.8 Modifications to Achieve Passage of Performance Tests** - Owner and the Contractor shall confer and mutually agree upon any corrective measures or modifications to the Plant to be taken by the Contractor to achieve passage of the Performance Tests. No automatic controls or safety protections may be temporarily avoided to achieve passage of the Performance Tests.
- 10.9 Early Operation** - If the Partial Taking-Over Date or the Final Taking-Over Date do not occur by the Scheduled Partial Taking-Over Date or the Scheduled Final Taking-Over Date, respectively, Owner may, at its sole option, place any Generator Set or the Plant as a whole into service at any time provided that it is completed such that it can be operated safely; and further provided, that, if requested by Contractor, Owner will provide Contractor the opportunity to perform Performance Tests and reparations of any Defects, if any, within a mutual agreed schedule. Such placement into service shall not be deemed to be the Partial Taking-Over Date nor the Final Taking-Over Date for all purposes under this Contract and the associated Monthly Payment Certificate due upon the Partial Taking-Over Date or the Final Taking-Over Date shall be paid to the Contractor, unless there are any sums due by Contractor to Owner, in which case Owner will have the right to withhold such sums from any amount then owed to the Contractor, until the Contractor complies with its obligations under this Contract.

The Contractor shall cooperate with Owner so that it may operate the relevant Generator Set or the Plant. The Contractor shall not be relieved from any of its obligations hereunder (including testing for achieving the Actual Project Acceptance Date) so long as Owner follows proper safety procedures and conforms to the Contractor's directions in the receipt, handling, storage, protection, installation, maintenance, inspection and operation of the relevant Generator Set or the Plant. Once Owner is operating any Generator Set or the Plant, all risks, care, custody and control thereof shall pass to Owner and Owner shall thereby bear the associated risk of loss.

If, in any case above, the Contractor shall fail or refuse to give Owner operating instructions as aforesaid, Owner shall follow accepted operating practices with respect to its operation of the relevant Generator Set or the Plant.

Owner will act reasonably in allowing the Contractor continued access to the Plant to fulfill its obligations to achieve the Performance Guarantee Levels and the Actual Project Acceptance Date. If Contractor is not permitted to complete Performance Tests within six (6) months after the Partial Taking-Over Date nor the Final Taking-Over Date, then the Actual Project Acceptance Date shall be deemed to have occurred for all purposes under this Contract.

- 10.10 Increased Capacity Bonuses and Spill Water Generator Bonus** - If the final installed capacity of the Plant, measured on the Final Taking-Over Date or during the Cure Period at the bushings of the high voltage step-up transformer, is above 504 MW, the Contractor shall be entitled to the Increased Installed Capacity Bonus if the final installed capacity is measured using a water flow of up to 210.5 m³/sec and to the Additional Installed Capacity Bonus if the final installed capacity is measured using a water flow higher than 210.5 m³/sec.

If the Tested Spill Water MW Capacity measured on the Final Taking-Over Date or during the Cure Period at the bushings of the high voltage step-up transformer, is above the Minimum Spill Water Demonstrated Capacity, the Contractor shall be entitled to the Spill Water Generator Bonus.

XI. PARTIAL TAKING-OVER, FINAL TAKING-OVER AND ACTUAL PROJECT ACCEPTANCE

- 11.1 Partial Taking-Over Certificate and Final Taking-Over Certificate** –Each Generator Set and the Plant shall be taken over by Owner when it has been completed in accordance with this Contract and has passed the Performance Tests and Partial Taking-Over Certificate or a Final Taking-Over Certificate for the Works has been issued or deemed to have been issued in accordance herewith and pursuant to the last paragraph of Section 10.4 and it can be placed into operation for dispatch by COES.

The Contractor may apply by notice to Owner's Representative for a Partial Taking-Over Certificate or a Final Taking-Over Certificate not earlier than fourteen (14) days before the Works will, in the Contractor's opinion, be complete and ready for Partial Taking-Over or Final Taking-Over. Owner shall, within twenty-eight (28) days after the receipt of the Contractor's application:

- (a) issue the Partial Taking-Over Certificate or the Final Taking-Over Certificate to the Contractor, stating the date on which the Works were completed in accordance with this Contract (except for work described in the Punch List) including passing the Performance Tests; or
- (b) reject the application, giving its reasons and specifying the work required to be done by the Contractor to enable the Partial Taking-Over Certificate or the Final Taking-Over Certificate to be issued and the Contractor shall then complete such work before issuing a further notice under this Section 11.1.

If Owner fails either to issue the Partial Taking-Over Certificate or the Final Taking-Over Certificate or to reject the Contractor's application on or before the twenty-eighth day after the receipt of the Contractor's application for the issuance of such certificate, and if the Works are complete in accordance with this Contract (except for work described in the Punch List), free of Defects or Deficiencies, the Partial Taking-Over Certificate or the Final Taking-Over Certificate shall be deemed to have been issued on the date of delivery of the Contractor's application.

- 11.2 Operation by Owner after Partial Taking-Over** – After the Partial Taking-Over of any Generator Set, Owner will be entitled to place the relevant Generator Set into service. The Contractor shall cooperate with Owner for a period not exceeding the Final Taking-Over Date so that it may operate the relevant Generator Set.

Owner will provide Contractor the opportunity to perform any works, tests and reparations necessary to complete the Plant, within a mutual agreed schedule.

The Contractor shall not be relieved from any of its obligations hereunder so long as Owner follows proper safety procedures and conforms to the Contractor's directions in the receipt, handling, storage, protection, installation, maintenance, inspection and operation of the relevant Generator Set. If, in any case above, the Contractor shall fail or refuse to give Owner operating instructions as aforesaid, Owner shall follow accepted operating practices with respect to its operation of the relevant Generator Set.

- 11.3 Buy-Down Amount** - The Parties agree that the following formula will be used to calculate liquidated damages due to Owner by the Contractor as a result of the Contractor's failure to achieve the Performance Guarantee Levels applicable to any Generator Set, the Plant as a whole or the Minimum Spill Water Demonstrated Capacity. The sum is referred to singularly and in the aggregate as the "Buy-Down Amount". The Contractor must attempt to achieve the Performance Guarantee Levels and the Minimum Spill Water Demonstrated Capacity until the end of the Cure Period after the Partial Taking-Over Date of a Generator Set and the Final Taking-Over Date.

In the event the Contractor has failed to demonstrate the Performance Guarantee Levels at the end of the above-referenced period and complying with all Applicable Laws and Applicable Permits, the Contractor shall pay Owner the Buy-Down Amount in accordance with Section 10.5, which amount shall be equal to the Guaranteed Net Electric Output minus the Net Electric Output of the Plant multiplied by US\$ 1,800.00 per kilowatt.

In the event the Contractor has failed to demonstrate the Minimum Spill Water Demonstrated Capacity at the end of the above-referenced period, the Contractor shall pay Owner the Spill Water Generator Buy-Down Amount, which amount shall be equal to the Minimum Spill Water Demonstrated Capacity minus the Tested Spill Water MW Capacity multiplied by US\$ 2,400.00 per kilowatt.

The Parties agree that the Buy-Down Amount specified in this Section 11.3 constitutes liquidated damages to compensate Owner for the losses it is likely to suffer or damages it is likely to incur as a result of the Contractor's failure to achieve the Performance Guarantee Levels, and such Buy-Down Amount shall be in lieu of all liability for any and all extra costs, losses, or expenses incurred by Owner as a result of the Contractor's failure to achieve the Performance Guarantee Levels once the Partial Taking-Over Date or the Final Taking-Over Date has been achieved and constitutes the sole and exclusive remedy to the Owner in case of such failure. These liquidated damages are a reasonable forecast of the actual costs, losses and expenses Owner will incur as a result of such Contractor's failure and do not constitute a penalty. The Parties, having bargained in good faith for such specific damages and are therefore estopped from contesting the validity or enforceability of such damages.

The payment or deduction of such liquidated damages shall not relieve the Contractor from its obligation to complete the Works achieve the Final Taking-Over Levels, remedy any Defects or Deficiencies or from any other of its outstanding duties, obligations or responsibilities under this Contract.

- 11.4 Actual Project Acceptance** - Actual Project Acceptance shall be deemed to occur when the Contractor has: (a) successfully met the criteria specified in Exhibits A and B at level meeting or exceeding the Performance Guarantee Levels or, if the Contractor has been unable to meet or exceed the Performance Guarantee Levels, paid the Buy-Down Amount; (b) fully completed all the Works, including the Punch List, free of Defects or Deficiencies and no Variations concerning the Works remain unsettled; (c) paid any liquidated damages for delay, as well as any other obligations then owed by the Contractor to Owner, which date shall be the date acknowledged and stated by Owner's Representative in the Actual Project Acceptance Certificate; (d) delivered to Owner all final drawings, as-built drawings and manuals required under this Contract; and (e) the Warranty Letter of Credit is in full force and effect.

Upon the Contractor achieving Actual Project Acceptance, Owner shall issue a Actual Project Acceptance Certificate in the form set forth in Schedule 12.

- 11.5 Issuance of Certificates** - With respect to Owner's obligations to issue certificates pursuant to this Article XI, Owner agrees to promptly issue the certificate indicating the date in which the event giving rise to the certification was completed, if the criteria for the issuance of such a certificate have been satisfied.

XII. CONTRACTOR'S REPRESENTATIONS AND WARRANTIES

12.1 Representations and Warranties

Each of Astaldi and GyM represents and warrants to Owner that, as of the date of this Contract and the Notice to Commence date:

- (a) the Consortium Agreement is valid, binding and has been legally executed in accordance with the Applicable Laws;
- (b) is a duly organized and legally existing corporation under the laws of the jurisdiction of incorporation;
- (c) has authority to and has obtained all corporate approvals necessary for the execution of this Contract;
- (d) this Contract constitutes a binding obligation of the Contractor, and both Astaldi and GyM are jointly and severally responsible before the Owner for all obligations assumed by the Contractor under this Contract;
- (e) the execution of this Contract by the Contractor will not cause the Contractor to breach any legal or contractual obligation assumed by the Contractor;
- (f) has thoroughly examined this Contract and have become familiar with its terms;
- (g) has full experience and proper qualifications to perform the Works and to construct the Plant;
- (h) other than with respect to subsurface conditions and antiquities, they have ascertained the nature and location of the Works, the character and accessibility of the Project Areas and its surrounding areas, the quality and quantity of water to execute the Works and the on-Site access thereto without prejudice to Section 5.9, the availability of lay-down areas for Contractor's Equipment and tools, the existence of visually apparent obstacles to construction (other than underground obstacles, if any, or other conditions referred to in this Contract), the availability of facilities and utilities, the location and character of existing or adjacent work or structures, the conditions as of the Base Date of roads and waterways in the vicinity of the Project Areas, including the conditions affecting shipping and transportation (such as the limitations of bridges and tunnels), access, disposal, handling and storage of Materials, the surface conditions and other general and local conditions, including labor, safety, weather, environmental conditions (other than Dangerous Substances which are not known to the Contractor), geological conditions, if any, noted in and attached to this Contract;

- (i) each company, and its Subcontractors are, fully qualified and capable of performing the Works to complete the Plant in accordance with the terms of this Contract and no proceeding has been commenced or has been threatened to be commenced against or by the Contractor that could materially impair the Contractor's ability to perform the Works to complete the Plant;
- (j) all services provided and procedures followed by the Contractor hereunder to engineer, design, procure, construct, commission, start-up and test the Works shall be done in a workmanlike manner and in accordance with the requirements of this Contract;
- (k) it is familiar with all necessary facilities for delivering, handling and storing all Contractor's Equipment and other parts of the Works;
- (l) the Contractor will design the Plant based on a useful life objective of at least fifty (50) years;
- (m) has satisfied as to the means of communication with and access to and through the Concession Area and accommodations it may require to use in the Project Areas after the Contractor shall have been given unrestricted access thereto and the precautions and times and methods of working necessary to prevent any Person under the direction of the Contractor from creating any nuisance or interference, whether public or private, which might give rise to any legal action;
- (n) the Applicable Laws of Peru in effect on the Base Date and all Applicable Laws in existence on the Effective Date that, by their terms, are effective and applicable to the Contractor or the Works to be performed by Contractor as of the Base Date, have been taken into account in its calculation of the Lump Sum Price and shall be reflected in the design of the Plant and the Works.
- (o) has received from Owner and has thoroughly examined the data available provided to Contractor by the Owner on topographical, geological, hydrological and sub-surface conditions at, under and around the Project Areas, and studies on environmental impact which have been obtained by or on behalf of Owner from investigations for the Works, which information is described in Exhibits A and D; and
- (p) is financially capable of performing its obligations contained in this Contract;

XIII. DEFECTS LIABILITY

13.1 Completion of Outstanding Works and Remedying Defects - The Contractor warrants:

- (a) the Works shall be free from Defects and Deficiencies in accordance with the Contract; and
- (b) that the Works shall be new and unused when installed; the services provided will be performed in accordance with the standards and requirements specified in this Contract; the Works shall be designed, engineered and constructed to meet the requirements of this Contract and to produce a fully functional facility that is capable of demonstrating the Performance Guarantee Levels (taking into account the Buy Down Amounts paid), and the Plant (including design and engineering) will conform to the Technical Specifications.

In order that the Construction Documents and the Works comply with the warranties and conditions required by this Contract, (fair wear and tear excepted) by the expiry date of the Warranty Period, the Contractor shall:

- (i) complete any Works which is outstanding on the date stated in a Partial Taking-Over Certificate or a Final Taking-Over Certificate, as applicable, as soon as practicable after such date; and
- (ii) execute all Works of amendment, reconstruction, and remedying Defects or Deficiencies, promptly or as may otherwise be instructed by Owner or Owner's Representative.

If any Defect or Deficiency appears, Owner or Owner's Representative shall promptly notify the Contractor in writing within the applicable Warranty Period.

13.2 Cost of Remedying Defects - All work referred to in Section 13.1 shall be executed by the Contractor at its own cost. All costs incidental to the Contractor's performance of its obligations, including the removal, replacement and reinstallation of Materials which Materials were part of the Works necessary to gain access to Defects or Deficiencies and retesting of repaired or replaced portions of the Works (if appropriate in accordance with industry standards) shall be borne by the Contractor. Any duties or taxes assessable for the importation of items required to meet the Contractor's obligations herein shall also be borne by the Contractor.

13.3 Notice to Correct - If the Contractor fails to carry out any of its obligations, including to remedy any Defect or Deficiency within the times permitted under this Contract, or if no specific time is provided, a reasonable time, or if the Contractor is not executing the Works in accordance with this Contract, Owner may give notice to the Contractor requiring it to make good such failure and remedy the same provided that no individual claim may be inferior to US\$ 50,000 and provided further that after the second anniversary of the Final Taking-Over Date the Owner may only require the repair of Defects or Deficiencies of civil Works that in the aggregate cost more than US\$ 2,000,000 if such Defects or Deficiencies can be attributed to the same cause or more than US\$ 4,000,000 if such Defects or Deficiencies can not be attributed to the same cause.

The construction of Access Roads and Accessways are not subject to the provisions of this Section 13.3.

In the event the Contractor neglects to make good such failure and remedy the same within the time agreed upon by Owner and the Contractor or, if no such time is agreed upon, within thirty (30) days from the Contractor's receipt of notice, Owner may, without prejudice to other remedies Owner may have, undertake such work at the Contractor's cost but the Contractor shall not have responsibility for this work and deduct the cost thereof, from any payments then or thereafter due to the Contractor. If payments then or thereafter due to the Contractor are not sufficient to cover such amounts, the Contractor shall pay the difference to Owner on demand.

- 13.4 Extension of Warranty Period** - The applicable Warranty Period for the Works or any portion of them repaired or replaced by the Contractor shall be extended for a term of one (1) year from the date any such repair or replacement is completed. Without derogating from the foregoing, the Warranty Period shall be extended during any period in which the Plant is unavailable for service or de-rated by reason of any Defect or Deficiency. In case of unavailability of the Plant, the extension shall be on a day-by-day basis. In the case of de-rated, the extension shall be equal to the number of de-rated days multiplied by the de-rated factor.
- However, the total Warranty Period shall not be extended for more than one (1) year from the date of expiry of the original applicable Warranty Period.
- 13.5 Removal of Defective Works** - If the Defect or Deficiency is such that it cannot be remedied expeditiously on the Concession Area, the Contractor may, with the consent of Owner's Representative or Owner, remove from the Project Areas for the purposes of repair any part of the Works which is defective or damaged at the risk of loss and expense of the Contractor.
- 13.6 Further Tests** - If the remedying of any Defect or Deficiency or damage is such that it may affect the performance of the Works, Owner may require that the related portion of Performance Tests be repeated to the extent necessary to demonstrate that the Defect or Deficiency has been remediated. The requirement shall be made by written notice within twenty-eight (28) days after the Defect or Deficiency or damage is remedied. Such Performance Tests shall be carried out pursuant to Article X utilizing plant instrumentation and at the cost of the Contractor.
- 13.7 Contractor to Search** - The Contractor shall, if directed by Owner's Representative, search for the root cause of any Defect or Deficiency. If a Defect or Deficiency is present, the Contractor shall be liable for all such Costs.

Within twenty four (24) hours from receipt of Owner's request or as soon as reasonably practicable, the Contractor shall deliver to the Project Areas qualified personnel and shall immediately proceed to identify and analyze the root cause of the Defect or Deficiency found. The Defect or Deficiency will not be considered remedied and the Contractor will not be released from its obligations and responsibilities under this Contract until a detailed root cause analysis is submitted to Owner providing that the Defect or Deficiency found has been or will be adequately addressed and corrected.

- 13.8 Final Acceptance Certificate** - The obligations of Contractor for the Works shall not be considered to be completed until the Final Acceptance Certificate has been signed by Owner's Representative and delivered to the Contractor, stating the date on which the Contractor completed its obligations under this Contract.

The Final Acceptance Certificate shall be issued and delivered by Owner's Representative substantially in the form set forth in Schedule 13 no later than the twenty-eighth day after the expiry of the Warranty Period, or as soon after such date as the Contractor has provided all the Construction Documents and completed and tested all the Works, including remedying any Defects or Deficiencies, whichever is earlier.

If the Owner fails to issue the Final Acceptance Certificate accordingly, the Final Acceptance Certificate shall be deemed to have been issued on the date 28 days after the date on which it should have been issued, as required by this Section, unless a Dispute regarding a Defect or Deficiency remains outstanding by such date.

- 13.9 Unfulfilled Obligations** - The Final Acceptance Certificate issuance shall not release the Contractor or Owner from any unfulfilled obligation under this Contract.

XIV. CONTRACT PRICE AND PAYMENT

14.1 The Lump Sum Price

14.1.1 The Lump Sum Price - The Lump Sum Price shall be the full and sole compensation of the Contractor for all the engineering and design services, procurement and transportation services, civil works, construction, erection and installation services and obligations hereunder, but may be adjusted by additions or deletions expressly provided under this Contract. Except otherwise stated herein:

- (a) the Lump Sum Price shall not be adjusted for changes in costs or any other matters; and
- (b) any quantities which may be set out in any Schedule of this Contract are only estimated quantities and are not to be taken as the actual and correct quantities of the Works to be executed by the Contractor in fulfillment of his obligations under this Contract.

If any part of the Works performed pursuant to a Variation under Article XV hereof is to be paid according to quantity supplied or Works done, the provisions for measurement and valuation shall be as stated herein.

- 14.1.2 Monthly Payment Certificate** – Together with the monthly Progress Report Contractor shall prepare and submit a Monthly Payment Certificate, specifying the progress of the Works achieved in the previous calendar month and identifying the applicable amount of the Lump Sum Price to be paid by Owner for such progress. The applicable progress of the Works shall be demonstrated with the corresponding monthly Progress Report.

The Contractor may submit a Monthly Payment Certificate in four (4) copies to the Owner's Representative in the form set forth in Schedule 7.

The Monthly Payment Certificate shall also include any other sums, including those arising out of Variations, that the Contractor certifies are due and owing since the last Monthly Payment Certificate and a certification that all insurance required to be maintained by the Contractor under this Contract is in full force and effect.

- 14.1.3 Payment** - Upon receipt of a Monthly Payment Certificate, the Owner's Representative will, within ten (10) days, determine whether the applicable Monthly Payment Certificate is in accordance with the payment required by the Contractor and the Progress Report submitted. Once approved, if such is the case, the Owner's Representative will countersign the Monthly Payment Certificate and upon receipt thereof by the Contractor, the Contractor may submit such countersigned Monthly Payment Certificate together with invoices (for the portion of the Lump Sum Price) requesting payment for such Monthly Payment Certificate in the corresponding amount set forth therein, and Owner will pay the Contractor the entire amount due in respect of such Monthly Payment Certificate within thirty (30) days subject to the next subparagraph below, minus any amounts owed by the Contractor to Owner and minus any amounts that Owner shall withhold pursuant to the Applicable Law. Owner's determination of the Monthly Payment Certificate shall be final and conclusive absent manifest error.

As a condition precedent to payment of such amounts, the Contractor shall deliver to Owner: (a) the certificate mentioned in Section 5.4 of the Contract in the form of Schedule 22 (Form of Proof of Subcontractor Payment), (b) the certificate mentioned in Section 7.4 of the Contract in the form of Schedule 23 (Form of Labor Obligations' Certificate), (c) a copy of any tax return filed by the Contractor related to any taxes assessed or levied in connection to the execution of the Works that are the subject matter of such invoice, and (D) a written release of liens of the contractor against owner and their property, agents and employees for demands for payment or compensation for equipment, materials or services in connection with the monthly payment certificate.

In addition, the Contractor shall execute and furnish to Owner supporting documents as will establish title in and to the Works. No payment made hereunder shall be considered an approval or acceptance of any Works or constitute a waiver of any claim or right that Owner may have at that time or thereafter, including claims and rights relating to warranty and indemnification obligations of the Contractor.

- 14.1.4 Form and Manner of Payments** - All payments owed by Owner to the Contractor hereunder shall be made in Dollars and Peruvian Soles, as applicable, by wire transfer of immediately available funds to the bank account the Contractor may designate from time to time in writing by notice to Owner given not less than five (5) Business Days prior to the next payment date to which such payment instructions are to apply.

If the date for any payment called for under this Contract should fall on a day that is not a Business Day at the location designated for receipt of such payment, then such payment may be made on the next succeeding Business Day in such location with the same effect as if made on the date due.

- 14.1.5 Delayed Payment** - Any sum owed by Owner under Section 14.1.6 that is not paid when due will accrue interest at a rate per annum equal to LIBOR + 2% from the date in which the payment came due to the date in which the amount is paid in full.

- 14.1.6 Application for Final Payment Certificate** - The Contractor shall be entitled to request payment of its final Monthly Payment Certificate, which shall include all sums due and outstanding to the Contractor for Works executed in accordance with the Contract, upon having successfully completed the criteria specified in Article XI herein (or whenever such criteria is deemed completed under Section 11.1) at levels meeting or exceeding the Performance Guarantee Levels or having paid the Buy-Down Amount in accordance with Section 11.3 hereof and so long as no Variation claims remain outstanding.

The Contractor shall submit to the Owner's Representative the final Monthly Payment Certificate with supporting documents, showing the value of all work done in accordance with the Contract and all other sums due and outstanding to the Contractor under the Contract, and Owner shall then make payment in accordance with Section 14.1.3.

- 14.1.7 Discharge** - When submitting its request for Final Payment in accordance with Section 14.1.6, the Contractor shall submit a Final Payment Certificate in the form set forth in Schedule 14 which confirms that Owner's Final Payment shall represent a full and final settlement of all monies due to the Contractor for Works done under this Contract and shall release all claims of the Contractor and Subcontractors against Owner and its property, agents, and employees for demands for payment or compensation for equipment, materials or services.

This certificate shall state that it becomes effective when the Contractor has received the securities provided under Sections 14.6.1 and 14.6.2 and the outstanding balance and the Final Payment Certificate in which event the discharge shall be effective on such date.

- 14.1.8 Cessation of Owner's Liability** - Owner shall not be liable to the Contractor for any matter concerning the cost of the Works after Final Payment has been made.

14.2 Taxes and Duties

- 14.2.1 Taxes** - The Lump Sum Price includes all taxes, duties and other charges imposed by any country or any political subdivision thereof other than Peruvian value-added tax and custom and import duties. Owner shall not be responsible for any income taxes of any kind which may now or hereafter be applicable to, measured by, or imposed upon the Contractor as a result of the transactions hereunder. Also, the Parties recognize that all monetary amounts referred to in this Contract do not include Peruvian value-added tax.

- 14.2.2 Owner's Right to Withhold: Tax Certificates** - With respect to payment for any services provided hereunder by the Contractor, Owner may withhold or deduct from the payment of any amount otherwise payable to the Contractor under this Contract as Owner may be required to withhold or deduct under the laws of Peru or any other country or political subdivision or taxing authority or agency thereof, and Owner shall promptly furnish the Contractor with appropriate tax certificates/receipts of all sums so withheld or deducted.

- 14.2.3 Other Taxes** - Owner shall be responsible for the administration and payment of any property taxes in connection with the Project Areas, all corporate income taxes with respect to Owner's profits and all taxes related to the employment of Owner's personnel.

- 14.2.4 Adjustment of Lump Sum Price** - The Lump Sum Price cannot be changed or adjusted except pursuant to a Variation. Contractor shall complete the Works and achieve the Actual Project Acceptance Date irrespective of the cost of achieving such.

14.3 Customs and Import Duty -

Owner is responsible for the payment of any import duties imposed on or as consequence of the importation of Major Items of Equipment and Materials into Peru and Owner shall reimburse Contractor such concept without affecting the Lump Sum Price and through the invoices issued by Contractor provided that the imposition of any such import duties, import surcharges do not result from an error attributable to the Contractor in such importation or in the filing of any

return or in performing any formality in connection to such importation. Owner shall pay such invoices within five (5) Business Day after receiving them. The Contractor shall be responsible for handling the clearance customs procedures of all Major Items of Equipment and Materials entering Peru.

- 14.4 Owner's Right to Withhold or Set Off Payment** - Contractor and Owner shall have the right to set-off from monies and securities otherwise due to the Contractor or Owner any claims or charges that Owner or the Contractor have against the other Party under this Contract.

The obligation of Owner to make any payment to the Contractor for Works performed shall be subject to the right of Owner to withhold an amount equal to the amount of any outstanding claims or charges as stated above against the Contractor.

- 14.5 Invoicing Documentation.**

The Contractor shall address to Owner each notice, request, invoice, statement or other such document issued by it for the payment of an amount due to it from Owner or both in accordance with this Article XIV and shall at the time of such issuance provide copies thereof to each of Owner, and Owner's Representative.

- 14.6 Security.**

As security for the Contractor's obligations under this Contract, the Contractor shall provide Owner with the Advance Payment Bond, the Performance Bond, the Warranty Letter of Credit and a Parent Guaranty in the form attached as Schedule 15.

Should any security, collateral or guarantee delivered hereunder have a stated maturity date that falls prior to the expiry of the obligations covered thereby, respectively, Owner may foreclose on any such security, collateral or guarantee and maintain the amounts received therefrom as for security of the obligations caused by such securities, collateral or guarantees and may apply such funds to cover any obligation covered thereby as if no such foreclosure had occurred. If any security, collateral or guarantee is foreclosed hereunder, the Contractor shall replace it with a new one executed in the same terms and conditions. Upon delivery to Owner of the new security, collateral or guarantee, Owner shall promptly return such amounts. Owner shall not pay interest.

- 14.6.1 Advance Payment Bond** - Contractor shall deliver to Owner four (4) standby letter of credits in substantially the form of Schedule 3 issued by an Eligible Bank in a stated amount equal to US\$ 20,000,000 each, in accordance with the Preliminary Schedule of Payments, and the Contractor shall deliver the first standby letter of credit no later than five (5) Business Day after the date on which Owner issues the Notice to Commence.

The amount of this Advance Payment Bond shall be reduced every three (3) months after its issuance in proportion to the percentage of the payments of the Lump Sum Price made by Owner in accordance with Section 14.1.4, which is to be ultimately certified by Owner.

The cost of obtaining and maintaining the Advance Payment Bond shall be borne by the Contractor. If any bank that has issued an Advance Payment Bond fails to be an Eligible Bank, within ten (10) Business Days of such failure, the Contractor shall cause another Advance Payment Bond to be posted by an Eligible Bank or Owner may demand payment under such Advance Payment Bond and the Contractor will be deemed to be in default hereunder.

- 14.6.2 Performance Bond** - No later than one (1) Business Day after the delivery of the Notice to Commence, the Contractor shall deliver to Owner an irrevocable standby letter of credit in substantially the form of Schedule 4 (the "Performance Bond") issued by an Eligible Bank, in a stated amount equal to fifteen per cent (15%) of the Lump Sum Price, which shall expire no earlier than the fifteenth day after the Final Taking-Over Date. The cost of obtaining and maintaining the Performance Bond, if any, shall be borne by the Contractor. Owner shall return the Performance Bond to the Contractor within ten (10) Business Days from the Final Taking-Over Date, provided that Owner has received the Warranty Letter of Credit on or before such date. The Performance Bond may be partially or totally drawn upon by Owner to satisfy any unsatisfied obligation of Contractor which has matured hereunder.

In the case where Owner draws on the Performance Bond, the Contractor shall, within ten (10) Business Days after Owner's drawing, ensure that the Performance Bond is restored to the full value which it had immediately prior to Owner's drawing.

The Contractor's failure to restore the Performance Bond to its full value as aforesaid within the aforesaid ten (10) Business Days shall constitute an event of default and a fundamental breach of this Contract which shall entitle Owner to terminate this Contract.

- 14.6.3 Warranty Guarantee** – No later than the Final Taking-Over Date, the Contractor shall deliver to Owner an irrevocable standby letter of credit in substantially the form of Schedule 5, issued by an Eligible Bank, in a stated amount equal to five per cent (5%) of the Lump Sum Price plus any unpaid liquidated damages for delay (determined pursuant to Section 9.6) and any unpaid Buy-Down Amount, which expires no earlier than the thirtieth day after the end of the Warranty Period applicable to all Works which are not civil works. Owner shall return the Warranty Letter of Credit to the Contractor within ten (10) Business Days from the issuance of the Final Acceptance Certificate. The cost of obtaining and maintaining the Warranty Letter of Credit, if any, shall be borne by the Contractor.

- 14.6.4 Parent Guaranty** - No later than the Commencement Date, the Owner shall deliver to Contractor a Parent Guaranty in substantially the form of Schedule 16, which expires on the Final Taking-Over Date.
- 14.6.5 Right to Draw** - Owner may draw upon either the Performance Bond or the Warranty Letter of Credit or the Advance Payment Bond or the Parent Guaranty should Contractor, after ten (10) days written notice, fail to comply with any obligation hereunder.

XV. VARIATIONS

- 15.1 Right to Vary** - Variations may be initiated by (a) Owner at any time prior to its taking over the portion of the Works in question, by a request for the Contractor to submit a proposal or (b) by the Contractor at any time prior to the Partial Taking-Over Date or the Final Taking-Over Date in connection with the operation of the provisions of this Contract expressly permitting a Variation. Such a Variation may provide for a change in, addition to, or deletion from the Works, an adjustment in the pricing, Project Schedule or other terms of this Contract, including but not limited to changes:

- (a) in the Technical Specifications;
- (b) in the method or manner of performance of the Works;
- (c) in the Owner-furnished services;
- (d) directing acceleration or deceleration in the performance of the Works;
- (e) adjusting the Partial Taking-Over Date or the Final Taking-Over Date;
- (f) adjusting the Lump Sum Price; or
- (g) Change in Law that causes a material increase in the costs of performance of any obligation hereunder.

The Contractor shall not be required to make any alteration or modification of the Works unless and until Owner approves a Variation, unless the Construction Documents or Works do not conform with the provisions of this Contract, in which case the Contractor shall rectify the Construction Documents or Works and any such rectification shall not constitute a Variation.

The Contractor shall provide to Owner such information as Owner may reasonably request in connection to any Variation request or proposal made by Owner or by the Contractor, including but not limited to, identifications of the country of origin of equipment to be incorporated into the Works. Detailing of or refinements to the Construction Documents shall not constitute a Variation.

Except as otherwise provided in a Variation, no order, instruction, proposal, suggestion, consent, approval, statement, or conduct of Owner, Owner's Representative or the Supervisor shall constitute a change to this Contract or entitle the Contractor to an adjustment to the Lump Sum Price.

15.2 Variation Procedure - If Owner requests a proposal for a Variation or the Contractor requests a Variation to which it is entitled under Section 15.1, the Contractor shall prepare at its expense and submit as soon as practicable:

- (a) a written description of the proposed design or work to be performed and a program for its execution in the form of Schedule 17;
- (b) the Contractor's proposal for any necessary modifications when such proposal impacts the critical path schedule to the Project Schedule according to Section 5.12;
- (c) the Contractor's proposal for adjustment of the Lump Sum Price, Time for Completion or modifications to this Contract, accompanied by detailed pricing and a proposed payment schedule therefor; and
- (d) a statement whether and the extent to which, in its opinion, the proposed Variation would, notwithstanding the exercise of all due skill and care, result in defective design or construction or prevent the Contractor from performing its obligations under this Contract, including Defects liability and the Performance Guarantee Levels.

As soon as practicable after receipt of such proposals, Owner shall review this estimate with the Contractor for the purpose of determining whether to proceed with the Variation and, if so, for the purpose of agreeing on the matters set forth therein, including a mutually acceptable adjustment to the Lump Sum Price or the Project Schedule, if any, if the proposed change requires a modification of the Technical Specifications.

Compliance by the Contractor with the provisions of this Section 15.2 is a condition precedent to the Contractor's entitlement to an extension of time or adjustment to the Lump Sum Price.

Variations whether initiated by Owner or by Contractor, must be mutually and expressly agreed upon. No order, instruction, proposal, suggestion, consent, approval, statement, or conduct of Owner, Owner's Representative or the Supervisor shall be construed as an implied Variation.

In the event the Owner or the Contractor requests a Variation over a task that is on the critical path of the Works, Owner shall determine whether to proceed with the Variation within forty five (45) days after the receipt of such request. If no answer is given by Owner within such forty five (45) days period, the relevant Variation shall be deemed approved.

Once a Variation is agreed, then both Owner and the Contractor shall proceed to agree or determine adjustments to the Lump Sum Price, the amount of the guarantees provided in Section 14.6, Time for Completion and schedule of payment for such adjustment, if applicable.

On receipt of an order for a Variation, the Contractor shall forthwith proceed to carry out the Variation and be bound by this Contract in so doing as if such Variation was stated in this Contract. In case of disagreement between the Parties regarding the adjustment of the Lump Sum Price or an extension of the Time for Completion resulting from such order, the Contractor shall continue to carry out the works comprised by the order for a Variation. In this case Contractor shall keep records of such Variation and of time expended thereon. Such records shall be open to inspection by Owner's Representative and the Supervisor at all reasonable times.

Once Owner and the Contractor execute a Variation with respect to any matter, the Contractor shall not be entitled to make any claim or any claim for a price adjustment, schedule extension or variation or modification of any other item that was included in such Variation, nor will any subsequent Variation be construed to alter a prior Variation except to the extent expressly set forth in such subsequent Variation.

In no event shall the Contractor be entitled to:

- (a) recover any damages or additional compensation from Owner or Owner's contractors; or
- (b) any extension of time, or relief for, its performance hereunder;

on account of any delay, obstruction or interference attributable to any Person or cause, unless such delay, obstruction or interference is grounds for and results in a Variation, in which case the Contractor shall only be entitled to such relief as is specified in such Variation and the Contractor hereby expressly waives any and all rights, on its own behalf as well as on behalf of all the Contractor's agents, servants, Subcontractors and employees, to any claim against Owner for damages or additional compensation or extension of time or excuse for performance as a result thereof under any legal or equitable theory including common law principles of, mistake, frustration, or impossibility of performance.

Any disputes or disagreements between the Contractor and Owner regarding the approval and execution of a Variation shall be resolved according to the provisions of Article XXI.

XVI. SUSPENSION OF WORKS

- 16.1 Contractor's Entitlement to Suspend Works** - The Contractor may suspend the performance of its duties under the Contract in whole or in part, or reduce the rate of such performance, if Owner fails to (i) pay any amount owed to the Contractor when due after the fifth Business Day after the date in which Owner received a written demand of payment from the Contractor or (ii) provide to the Contractor reasonable evidence that financial arrangements have been made in accordance with Section 2.4. The remedy provided in this Section 16.1 is without prejudice to other remedies available to the Contractor under this Contract and by operation of law.

Notwithstanding, this Section 16.1 may not be construed as to limit or restrict Owner's right to set off under Section 14.4 nor entitle the Contractor to suspend the performance of its obligations under this Contract if Owner refuses to make a payment of any amount due on the basis that such amount has been set off pursuant to Section 14.4 with an amount owed by the Contractor to Owner.

If the Contractor suspends work or reduce the rate of work, and Owner subsequently pays the amount due plus interest accrued over such amount then the Contractor shall promptly resume normal working progress.

If the Contractor suffers delay or incur Cost as a result of suspending the performance of its duties under the Contract or reducing the rate of work in accordance with this Section 16.1, the Contractor shall give written notice to Owner of any such delay or Cost. After receipt of such notice, Owner shall proceed to agree or determine:

- (a) any extension of time to which the Contractor is entitled under Section 9.4; and
- (b) the amount of such Cost plus Profit thereon shall be added to the Lump Sum Price, and shall notify the Contractor accordingly.

XVII. TERMINATION

17.1 Termination by Owner -

17.1.1 Events of Termination by Default - If the Contractor:

- (a) fails to comply any obligation under this Contract within a reasonable time, but in no case more than thirty (30) days after notice under Section 13.3 is given by the Owner provided that such thirty (30) day period shall be extended for an additional period of not more than thirty (30) days so long as according to Owner's sole discretion, the Contractor is diligently pursuing remediation of any such failure and provided further that the foregoing sixty (60) day period shall be extended by the time reasonably required to procure and deliver to the Project Areas any defective part or component on commercially reasonable terms taking into account the financial harm that Owner will suffer;
- (b) abandons or repudiates Works or fails to replace a Performance Bond whose issuer is no longer an Eligible Bank within twenty eight (28) days of such occurrence;
- (c) continues to fail to employ sufficiently diligent measures in its performance of the Works such that completion could reasonably be expected to be achieved within the Time for Completion after the forty fifth day following the date on which Owner delivered to the Contractor written notice demanding the employment of diligent measures to ensure the completion of the Works by the Time of Completion;

- (d) becomes bankrupt or insolvent, goes into liquidation, has a receiving or administration order made against it, compounds with his creditors, or carries on business under a receiver, trustee or manager for the benefit of its creditors, or if any act is done or event occurs which (under any Applicable Laws) has a similar effect to any of these acts or events;
- (e) fails to comply with a notice issued under Section 8.5 within twenty-eight (28) days after having received it;
- (f) assigns this Contract or subcontracts the Works without Owner's prior written consent;
- (g) fails to achieve the Final Taking-Over Date within one hundred and eighty (180) days after the Scheduled Final Taking-Over Date as such date may be extended from time to time under Section 9.4;
- (h) continues to fail to comply with the requirements of any Applicable Laws and Applicable Permits after the thirtieth day following the date on which Owner delivered to the Contractor the written notice demanding that the Contractor comply with the requirements of any Applicable Laws or Applicable Permits, provided that the Contractor shall have an additional thirty (30) day period thereafter so long as they are diligently pursuing the cure of such failure;
- (i) fails to maintain in full effect the Parent Guaranty required of the Contractor pursuant to Section 14.6 hereof;
- (j) any of its Subcontractors at any tier, agents or servants pays or gives or offers to pay or give any inappropriate or illegal consideration or incentive to any officer, agent, employee or consultant of any Government Authority with the purpose of influencing the decision of any Government Authority in connection with the performance of the Works or this Contract; or
- (k) fails to maintain and keep in effect the insurance as is required hereunder.

then Owner may terminate this Contract by advising the Contractor in writing of its decision fourteen (14) days in advance of the date of termination and the Contractor shall no later than on such date (i) turn over to Owner's Representative all Works in process; (ii) transfer title to Owner over any pieces of land acquired by the Contractor for the purposes of the Works for one (1) dollar; (iii) remove all Contractor's Equipment from the Project Areas (unless Owner requires that the Contractor refrain from such removal); (iv) assign to Owner, in the manner, at the times, and to the extent directed in writing by Owner's Representative, all of the rights and duties, title and interest of the Contractor under any Subcontract or purchase order relating to the Works that are specifically identified in such directive for one (1) dollar (v) indemnify Owner for any direct damages suffered by Owner as a result of the termination of this Contract; and (vi) deliver all Construction Documents, and other design documents made by or for him, to Owner's Representative.

Upon completion of all of the foregoing obligations, the Contractor shall be released from any of its obligations or liabilities under this Contract, except for material failure of the Works performed by the Contractor until the termination of this Contract becomes effective, discovered within two (2) years thereafter. Owner may upon such termination complete the Works itself or by any other contractor. Owner or such other contractor may use for such completion so much of the Construction Documents, other design documents made by or on behalf of the Contractor, Contractor's Equipment, Temporary Works and Materials as it or they may think proper. Upon completion of the Works, or at such earlier date as Owner's Representative thinks appropriate, Owner's Representative shall give notice that the Contractor's Equipment and Temporary Works will be released to the Contractor at or near the Site. The Contractor shall remove or arrange removal of the same from such place without delay and at his cost. The obligations of the Contractor and the rights and remedies to which Owner is entitled pursuant to this Section 17.1 shall survive the termination of this Contract.

If it is subsequently found that Owner was not entitled to terminate under this Section 17.1, this Contract shall be deemed to have been terminated under Section 17.1.4.

17.1.2 Valuation at Date of Termination - Owner's Representative shall, as soon as possible after termination under this Section 17.1, reasonably determine and advise the Contractor of the value of the Construction Documents, Major Items of Equipment, Materials, Contractor's Equipment and Works in excess of the portion of the Lump Sum Price that has been previously paid to the Contractor.

17.1.3 Payment after Termination - After termination under Section 17.1, Owner shall not be liable to make any further payments to the Contractor for Works except the payment provided in the Section 17.1.2 after taking into account the cost recovery provided in the next sentence which will not be due until the costs of design, execution, completion and remedying of any Defects or Deficiencies, liquidated damages for delay in completion (if any), Buy-Down Amounts (if any) and all other actual and documented costs (if any) incurred by Owner have been established and paid in full.

Owner shall be entitled to recover from the Contractor the costs in excess of the unpaid portion of the Lump Sum Price involved in completing the Works after allowing for any sum due to the Contractor under Section 17.1.2.

17.1.4. Termination without cause - Unless Owner is in breach of any of its obligations under this Contract, Owner will be entitled to terminate this Contract at its convenience at any time by a written notice executed and delivered by Owner to the Contractor. In the event of such termination, the Contractor:

- (a) shall proceed in accordance with Section 17.4; and
- (b) shall be paid by Owner the Termination Fee set forth in Section 17.3 provided that this Contract is terminated pursuant to this Section 17.1.4 after the issuance of the Notice to Commence.

In the event this Contract terminates under this Section 17.1.4 prior to having issued the Notice to Commence, the Contractor shall have no rights to be paid any monies by Owner or make any claim for costs arising out of or relating to this Contract, except for any portion of the Preliminary Works Lump Sum owed by Owner to the Contractor, in accordance with the Preliminary Schedule of Payments. Contractor shall reimburse the Owner for any portion of the Preliminary Works Lump Sum paid for any Preliminary Works not performed as of the date in which this Contract is terminated as provided herein.

17.2 Termination by Contractor – If:

- (a) the Contractor is not paid any amount due, excluding any disputed amounts within forty-two (42) days after the expiry of the time stated in Section 16.1 within which payment is to be made (except for a deduction that Owner is entitled to make under this Contract);
- (b) the Contractor does not receive the reasonable evidence within forty-two (42) days after giving notice under Section 16.1 in respect of a failure to comply with Section 2.4;
- (c) the Owner fails to comply with Section 22.18;
- (d) a prolonged suspension affects the whole of the Works as described in Section 9.9; or
- (e) the Owner becomes bankrupt or insolvent, goes into liquidation, has a receiving or administration order made against him, compounds with his creditors, or carries on business under a receiver, trustee or manager for the benefit of his creditors, or if any act is done or event occurs which (under Applicable Laws) has a similar effect to any of these acts or events, provided that Lenders or an Owner's Affiliate do not assume the rights and obligations of the Owner under this Contract within ninety (90) days since the occurrence of any such event.

then the Contractor may terminate its employment under this Contract by giving notice to Owner, with a copy to the Representatives. Such notice shall take effect fourteen (14) days after the giving of the notice. The Contractor's election to terminate the Contract shall not prejudice any other right or remedy of the Contractor under the Contract.

- 17.3 Payment on Termination** –After termination under Section 17.2, Owner shall pay the Contractor a Termination Fee amount equal to (i) Contractor's actual and documented costs (including for this purpose, reasonable home office overhead and allocated profit thereon of five percent (5%)), as audited and accepted by an independent quality surveying firm of international reputation selected by Owner and reasonably acceptable to Contractor, incurred and which could not be avoided in connection with the performance by Contractor of the Work hereunder as of the date of such termination and which were not previously paid by Owner, and (ii) with respect to Materials, equipment or supplies to be incorporated into the Works which have been ordered, but have not been delivered to the Project Areas either (a) all documented costs incurred by Contractor in connection with such materials, equipment or supplies, for which Contractor has not been paid, provided that such materials, equipment or supplies are delivered to Owner at the Project Areas together with all documents necessary to transfer good and unencumbered title thereto Owner, if Owner has elected (in its sole discretion) in writing to take possession of such materials, equipment or supplies, or (b) all actual, documented, reasonable and customary cancellation charges payable by the Contractor to its Subcontractors for such materials, equipment or supplies as a result of such cancellation, to the extent that such charges are not mitigated despite best efforts to do so by Contractor, if Owner has in its sole discretion elected in writing not to take possession of such materials, equipment or supplies. (iii) any other Cost or liability which in the circumstances was reasonably incurred by the Contractor in the expectation of completing the Works, (iv) the Cost of removal of Temporary Works and Contractor's Equipment from the Concession Area and the return of these items to the Contractor's works in his country (or to any other destination at no greater cost) and (v) the Cost of repatriation of the Contractor's staff and labor employed wholly in connection with the Works at the date of termination of this Contract. Payment of this Termination Fee shall be the sole and exclusive liability of Owner, and the sole and exclusive remedy of Contractor, with respect to the termination of this Contract.

In no event the Termination Fee to be paid by Owner will be higher than the Lump Sum Price, as amended, minus any payments already made. After termination under Section 17.2 has taken effect, the Owner shall promptly:

- (a) return the securities provided under Section 14.6;
- (b) pay the Contractor in accordance with this Section 17.3 above.

- 17.4 Cessation of Works and Removal of Contractor's Equipment** - After termination under Section 17.1.4 or Section 17.2, the Contractor shall do the following:

- (a) cease all further work, except for such work as may be necessary and instructed by Owner's Representative for the purpose of ensuring the safety or protecting those parts of the Works already executed, and any work required to leave the Project Areas in a clean and safe condition;

- (b) transfer possession and title over all Construction Documents, Major Items of Equipment and Materials for which the Contractor have received payment;
- (c) transfer possession and title over those other parts of the Works executed by the Contractor up to the date of termination;
- (d) transfer possession and title over any pieces of land acquired by Contractor for the purposes of the Works; and
- (e) remove all Contractor's Equipment which is on the Concession Area and repatriate all its staff and labor from the Project Areas.

Any such termination shall be without prejudice to any other right or remedy of the Contractor under this Contract.

XVIII. RISK AND RESPONSIBILITY

18.1 Indemnity - Contractor shall defend, indemnify and hold Owner, Owner's Representative, the Supervisor, Lender's Representative and its representatives and all of the foregoing Persons' respective Affiliates, contractors, agents and employees harmless from and against all claims, damages, losses and expenses (including reasonable attorneys' fees) to the extent resulting from the Contractor's or any Subcontractor's negligence.

18.2 Contractor's Care of the Works - The Contractor shall bear the risk of loss and take full responsibility for the care, custody and control of the Works and of the Project Areas and any Major Items of Equipment, Materials, Temporary Works, whether delivered to or placed on the Project Areas or elsewhere in connection with or for the purpose of the Works, from the Commencement Date until the Final Taking-Over Date when responsibility therefor shall pass to Owner.

If any loss or damage happens to the Works arising from any cause during the period for which the Contractor is responsible, the Contractor shall as promptly as practicable rectify such loss or damage, at its cost, so that the Works conform to this Contract. The Contractor shall also be liable for any loss or damage to the Works caused by any operations carried out by the Contractor after the Final Taking-Over Date.

18.3 Employees - No Party nor its directors, officers, employees, agents, Affiliates or representatives, nor any independent contractor engaged by it in connection with the performance of this Contract, shall be deemed an employee of the other Party. No Party shall bring any claim against the other Party or its directors, officers, Affiliates, agents, representatives, employees or independent contractors with respect to any liability for compensation under any Applicable Laws.

18.4 Limitation of Contractor's Liability - The Contractor's total liability for all claims of any kind, whether as a result of breach of contract, delays, warranty, tort, negligence, strict liability or otherwise, for any loss or damage arising out of, connected with, or resulting from the Works, shall in no case exceed a sum equal to one hundred percent of the Lump Sum Price; provided, however, that the foregoing limitation shall not apply to any liability arising from gross negligence, fraud or willful misconduct of Contractor, or any of their employees or agents (the "Liability Cap"). The limitations of liability of Contractor hereunder shall not limit its obligations to perform the Works and achieve completion as provided under this Contract including achieving the Final Taking-Over Levels.

The Contractor's liability for liquidated damages under Section 9.6 shall not exceed twelve (12) percent of the Lump Sum Price and under Section 11.3 shall not exceed eight (8) percent of the Lump Sum Price and under both Sections 9.6 and 11.3 in the aggregate shall not exceed fifteen (15) percent of the Lump Sum Price. Notwithstanding the payment by the Contractor of any indemnification under this Contract, the Contractor shall complete the Works and achieve the Actual Project Acceptance Date. In any case, the Contractor's liability shall not be limited, and no credit shall be issued against the Liability Cap, for:

- (a) the Contractor's indemnification obligations (except as to claims of Owner's customers for loss of service) under the applicable sections of this Contract;
- (b) the costs incurred by the Contractor in achieving the Partial Taking-Over Date at the Partial Taking-Over Levels or the Final Taking-Over Date at the Final Taking-Over Levels;
- (c) any loss or damage arising out of or connected with the Contractor's gross negligence or willful misconduct; or
- (d) any risks insured through insurance required under this Contract, it being the Parties' specific intent that the Liability Cap shall not provide any relief or satisfaction of any obligation of the Contractor's insurers or guarantors.

18.5 Liability - Except to the extent that damages specifically provided for in Sections 9.6 and 11.3 of this Contract, neither Party nor its officers, directors, agents, employees, or Affiliates, shall be liable to the other Party, its subsidiaries, Affiliates, officers, directors, agents, employees, successors or assignees, for claims for incidental, indirect or consequential damages of, or in any nature connected with or resulting from, performance or non-performance of this Contract, including, inter alia, claims for loss of profit or revenue, loss of use of equipment, and cost of capital or return on capital irrespective of whether such claims are based upon warranty, negligence, strict liability, contract, operation of law or otherwise; provided, however, that the foregoing provisions shall neither affect nor impair the rights or remedies of either Party to recover, in addition to any other remedies under this Contract, "direct damages" (for the avoidance of doubt "direct damages" in this section means "daño emergente" according to Peruvian law) for a breach of this Contract for which liquidated damages do not apply, and subject to the limitation established in Section 18.4.

XIX. INSURANCE

19.1 General - The provisions of this Article XIX do not modify or change or abrogate any responsibility of the Contractor or any Subcontractor stated elsewhere in this Contract. Owner assumes no responsibility for the solvency of any insurer or the failure of any insurer to settle any claim. Requirements of the Contractor's and Owner's insurance policies are set forth below.

19.2 Policies Obtained by the Contractor - The Contractor shall maintain in force during its performance of the Works and until the Actual Project Acceptance Date, at its cost, insurance policies with company(s) approved by Owner (such approval not to be unreasonably withheld), in compliance with the laws of Peru, of the types and in the amounts as follows.

- (a) **Workers' Compensation Insurance** or any other similar form of employees' social insurance which is required by Applicable Laws. The Contractor expressly agrees to comply with all provisions of the Workers' Compensation Laws or similar employee benefit laws of Peru, or wherein said Works are to be performed, or of the countries from which its personnel are employed, where required, if applicable.

The Contractor shall effect and maintain insurance against losses and claims arising from the death or injury to any person employed by the Contractor or any Subcontractor. For a Subcontractor's employees, such insurance may be effected by the Subcontractor, but the Contractor shall be responsible for compliance with this Section 19.2.

- (b) **Automobile Liability Insurance** with companies approved or licensed to do business in Peru including owned, hired, rented or non-owned vehicles for bodily injury and property damage with a Combined Single Limit Each Occurrence: one million Dollars (US\$1,000,000) or amount required by Applicable Laws, whichever is greater.

All policies pursuant to this Section 19.2 shall contain appropriate no-fault insurance provisions or other endorsements as are required under Applicable Laws and Applicable Permits.

- (c) **Aircraft and Watercraft Liability Insurance** is required if the Contractor or any Subcontractor utilizes aircraft or watercraft while performing the Works. Aircraft liability insurance, which shall include passenger liability, or Watercraft Liability Insurance shall each have a minimum limit of coverage of fifteen million Dollars (US\$15,000,000) per occurrence and in the annual aggregate.

- (d) **Third Party Liability Insurance** excess over the coverage provided by Owner under Clause 19.4 (b) for losses arising out of or in connection with the Works at the Project Areas and primary for losses arising away from the Project Areas. Such insurance shall provide contractual coverage in respect of the Contractor's commercial activities, including the Contractor's indemnity obligations to Owner and shall include broad form property damage, sudden and accidental pollution and personal injury coverage. Such insurance shall have a limit of coverage of ten million Dollars (US\$ 10,000,000) per occurrence and in the annual aggregate.

Regarding coverage in respect of liability for claims arising out of products and completed operations, a third parties' liability coverage shall be granted until twenty four (24) months after the Final Taking-Over Date. Such insurance shall have a limit of liability of three million Dollars (US\$ 3,000,000) per occurrence and in the annual aggregate.

- (e) **Excess Liability / Umbrella Liability Insurance** this policy must provide following form coverage excess of the policies contained in this Section 19.2(a) to (d) with a minimum limit of liability of ten million Dollars (US\$ 10,000,000) per occurrence and in the annual aggregate.

19.3 Requirements in Respect of Contractor's Insurance - In regards to each policy described under Section 19.2 the following shall apply:

- (a) The amounts of insurance may be satisfied by purchasing coverage in the amounts specified or by any combination thereof, so long as the total amounts of insurance meet the requirements specified.
- (b) The Contractor shall provide to Owner's Representative promptly upon request a certificate of insurance providing evidence of each such insurance upon the terms required hereunder and make available for Owner's inspection all other policies in which Owner is included as an insured. The Contractor shall furnish Owner such evidence as may reasonably request from time to time regarding the establishment and maintenance of insurance by any Subcontractor.
- (c) Each policy under Section 19.2, with the exception of Workers' Compensation, shall specify Owner as additional insureds.
- (d) Each policy under Section 19.2 shall be placed and maintained with reputable insurers or reinsurer of sound financial standing as approved by Owner provided that such approval shall not to be unreasonably withheld by Owner.

- (e) Each insurance policy shall provide that the cancellation, non renewal or amendment of the policy shall be effective thirty (30) days' after the date in which the insurer has advised Owner in writing of any such cancellation, non renewal or amendment provided that if any such notice is sent to or from an office outside Peru, it will be sent by reputable international courier.
- (f) All policies obtained by the Contractor or any Subcontractor shall include a waiver by the insurer of any right of subrogation it may have against Owner or any of its employees, agents, directors, and shareholders.
- (g) Except as provided for in Section 19.2(e), the above described insurance, with the exception of Worker's Compensation Insurance referenced by Section 19.2(a), shall be considered primary insurance with respect to the obligations assumed by the Contractor hereunder and all insurance carried by Owner, its agents, representatives, or Lenders shall be considered secondary and non-contributory in relation thereto.
- (h) The insurance policies described in section 19.2 shall cover the risk derived from the Subcontractors' activities.
- (i) At Contractor's request, Owner will contract the insurance policies described in section 19.2 above and Contractor will reimburse Owner the cost of maintaining such policies.
- (j) The Contractor shall comply with all terms, conditions and warranties of policies procured by Owner pursuant to the following Section 19.4.

19.4 Policies Obtained by Owner -, Owner shall maintain in force until the Final Taking-Over Date at its cost:

- (a) Construction/ Erection All Risk Insurance, effective on the date in which the Contractor has advised Owner in writing that it will commence Mobilization, provided that such notice has to be received by Owner with at least thirty (30) Business Days in advance to such date. If Owner fails to maintain Construction/ Erection All Risk insurance then Contractor shall have the right to seek indemnification for any losses it should incur by reason of Owner's failure to maintain such insurance. Such insurance shall include Contractor, Subcontractors and their Affiliates as insureds and provide for waivers of subrogation against Contractor, Subcontractors and their Affiliates. Such policy shall be governed by Peruvian law and the issuer of such policies shall submit to the jurisdiction of Peruvian courts;

- (b) Third Party Liability up to five million Dollars (US\$5,000,000) per occurrence and in the annual aggregate, effective on the date in which the Contractor has advised Owner in writing that it will commence Mobilization, provided that such notice has to be received by Owner with at least thirty (30) Business Days in advance to such date, in respect of claims by third parties arising out of or in connection with the Works at the Project Areas; and
- (c) Marine Cargo (including Air & Inland transit), effective on the date of the first shipment (which coverage shall be at DDU per Incoterms 2000), provided that Contractor notifies Owner in writing the shipment information as stated in Section 8.2 above, on an All Risk basis with limits sufficient to provide replacement cost of the single highest value shipment.

The Owner may divide the coverage described above in separate policies to ensure coverage for the scope of the Preliminary Works and for the scope of the Works scheduled to be performed after the Notice to Commence. The Owner shall promptly thereafter give written notice to the Contractor providing reasonable details of the coverage.

Owner shall ensure that any minor activities with a value not to exceed one million Dollars (US\$ 1,000,000) per activity, to be performed by the Contractor on the Project Areas prior to Mobilization, including but not limited to bench mark studies and geotechnical investigations, are covered by Owner's existing all risk and third party liability insurance policies.

The Contractor shall not be liable for any loss or damage to the Works in the case that insurance proceeds under the policies listed in 19.4(a) and 19.4(c) are paid to Owner and then not made promptly available to the Contractor. Contractor acknowledges that Owner may elect to insure the Works for less than their full replacement value subject to the condition that in such case Contractor shall not be liable for any loss or damage to the Works to the extent such loss or damage exceeds the insurer's limit of liability thereof.

If the Final Taking-Over of the Plant by Owner does not occur by the Scheduled Final Taking-Over Date, for any reason attributable to the Contractor, then the Contractor shall be responsible for the additional costs to be incurred by Owner for extending the enforceability of the Construction/Erection All Risk Insurance and the Contractor shall reimburse Owner for the resulting additional insurance costs.

19.5 General Requirements for All Insurance - The following provisions shall apply to all insurance policies required pursuant hereto.

- (a) The Contractor and Owner shall immediately procure replacement coverage for all its canceled policies required hereunder. If a Party fails to effect and keep in force any of the insurances required under this Contract, the other Parties

shall have the right but not the obligation to, without prejudice to any other right or remedy, effect insurance for the coverage relevant to such default, and pay the premiums due. Such payments shall be recoverable from the breaching Party and may be deducted from any sums due, or to become due, hereunder.

- (b) Nothing in this Section 19.5 limits the obligations, liabilities or responsibilities of the Contractor or Owner under the other terms of this Contract or otherwise.
- (c) Each Party shall deliver to the other Party, prior to the commencement of the Works, certificates of insurance evidencing the insurance coverages required herein.
- (d) All policies listed in Section 19.4 obtained by Owner shall contain a waiver by the issuer of its rights of subrogation against the Contractor, its Affiliates and any Subcontractor. All policies listed in Section 19.4 shall include the Contractor, Subcontractors and their Affiliates as named insureds for their respective interests (except for the Delay in Start-up insurance), and will provide that the cancellation, non renewal or amendment of the policy will be effective on the thirtieth day after the insurer advises the Contractor of any such cancellation, nonrenewal or amendment, provided however that the Construction/Erection All Risk Insurance shall not be subject to cancellation except for non payment of premium. These policies with the exception of the Contractor's offsite liability policy, will all be primary and further be endorsed to specify that they are primary to and not excess to or on a contributing basis with any insurance maintained by the Contractor or any Subcontractor in the case any other policies exist for such coverage. The Construction/Erection All Risk Insurance shall provide that the interests of the Contractor, Affiliates and their Subcontractors and the other interests shall not be invalidated by any action or inaction of Owner and shall insure the Contractor, Affiliates and their Subcontractors notwithstanding the breach of any representations, warranties or policy conditions by Owner.
- (e) All policies obtained by the Contractor shall contain a waiver by the insurer of any subrogation rights against Owner, shall include Owner as an insured for their respective interests with the exception of the Worker's Compensation, as provided for in Section 19.3(c), will provide that the cancellation, non renewal or amendment of the policy will be effective on the thirtieth day after the insurer advises the Contractor of any such cancellation, nonrenewal or amendment. These policies will further be endorsed to specify that they are primary to and not excess to or on a contributing basis with any insurance maintained by Owner with the exception of the Third Party Liability Insurance required under Section 19.2(e) and Section 19.2(d) .

- (f) All policies, except Workers' Compensation, shall contain severability of interest or standard cross liability clauses and shall respond to claims or lawsuits that are brought worldwide, including within the United States of America.

19.6 Deductibles & Claims Management - Notwithstanding any other provision of this Article XIX, any deductible(s) or self-insured retention payable under insurance policies required under Section 19.2 hereof shall be the sole responsibility of the Contractor. In addition, with respect to the insurance policy described under Section 19.4(a), the Contractor shall be responsible for the Guaranteed Deductible (inclusive of legal expenses) on all covered incidents or occurrences thereunder, excluding Force Majeure events, after which the remaining deductible amount will be paid by Owner which shall not exceed the Maximum Deductible. The Owner will assume the cost of the applicable deductible if the loss is caused by a Force Majeure event. The deductible for Marine Cargo insurance shall not exceed one percent (1%) per shipment, for physical damage losses, with a minimum of US\$25,000.

The Contractor shall be responsible for filing and prosecuting claims and administering the requirements of the insurance purchased by the Contractor and Owner as defined in Section 19.2 and 19.4 as such requirements relate to engineering, procurement, construction and shipping activities such as loss control surveys, shipping notices and schedules, reporting claims, developing information required for claims adjustment, preparation of necessary reports and preparation of insurance reports of cargo shipments.

The Contractor shall notify Owner in writing of any actual or potential casualty or claim under any insurance policy, promptly after acquiring knowledge thereof. Such written notice of claim shall be given by the Contractor whether or not the amount of such claim is within the deductible limits of the applicable insurance coverage.

If a loss is sustained, the Contractor and Owner shall work together jointly for the purpose of adjusting the amount of the loss with the insurance companies. Subject to Owner's consent, the Contractor shall repair or replace any loss or damage and complete the Works in accordance with this Contract; provided, however, that the Contractor is relieved of its obligation to the extent that any claims settlement is solely vitiated or otherwise materially compromised because of some material act or omission on behalf of Owner.

19.7 Subcontractor Insurance - The Contractor shall use all reasonable endeavors to ensure that its Subcontractors maintain insurance similar to the insurance required of the Contractor in Section 19.2 provided, however, that lesser limits may be required of such Subcontractor insurance if reasonably deemed appropriate by Contractor given consideration to such Subcontractor's scope of work.

XX. FORCE MAJEURE

20.1 Definition of Force Majeure - In this Article XX, “Force Majeure” means an event, condition, or circumstance, which is not foreseeable to either Owner or the Contractor on or prior to the Base Date, is of such a nature no Person can prevent or avoid it, is demonstrably beyond the control of Owner and the Contractor and its Subcontractors, which makes it impossible or illegal for any Party to perform hereunder, and includes without limitation, to the extent consistent with the foregoing:

- (a) epidemic officially declared by the World Health Organization after the Limited Notice to Commence, with proven impact over the Works, lightning strikes, hurricane, storms of unusual severity (provided that the first five (5) days of severe weather in any calendar month shall not be considered Force Majeure), or floods of the Mantaro river occurred during the construction of the Works greater than the twenty year flood affecting the Project Area provided that the Constructor has reasonably mitigated the risk and that the damages to the Works would not have occurred if the flood were lower than the twenty year flood;
- (b) earthquakes causing material damages to the Works provided that such damages were not caused by the Contractor’s failure to act as a prudent contractor acting in a severe seismic zone.
- (c) war, hostilities (whether war be declared or not), invasion, act of foreign enemies, government requisition, or embargo;
- (d) rebellion, revolution, insurrection, or military or usurped power, or civil war;
- (e) contamination by radioactivity from any nuclear fuel, or from any nuclear waste from the combustion of nuclear fuel, radioactive toxic explosive, or other hazardous properties of any explosive nuclear assembly or nuclear component of such assembly;
- (f) riot, commotion or disorder, unless solely restricted to employees of the Contractor or of its Subcontractors; and
- (g) unforeseeable labor strikes that affect a specific trade on a national or industrial scale that are not caused by the acts or omissions of the Contractor or its Subcontractors.

The Parties expressly recognize that labor and Material and equipment shortages and acts or omissions of Subcontractors of any tier shall not be deemed an “event beyond the control of the Contractor” unless the Contractor can demonstrate that the actual event giving rise to the Force Majeure would be an event specifically enumerated in any of the clause (a), (b), (c), (d), (e), (f) or (g) of this Section 20.1 if the Contractor was carrying out the portion of the Works so subcontracted.

Collapse of any Temporary Works or any condition affecting the Access Roads in any way whatsoever shall never be Force Majeure.

- 20.2 Effect of Force Majeure Event** - Neither Owner nor the Contractor shall be considered in default or in contractual breach to the extent that performance of obligations is prevented by a Force Majeure event which arises after the Effective Date and prevents, delays or interrupts an activity on the critical path as set forth on the original Project Schedule.

Changes in market conditions and changes in the financial condition of any Subcontractor shall not be considered a Force Majeure and neither shall the condition of waterways, roads, bridges or tunnels which are inadequate for transportation of equipment and materials be considered Force Majeure, unless such inadequate condition is a result of an event that would otherwise constitute Force Majeure. Force Majeure shall never excuse a payment obligation provided that the obligation of the other Party which gives rise to the payment obligation in question has been performed.

If a Force Majeure event which prevents the continuance of every aspect of the Works occurs and is in effect for a period of eighty-four (84) consecutive days, either Owner or Contractor may give to the other a notice of termination which shall take effect thirty (30) days after the giving of such notice. If, at the end of the thirty (30) days period, the effect of the Force Majeure continues, this Contract shall terminate. In the event of termination under this Section, the total amount that the Contractor shall be entitled to for its performance under this Contract shall be the payment provided in the Section 17.3 excluding the profit provided in such Section.

- 20.3 Contractor's Responsibility** - Upon occurrence of an event considered by the Contractor to constitute Force Majeure and which may affect performance of its obligations, it shall promptly notify Owner's Representative pursuant to Section 9.4 and shall continue to perform its obligations as far as reasonably practicable. The Contractor shall also notify Owner's Representative of any proposals, including any reasonable alternative means for performance, but shall not effect proposals without the consent of Owner's Representative.

- 20.4 Owner's Responsibility** - Upon occurrence of an act considered by Owner to constitute Force Majeure and which may affect performance of their obligations, they shall promptly notify the Contractor and the Lender's Representative, and shall continue to perform their obligations as far as reasonably practicable. Owner's Representative shall also notify the Contractor of any proposals with the objectives of completing the Works and mitigating any increased costs to Owner and the Contractor, if applicable, provided that the Contractor shall not have the obligation to execute any such Proposals.

- 20.5 Payment to the Contractor** - If as a result of a Force Majeure event, the Works suffer loss or damage, the Contractor shall be entitled to include, in a Monthly Payment Certificate, the Cost of work performed prior to the occurrence of the Force Majeure event. Any additional Cost incurred by the Contractor in

complying with the proposals made by it and approved by Owner's Representative under Section 20.3 shall be added by Owner's Representative to the Lump Sum Price, as applicable. Other than as specifically set forth herein, the Contractor shall be entitled to no other payments as a result of the occurrence of a Force Majeure event. Under no circumstances shall the Contractor be entitled to compensation, after the Final Taking-Over Date, for a Force Majeure event which occurred before the Final Taking-Over Date.

If as a result of a Force Majeure the Contractor suffers delay and/or incurs Cost by reason of such Force Majeure, the Contractor shall be entitled to:

- (a) an extension of time for any such delay, if completion is or will be delayed under Section 9.4; and
- (b) if the event or circumstance is of the kind described in Section 20.1, payment of any such Cost.

XXI. CLAIMS, DISPUTES AND ARBITRATION

21.1 Procedure for Claims - If the Contractor intends to claim any additional payment as expressly permitted under any provision of this Contract, the Contractor shall give written notice to Owner as soon as possible and in any event within twenty-eight (28) days of the day in which the Contractor discovered or reasonably should have discovered the event giving rise to the claim.

The notice must include a written statement setting forth the general nature of such claim. Failure to provide such written statement within such times shall constitute a presumption that no payment or adjustment of the Lump Sum Price is claimed or warranted.

Notwithstanding the existence of a claim or any other matter in dispute between the Parties, the Contractor shall proceed diligently with performance of this Contract and follow the instructions of Owner or Owner's Representative, as the case may be, in accordance with the terms of this Contract unless otherwise agreed to in writing. If Owner disputes such claim, the Contractor's sole recourse will be to pursue its rights under Sections 21.3 and 21.4 of this Contract.

The Contractor shall keep such contemporary records as may be necessary to substantiate any claim, either on the Site or at another location acceptable to Owner's Representative. Without admitting Owner's liability, Owner's Representative shall, on receipt of such notice, inspect such records and may instruct the Contractor to keep further contemporary records. The Contractor shall permit Owner's Representative to inspect all such records and shall (if instructed) submit copies to Owner's Representative.

Within twenty-eight (28) days of such notice, or such other time as may be agreed by Owner's Representative, the Contractor shall send to Owner's Representative an account, giving detailed particulars of the amount and basis of the claim. Where the event giving rise to the claim has a continuing effect, such account shall be considered as interim.

The Contractor shall then, at such intervals as Owner's Representative may reasonably require, send updated interim accounts giving the accumulated amount of the claim and any applicable particulars. Where interim accounts are sent to Owner's Representative, the Contractor shall send a final account no later than the twenty-eighth day after the day in which the effects resulting from the event.

If the Contractor fails to comply with this Section 21.1, its claims shall cease to be valid immediately after such failure.

21.2 Payment of Claims - The Contractor shall be entitled to have included in any Monthly Payment Certificate such amount for any claim as Owner's Representative considers due. Unless and until the particulars supplied are insufficient to substantiate the whole of the claim, the Contractor shall be entitled to payment for such part of the claim as has been substantiated to the reasonable satisfaction of Owner's Representative.

21.3 Negotiation between Senior Executives - The Parties will attempt in good faith to resolve any Dispute promptly by negotiation between senior executives of the Parties who have authority to settle the controversy or claim. In the event a Party intends to invoke such negotiation process, it shall give the other Party written notice of such intent and specify in writing the specific nature of the dispute. Within fifteen (15) days of receipt of said notice, the receiving party shall submit to the other a written response. The executives representing the Parties shall meet at a mutually acceptable time and place within thirty (30) days of the receiving Party's notice and thereafter as often as they reasonably deem necessary to exchange relevant information and to attempt to resolve the dispute. In the event such dispute is not resolved by such negotiations within thirty (30) days, the Parties shall proceed to arbitration in accordance with Section 21.4. The notices called for within this Section 21.3 shall not be deemed a substitute for any other notice requirement set forth in this Contract.

21.4 Arbitration - In the event the Parties are unable to resolve any Dispute, through the procedures set forth in Section 21.3, the resolution of such Dispute shall be solved in an arbitration at law governed by the Rules of the International Chamber of Commerce, and the award issued as a result of such arbitration shall be final and binding on the Parties.

The arbitration shall be conducted by an arbitral tribunal composed of three (3) arbitrators. The Party requesting the commencement of the arbitration shall nominate an arbitrator in its notice of arbitration, while the Party served with such notice of arbitration shall nominate an arbitrator within 20 days of the date on which it was served with the notice of arbitration. The arbitrators nominated by the Parties shall appoint the third member of the arbitral tribunal, who shall act as chairman. This last appointment shall be made within 20 days of the date on which the Center confirms the appointment of the last party-nominated arbitrator.

In the event that any of the Parties fails to nominate its arbitrator within the term established in the previous paragraph or the two arbitrators appointed by the Parties fail to appoint the third arbitrator within the term established in the foregoing paragraph, the Center shall appoint the remaining arbitrator(s) pursuant to the Rules.

The seat of the arbitration shall be the city of New York, New York, United States of America and shall be conducted in the English language under the rules of the Center.

Any arbitration resulting from a Dispute, including, without limitation, any settlement which the Parties may reach in the course of the arbitration; any awards, orders, or rulings issued by the Tribunal; and any pleadings, briefs, submissions, and documents filed by the Parties, as well as their contents, shall be confidential and may not be disclosed by the Parties or their agents, representatives, employees, directors, administrators and lawyers to third parties, unless such information is necessary for the enforcement of the relevant award or its disclosure is necessary according to the applicable laws. Any proceeding under the Parent Guaranty may be consolidated with any arbitration hereunder at the option of the Owner.

The decision of the arbitrators shall be final and binding upon the Parties. Judgment upon the award rendered by the arbitrator (s) may be entered in any court having jurisdiction thereof. The prevailing Party may enforce such award or judgment in any jurisdiction, including any jurisdiction where the other Party's assets may be located. Except as the Parties otherwise agree in writing pending the final resolution of any claim or controversy or arbitration proceeding, Contractor shall proceed diligently with the performance of the Works under this Contract and in compliance with Owner's Representative's directions in accordance with the terms of this Contract.

XXII. MISCELLANEOUS

22.1 Law and Language - This Contract shall be governed by and construed in accordance with the laws of Peru. The language for all communications and notices hereunder shall be English regardless of any course of dealing of the Parties.

22.2 Communications - Wherever provision is made for the giving or issue of any notice, instruction, invoice, consent, approval, certificate or determination by any Person, unless otherwise specified such communication shall be in writing in the language specified in Exhibit A and shall not be unreasonably withheld or delayed.

Wherever provision is made for a communication to be written, or in writing, this means any hand-written, type-written or printed communication, including facsimile.

All certificates, invoices, notices or written orders to be given hereunder shall either be delivered by hand against written acknowledgment of receipt or be sent by reputable international courier service. The addresses for the receipt of such communications shall be as follows:

If to Owner:

Cerro del Aguila SA
Av. Victor Andres Belaunde 147 Torre Real 5 piso 11
Lima 27, Peru
Attention: Javier García-Burgos Benfield
Phone: +51 1 7067878

If to the Contractor:

Astaldi S.p.A.
Calle Los Nardos 1018, Piso 2,
Lima 27, Peru
Attention: Giacomo Orsatti
Phone: +51 1 206 4300

and

GyM SA
Av. Paseo de la Republica 4675
Lima 34, Peru
Attention: Juan Manuel Lambarri Hierro
Phone: +51 1 2130444

If to Owner's Representative:

As designated in writing by Owner.

If to Lender's Representative:

As designated in writing by the Lenders.

If to the Supervisor:

As designated in writing by the Supervisor.

- 22.3 Validity and Enforceability** - The invalidity or unenforceability of any portion or provision of this Contract shall not affect the validity or enforceability of any other portion or provision. Any invalid or unenforceable portion or provision shall be deemed severed from this Contract, and the balance of this Contract shall be construed and enforced as if this Contract did not contain such invalid or unenforceable portion or provision. Notwithstanding the provisions of the preceding sentence, should any term or provision of this Contract be found invalid by any Governmental Authority having jurisdiction thereof, the Parties shall immediately renegotiate in good faith such term or provision of this Contract to eliminate such invalidity.

- 22.4 Documents on Site** - The Contractor shall keep on the Site one complete set of the documents applicable hereto when under construction and forming this Contract. This includes the Construction Documents and the Workbook. Owner, Owner's Representative, the Supervisor and assistants shall have the right to use such documents at all reasonable times.

The Contractor may keep records in some or all the Project Areas in order to register the incidences relative to works performed in such locations. However, for the purposes of this Contract, the official and binding record of such occurrences will be the Workbook.

- 22.5 Construction Documents** - The Construction Documents shall be in the custody and care of the Contractor. The Contractor shall provide a sufficient number of copies for the use of Owner's Representative or the Supervisor, or as specified herein.
- 22.6 Contractor's Use of Owner's Documents** - Copyright and ownership of (i) all items contained in the request for proposals issued by Owner in connection with the Plant and other documents and computer programs issued by Owner or Owner's Representative to the Contractor shall (as between the Parties) be the property of Owner. The Contractor may, at its cost, copy, use and communicate any such documents (including making and using modifications) for the purposes of this Contract and the Contractor shall not, without Owner's written consent, use such documents for purposes other than those related to the Works. They shall not, without Owner's consent, be used, copied or communicated to a third party by the Contractor, except as necessary for the purposes of this Contract. Effective upon the Commencement Date, the Contractor hereby grants to Owner and its successors and assignees for the lifetime of the Plant an irrevocable, royalty-free license to use any Construction Documents or computer programs furnished by the Contractor hereunder for the purpose of maintaining and operating the Plant.
- 22.7 No Technology Transfer** - For the avoidance of doubt, Owner understands that the foregoing is not and shall not be deemed to be a technology transfer to Owner of any technology or intellectual property rights relating to the Construction Documents or equipment and the Contractor shall retain all rights, title and interest in the Contractor's and its Affiliates proprietary technology, patents, trade secrets and shop drawings.
- 22.8 Confidential Details** - All documents, plans, drawings, specifications, and the subject matter contained therein and any information provided by a Disclosing Party to the Receiving Party in connection with the performance of this Contract which is in writing and marked, stamped or otherwise identified in writing by the Disclosing Party as being proprietary, secret, or confidential (hereinafter "Confidential Information"), shall be held confidential by the Receiving Party and shall not be used or disclosed by the Receiving Party for any purposes other than those for which they have been prepared or supplied, unless otherwise permitted with the prior written consent of the Disclosing Party. As a condition to receiving such Confidential Information, the Receiving Party agrees to hold all such Confidential Information confidential and not to use, discuss or disclose such Confidential Information with or to third parties for a period of four (4) calendar years following the date of disclosure by the Disclosing Party, without the prior written consent of the Disclosing Party. For purposes of this Section 22.8, the entire content of this Contract shall be Confidential Information.

This Section 22.8 shall not prevent the Receiving Party from disclosing such Confidential Information of the Disclosing Party pursuant to: (a) a subpoena issued by a court of competent jurisdiction, (b) other requirements of law or judicial or administrative order, or (c) activities related to the development, construction and financing of the Works; provided, however, that prior to making such a disclosure pursuant to (a) and (b), the Receiving Party will provide the Disclosing Party with timely advance written notice of its intent to so disclose, to the extent reasonably practical, and prior to making such a disclosure pursuant to (c) to any Person not bound by confidentiality obligations at least as restrictive as those contained in this Section 22.8, the Receiving Party will obtain from such Person a confidentiality agreement consistent with this Section 22.8.

The Receiving Party shall have no obligation hereunder with respect to any portion of the Confidential Information received by it from the Disclosing Party that: (a) has been made public, unless such Confidential Information was made public by or with the assistance of the Receiving Party in violation of this Contract; (b) becomes part of the public domain by publication or otherwise, after disclosure to the Receiving Party, unless such Confidential Information was made public by or with assistance of the Receiving Party in violation of this Contract; (c) shall otherwise lawfully become available to the Receiving Party on a non-confidential basis from a third party who has not received the Confidential Information directly or indirectly from the Disclosing Party; (d) was or is independently developed by the Receiving Party, and such fact can be proven by reasonable written documentation, and such Confidential Information was not acquired directly or indirectly from the Disclosing Party; or (e) was already rightfully in the Receiving Party's possession at the time it was disclosed to the Receiving Party.

The Parties agree that, as far as possible and unless needed for the proper execution of their responsibilities under this Contract, they will keep confidential the terms of this Contract. In addition, unless otherwise required by Applicable Laws, the Contractor shall not, without the prior written consent of Owner, issue any public statement, press release, publicity handout, photograph or other material relating to or disclosing in any way whatsoever to any Person other than a prospective Subcontractor the award to the Contractor of this Contract or the scope, extent or value of the Works, or any details as to the Major Items of Equipment, Materials and other equipment to be used or installed by the Contractor, or anything whatsoever relating to the Works or any part thereof. Without in any way restricting the generality of the foregoing, the Contractor shall not invite or permit any reporter, photographer, television camera crew, commercial radio broadcaster or any other such Person to enter upon the Project Areas without the express prior written consent of Owner.

22.9 Remedies Non-Exclusive - Except as expressly provided herein with respect to (a) breach of Article XIII (Defects Liability); (b) liquidated damages for failure to achieve the Partial Taking-Over Date or the Final Taking-Over Date by the Scheduled Partial Taking-Over Date or the Scheduled Final Taking-Over Date and failure to achieve the Performance Guarantee Levels once the Final Taking-Over Levels have been achieved; and (c) damages as provided in Section 17.1 upon termination hereof, or (d) any other section of this Contract which expressly provides for an exclusive or sole remedy, all remedies provided in this Contract shall be deemed cumulative and not in lieu of, or exclusive of, each other or of any other remedy available to either Party under this Contract, at law or in equity, and the exercise of any remedy, or the existence herein of other remedies, shall not prevent the exercise of any other remedy, provided that the Contractor shall not have any right to suspend its performance or terminate this Contract except as expressly provided in Articles XVI and XVII.

- 22.10 Waiver** - The waiver of any breach or failure to enforce any of the terms, covenants or conditions of this Contract shall not in any way affect, limit, modify or waive the future enforcement of such terms, covenants or conditions.
- 22.11 Third-Party Beneficiaries** - Except with respect to indemnification obligations contained herein in favor of third parties and as expressly provided herein, the provisions of this Contract are intended for the sole benefit of the Parties, and there are no third-party beneficiaries other than assignees contemplated by the terms herein.
- 22.12 Counterparts** - This Contract may be executed in any number of counterparts and by each of the Parties in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same Contract.
- 22.13 Entire Agreement** - Any of the Works described in this Contract which were performed or caused to be performed by the Contractor prior to the execution of this Contract shall be deemed to have been performed under this Contract. This Contract sets forth the full and complete understanding of the parties relating to the subject matter hereof as of the date first above stated, and supersedes any and all negotiations, agreements and representations made or dated prior thereto. Subsequent to the Effective Date, this Contract may be supplemented, modified or otherwise amended by mutual agreement or only in accordance with the terms of this Contract; provided that any such supplements, modifications and amendments to this Contract, if any, must be in the form of a written amendment to this Contract, and signed by authorized representatives of all Parties to this Contract.
- Under no circumstances shall any Party be liable for any oral clarifications, instructions, or interpretations of this Contract. Owner shall not be liable for any misinterpretation or misunderstanding of this Contract on the part of the Contractor, or for any failure by the Contractor to acquaint itself fully with all circumstances relating to the Works. The Contractor represents that it has carefully and completely read and examined the entire Contract, including all plans, drawings, specifications and all exhibits thereto and other documents referenced herein.
- 22.14 Conflicting Provisions** - Any Party, upon becoming aware of any conflict or inconsistency among any of the components of this Contract shall promptly notify the other Parties in writing of such conflict or inconsistency.
- 22.15 Joint Responsibility for Drafting** - This Contract was negotiated and prepared by the Parties with advice of counsel to the extent deemed necessary by each Party; the Parties have agreed to the wording of this Contract; and none of the provisions hereof shall be construed against one Party on the ground that such Party is the author of this Contract or any part thereof.

- 22.16 Notice of Objection** - Owner hereby gives notice of its objection to any different or additional terms and conditions than those contained in this Contract. This Contract is expressly conditioned on the Contractor's assent to the terms and conditions stated herein.
- 22.17 Compliance with Statutes, Regulations and Applicable Laws** - The Contractor shall, in all matters arising in the performance of this Contract, comply with, give all notices under, and pay all fees required by, the provisions of any national or local statute, ordinance, decree or other law, the portions of the EIA concerning construction activities, or any regulation, decree or decision of any legally constituted public authority having jurisdiction over the Works, including all Applicable Laws and Applicable Permits. Except for those permits, licenses, or approvals listed on Exhibit F or required to be obtained by Owner in its name for the operation of the Plant ("Owner Permits") the Contractor shall obtain in a timely manner (not to delay any portion of the Works), secure, pay for and maintain in full force and effect any and all permits, licenses, consents or approvals required for the Contractor to carry out any part of the Works ("Contractors Permits"), sufficient time in advance, taking account of the times for import of any Contractor's Equipment, obtaining visas or work permits for any Contractor's personnel, delivery of the Major Items of Equipment and Materials for completion of the Works. The Contractor has made a thorough and complete investigation of all Applicable Laws and Applicable Permits or consents required from or by any Governmental Authority in Peru or elsewhere respecting design, construction, performance and testing of the Works, including those permits and consents set forth in the Technical Specification. The Contractor warrants that the listing of required permits and consents contained in the Technical Specification is accurate and complete, but such listing shall not operate to diminish or limit the Contractor's responsibilities under this Section 22.17. In the event it is subsequently discovered that (other than Owner Permits) additional permits or consents are required to be obtained by the Contractor to carry out any part of the Works, the Contractor assumes full responsibility for any additional cost and delay that is incurred by the Contractor as a result of the requirement to obtain, to secure, pay for and maintain in full force and effect any such additional permits or consents provided that such additional permits or consents are not a result of a Change in Law. The Contractor shall be entitled to a Variation in accordance herewith if the additional permits or consents referred to herein are a result of a Change in Law. Lapse of any Contractor Permit shall not be considered as an Event of Force Majeure nor entitle Contractor to a Variation.

The Contractor shall comply with the laws of Peru and of each jurisdiction where activities are performed in connection with the Works. The Contractor shall not nor shall it allow any of its Affiliates or their respective directors, officers, shareholders, employees or agents shall make or offer, in respect of the performance of the Works, any loan, gift or other payment, directly or indirectly, whether in cash or in kind, for the use or benefit of an Official for the purposes of influencing any act or decision of such Official in its official capacity, or

inducing such Official to do or omit to do any act in order to obtain or retain business or otherwise to secure any improper advantage. The Contractor shall indemnify, defend and hold Owner and the Lenders harmless from any and all liabilities, costs, penalties, fines, and attorney's fees costs associated to its breach of any of the foregoing. The Contractor shall cause its Subcontractors to comply with the provisions of this Section 22.17.

22.18 Rights of Assignment - Neither this Contract nor any right, privilege or delegation hereunder may be assigned or transferred in whole or in part by any Party without the prior written consent of all other Parties, and any attempted assignment or transfer without such written consent shall be void. Notwithstanding the above, Owner is allowed to assign its rights under this Contract, in whole or in part, to any of its Affiliates or to the Lender, without approval of Contractor. The Contractor agrees, if required by any Lender, within five (5) Business Days to enter into agreements evidencing its consent to assignment of this Contract, or to enter into a direct agreement with the Lenders or the agent, which shall include terms and conditions customary for an agreement of this type, including the right of the Lenders or the agent to assume the obligations of Owner hereunder or to assign or transfer these obligations to a third party nominated by the Lenders or the agent, to require the Contractor to make any payments due to Owner pursuant to this Contract directly into a collateral security account maintained by or on behalf of the Lenders and to provide notice to such parties and a reasonable opportunity for such parties to remedy the event giving rise to a right of termination prior to exercising any such right and to allow the agent or the Lenders to exercise any right of termination hereunder.

22.19 Financing Requirements - The Contractor shall cooperate with Owner in the negotiation and execution of any reasonable amendment to or modification of this Contract required by any Lender or other entity providing financing for this Contract, Works or Plant, including, without limitation, an amendment or modification:

- (a) extending the Contractor's indemnities to such Lender or other entity and its engineer;
- (b) providing that such Lender or other entity be named as loss payee, and that it and Lenders' Representative be named as additional insureds, under the insurance policies required to be maintained hereunder; and
- (c) generally making provision for the Lenders' Representative to be included in the construction review process.

The Contractor will promptly provide an opinion of outside counsel, in each case, to the extent required by Lender or agent concerning this Contract or any agreement referred to in Section 22.18.

22.20 Information for Lender's Representative - The Contractor shall (subject to the non-disclosure requirements of Section 22.8) provide such documents and other technical assistance as Lender's Representative may reasonably request in connection with obtaining financing for the Plant. During the performance of

the Works, the Contractor shall make available to Lender's Representative information relating to the status of the Works including, but not limited to, information relating to the design, engineering, construction and testing of the Plant and such other matters as Lender's Representative may reasonably request. Lender's Representative shall have the right to participate in all inspections conducted by Owner under this Contract and to attend all Performance Tests which may be witnessed by Owner. Owner shall cause all such persons to observe the Contractor's security and safety regulations at all applicable locations and to refrain from interfering with the Contractor's performance of the Works.

22.21 Documentation and Right of Audit

- 22.21.1** Where the Contractor performs any work on a time and material basis in connection with a Variation, Owner and their duly authorized representatives and the Supervisor shall have access, at all reasonable times, during the course of the Works and for a period of six (6) months after the completion of the Variation work to all applicable Contractor's books and records for the purpose of auditing and verifying costs of services. The Contractor is required to maintain supporting data and accounting records in accordance with the generally accepted accounting principles utilized in Peru, as applicable, all consistently applied regardless of the location of any work performed. In all cases Owner and the Supervisor shall have the right to verify compliance with Sections 13.5 and 22.17 of this Contract.
- 22.21.2** Subject to the confidentiality provisions of this Contract, the Contractor shall provide the above mentioned records in computer readable format, if available, as well as an original hard copy. Owner and their representatives and the Supervisor shall have the right to reproduce any of the aforesaid documents, always subject to Section 22.8, and shall be provided adequate and appropriate work space in order to conduct audits in compliance with this audit provision. Any adjustments or payments which must be made as a result of any such audit or inspection of the Contractor's invoices or records shall be made within a reasonable amount of time (not to exceed thirty (30) days) from presentation of the findings to the Contractor. The Contractor will not charge for its costs incurred with the audit.
- 22.21.3** The Contractor will cooperate fully and cause all related parties and all Subcontractors to cooperate fully in furnishing or in making available to Owner and the Supervisor from time to time, whenever requested and in an expeditious manner, any and all such information, materials and data.

[signature page follows]

IN WITNESS WHEREOF, the Parties have caused this Contract to be executed as of the date first above written.

Astaldi S.p.A.

By: /s/ Giacomo Orsatti
Name: Giacomo Orsatti
Title: Representante Legal

GyM SA

By: /s/ Juan Manuel Lambarri
Name: Juan Manuel Lambarri
Title: _____

GyM SA

By: /s/ Hernando Graña
Name: Hernando Graña
Title: _____

Cerro del Aguila SA

By: /s/ Javier Garcia
Name: Javier Garcia
Title: CEO

Cerro del Aguila SA

By: /s/ Juan Carlos Camogliano
Name: Juan Carlos Camogliano
Title: _____

EXHIBITS & SCHEDULES

Exhibits

Technical Specifications	Exhibit A
Performance Guarantee Levels	Exhibit B
Performance Test Protocol	Exhibit C
Project Data	Exhibit D
Contractor's Organizational Chart	Exhibit E
Contractor and Owner Permits	Exhibit F
Main Spare Parts	Exhibit G
Concession and Project Areas	Exhibit H
Measurements & Payments – Risk Sharing Mechanism	Exhibit I

Schedules

Preliminary Project Schedule	Schedule 1
Subcontractors List	Schedule 2
Advance Payment Bond	Schedule 3
Performance Bond	Schedule 4
Warranty Letter of Credit	Schedule 5
Preliminary Schedule of Payments	Schedule 6
Monthly Payment Certificate	Schedule 7
Punch List Bank Guarantee	Schedule 8
Performance Test Certificate	Schedule 9
Partial Taking-Over Certificate	Schedule 10
Final Taking-Over Certificate	Schedule 11
Actual Project Acceptance Certificate	Schedule 12
Final Acceptance Certificate	Schedule 13
Final Payment Certificate	Schedule 14
Reserved	Schedule 15
Owner's Parent Guaranty	Schedule 16
Variation Order Proposal	Schedule 17
Reserved	Schedule 18
Contractor Safety Plan	Schedule 19
Contractor Quality Assurance Program	Schedule 20
Reserved	Schedule 21
Form of Proof of Subcontractor Payment	Schedule 22
Form of Labor Obligations' Certificate	Schedule 23

VARIATION ORDER No. 1

1. Introduction. This Variation Order No. 1 (this "Variation") is agreed to pursuant to the Turnkey Engineering, Procurement and Construction Contract for the Cerro del Aguila Hydroelectric Power Plant, dated November 4, 2011 (the "Contract") by and between Astaldi and GyM ("Contractor") and Cerro del Aguila S.A. ("Owner"). Capitalized terms used but not defined herein shall have the meaning given to them in the Contract. This Variation as submitted by one Party to the other shall constitute a request for a Variation. Upon its countersignature in the space provided below, this Variation shall constitute a Variation within the meaning of the Contract.

2. Scope of Change.

The Owner has proposed to amend sections 22.1 and 21.4 of the Contract as set forth below.

3. Changes.

Owner and Contractor hereby agree that section 22.1 and 22.4 will be restated and replaced in their entirety as follows:

21.4 Arbitration - In the event the Parties are unable to resolve any Dispute, through the procedures set forth in Section 21.3, the resolution of such Dispute shall be solved in an arbitration at law governed by the Rules of the International Chamber of Commerce, and the award issued as a result of such arbitration shall be final and binding on the Parties.

The arbitration shall be conducted by an arbitral tribunal composed of three (3) arbitrators fluent in English and Spanish.

The Party requesting the commencement of the arbitration shall nominate an arbitrator in its notice of arbitration, while the Party served with such notice of arbitration shall nominate an arbitrator within 20 days of the date on which it was served with the notice of arbitration. The arbitrators nominated by the Parties shall appoint the third member of the arbitral tribunal, who shall act as chairman. This last appointment shall be made within 20 days of the date on which the Center confirms the appointment of the last party-nominated arbitrator.

In the event that any of the Parties fails to nominate its arbitrator within the term established in the previous paragraph or the two arbitrators appointed by the Parties fail to appoint the third arbitrator within the term established in the foregoing paragraph, the Center shall appoint the remaining arbitrator(s) pursuant to the Rules.

The seat of the arbitration shall be the city of New York, New York, United States of America and shall be conducted in the English language under the rules of the Center. Notwithstanding, the arbitral tribunal will not require the translation of any document drafted in Spanish as a requirement to admit such document into evidence.

Any arbitration resulting from a Dispute, including, without limitation, any settlement which the Parties may reach in the course of the arbitration; any awards, orders, or rulings issued by the Tribunal; and any pleadings, briefs, submissions, and documents filed by the Parties, as well as their contents, shall be confidential and may not be disclosed by the Parties or their agents, representatives, employees, directors, administrators and lawyers to third parties, unless such information is necessary for the enforcement of the relevant award or its disclosure is necessary according to the applicable laws. Any proceeding under the Parent Guaranty may be consolidated with any arbitration hereunder at the option of the Owner.

The decision of the arbitrators shall be final and binding upon the Parties. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. The prevailing Party may enforce such award or judgment in any jurisdiction, including any jurisdiction where the other Party's assets may be located. Except as the Parties otherwise agree in writing pending the final resolution of any claim or controversy or arbitration proceeding, Contractor shall proceed diligently with the performance of the Works under this Contract and in compliance with Owner's Representative's directions in accordance with the terms of this Contract.

22.1 Law and Language - This Contract shall be governed by and construed in accordance with the laws of Peru. The language for all communications and notices hereunder shall be in English and Spanish regardless of any course of dealing of the Parties.

4. Other Terms and Conditions. Except as otherwise specifically provided in section 3 of this Variation, all other terms and conditions of the Contract shall remain in full force and effect.

5. Execution. This request for Variation is hereby submitted by the Owner on December 08th, 2011. By its countersignature below, both parties hereby agree to this Variation.

Cerro del Aguila S.A.

Astaldi S.p.A.

By: /s/ Javier Garcia
Name: Javier Garcia
Title: CEO
Date: 12/1/12

By: /s/ Giacomo Orsatti
Name: Giacomo Orsatti
Title: Representante Legal
Date: 8/12/2011



By: /s/ JC Camogliano

Name: JC Camogliano

Title:

Date: 12/01/12

GyM S.A.

By: /s/ Jimmy Masciotti

Name: Jimmy Masciotti

Title: Director

Date: 11/01/12

By: /s/ Jorge Monaco

Name: Jorge Monaco

Title: Cerro Del Aguila S.A. Ing. Project
Manager

Date:

VARIATION ORDER No. 2

This Variation Order No. 2 (this “Variation No. 2”) is agreed to pursuant to the Turnkey Engineering, Procurement and Construction Contract for the Cerro del Aguila Hydroelectric Power Plant, dated as of November 4, 2011 (the “Contract”) by and between Astaldi and GyM (jointly, the “Contractor”) and Cerro del Aguila S.A. (“Owner”). Capitalized terms used but not defined herein shall have the meaning given to them in the Contract.

1. Background

The Owner issued the Limited Notice to Commence on November 4th 2011 which represents the Commencement Date for the Contract.

The Owner has submitted a request for a Variation to the Contractor as a consequence of the delayed issuance of the Notice to Commence foreseen on or before the end of the sixth month after the Commencement Date.

The Contractor presented its proposal by letter Ref. AGM-CHCA-071-12 dated May 11th 2012 stating the conditions on which the Variation shall be based and including the adjustment to the Lump Sum Price and to the Time for Completion.

The Owner and the Contractor agree on the following Conditions and Changes

2. Conditions

- (a) The applications necessary to obtain the CIRA and the environmental permits in connection to the construction of the road that connects Tacana with the area designated for the Project’s powerhouse and the road being constructed by the Contractor under the terms of a certain construction agreement entered with the Municipality of Colcabamba and that connects Intivilca with the area designated for the Project’s dam to be filed before the competent authority by the 18th of May 2012 and the Owner shall deliver to the Contractor copy of the applications with evidence of receipt by the relevant authorities by such date.
- (b) Owner will provide the Contractor formal handing over of 100% of the land, specified in the Exhibit H that are required to perform the Preliminary Works according to the Project Schedule by the 1st of June 2012. Exception is made for the land in Exhibit H of the Contract and in the Jatuspata area described in Attachment 1 that will be handed over on 15th of June, 2012.
- (c) Owner will provide to the Contractor access and possession rights over the land area in Exhibit H of the Contract and in Llocce, Barropata and Fundación and adjacent to Uyarico, Platanal and Limonal described in Attachment 1, sufficient to store air lifted equipment, no later than on the 18th of May 2012. Exception is made for the land in Exhibit H of the Contract and in the Jatuspata area described in Attachment 1 that will be handed over on 15th of June, 2012.

3. Scope of Change.

Pursuant to Article IX of the Contract, the deadline to issue and deliver the Notice to Commence, the Time for Completion and the Lump Sum Price are adjusted by amending and restating sections 1.1.75, 1.1.112, 1.1.113, 1.1.131, 1.1.132, 14.6.1, the first sentence of the third paragraph of Article IX, Schedule 1 and Schedule 6 in their entirety as provided in section 4 of this Variation No. 2.

4. Changes.

(a) Owner and Contractor hereby agree that sections 1.1.75, 1.1.112, 1.1.113, 1.1.131, 1.1.132, 14.6.1, the first sentence of the third paragraph of Article IX, Schedule 1 and the Schedule 6 will be amended and restated in their entirety by replacing their text by the following:

- (i) Section 1.1.75
 - 1.1.75 “Lump Sum Price” means the fixed lump sum of Four Hundred and Fifty Five Million Seven Hundred Sixty Five Three Hundred Forty Eight Dollars (US\$ 455,765,348) and of Six Hundred and Twenty Eight Million Three Hundred Seventeen Thousand One Hundred and Two Nuevos Soles (S/. 628,317,607) as it may be adjusted pursuant to this Contract.
- (ii) Section 1.1.112
 - 1.1.112 “Preliminary Works” means the part of the Works which will be performed by the Contractor between the Limited Notice to Commence and the Notice to Commence, as described in Exhibit A, and which includes topographic surveys, geo-physic investigation, geologic investigation, engineering basic design, purchase orders of critical equipment and plants, construction of Access Roads and Accessways to the dam and powerhouse areas, including mobile working camps and spoil area preparation, maintenance and conditioning of the Access Routes where necessary to allow safety transit of the personnel and equipment, commencement of the construction of bridges over the Mantaro river, commencement of the earth moving activities of the camp sites and of the construction of the temporary electric transmission line for construction purposes as well as any other portion of the Works to be performed by the Contractor prior to the issuance of the Notice to Commence according to Schedule 1 Preliminary Project Schedule.

- (iii) Section 1.1.113
 - 1.1.113 “Preliminary Works Lump Sum” means the portion of the Lump Sum Price payable to Contractor in accordance with Schedule 6 Preliminary Schedule of Payment for the amount of Twenty Five Million Six Hundred Thirty Seven Thousand Six Hundred Eleven Dollars (US\$ 25,637,611.00) and Thirty nine Million six Hundred Forty Thousand One Hundred and ninety three Nuevos Soles (S/. 39,640,193.00) plus the additional amount determined pursuant to Section 4(b) of Variation No. 2.
- (iv) Section 1.1.131
 - 1.1.131 “Scheduled Final Taking-Over Date” means fifty one (51) months from the Commencement Date.
- (v) Section 1.1.132
 - 1.1.132 “Scheduled Partial Taking-Over Dates” means one thousand four hundred and fifty (1450) days for the first Generator Set and one thousand five hundred and fifteen (1515) days for the second Generator Set, from Commencement Date.
- (vi) First sentence of the third paragraph of Article IX

If Owner does not give the Notice to Commence by September 4, 2012, the Parties shall negotiate for a term of thirty (30) days changes to the Time for Completion and Lump Sum Price. In the event the Notice to Commence is not be given by the end of the 10th month after the Commencement Date and the Parties agree upon the changes to the Time for Completion and Lump Sum Price, such changes shall take into consideration the hydrological constraints (“*ventana hidrologica*”) for the performance of the tunnel diversion.
- (vii) First sentence of the first paragraph of Section 14.6.1 Advance Payment Bond

Contractor shall deliver to Owner four (4) stand by letter of credits in substantially the form of Schedule 3 issued by an Eligible Bank in the amount equal to the value of each advance payment in accordance with the Schedule 6, and the Contractor shall deliver the first standby letter of credit no later than ten (10) Business day before the end of the month on which the Advance Payment is due.
- (viii) Schedule 1–Preliminary Project Schedule

Schedule 1 of the Contract is amended and restated in its entirety by replacing it with a new Schedule 1 attached to the present Variation Order as Attachment N. 2.

(ix) Schedule 6–Preliminary Schedule of Payment

Schedule 6 of the Contract is amended and restated in its entirety by replacing it with a new Schedule 6 attached to the present Variation Order as Attachment N. 3.

(b) During the period between the date of execution of this Variation 2 and the date that is the earlier of September 4, 2012 and the date in which the Owner delivers the Notice to Commence to the Contractor, the Owner shall pay the Contractor the Direct Costs equal to the unitary value of the Works performed by the Contractor and evidenced in a Monthly Payment Certificate prepared and submitted by the Contractor to the Owner on the month of the relevant Preliminary Works Payment Date pursuant to section 14.1.2 of the Contract and verified by the Owner pursuant to section 14.1.3 of the Contract plus the monthly Indirect Costs provided that the amount to be paid during this period for Direct Cost shall not exceed Twenty Eight Million Dollars (USD 28,000,000.00) and the amount to be paid for Indirect Cost shall not exceed Six Million Five Hundred Thousand Dollars (USD 6,500,000.00).

(c) Insert in the Contract, sections 1.1.7A, 1.1.36A and 1.1.68A with the following text:

(i) Section 1.1.7A

1.1.7A “Advance Payments” means the portion of the Lump Sum Price to be paid by the Owner to the Contractor according to the Schedule 6.

(ii) Section 1.1.36A

1.1.36A “Direct Costs” means the portion of the Lump Sum Price payable by the Owner to the Contractor pursuant to section 14.1.3 of the Contract and determined in the Bill of Quantities contained in Schedule 6 equal to Three Hundred Eighty Six Million Two Hundred and Thirty Thousand Six Hundred Ten Dollars with Seventy Six Cents (USD 386,230,610.76) and Four Hundred Sixty Three Million Seven Hundred Thirteen Thousand Nine Hundred Sixty One Nuevos Soles (S/. 463,713,961.00).

(iii) Section 1.1.68A

1.1.68A “Indirect Costs” means the portion of the Lump Sum Price payable by the Owner and the Contractor pursuant to the Preliminary Schedule of Payments contained in Schedule 6 that is equal to Sixty Nine Million Five Hundred Thirty Four Thousand Seven Hundred Thirty Six Dollars (USD 69,534,736.00) and One Hundred Sixty Four Million Seven Hundred Forty Thousand One Hundred Forty Three Nuevos Soles (S/. 164,740,143.00).

5. Other Terms and Conditions. Except as otherwise specifically provided in section 4 of this Variation, all other terms and conditions of the Contract shall remain in full force and effect.

6. Waiver. Each Party hereby irrevocably waives any right that it has or might have under the Contract or at Law to commence or file any claim, demand, action or any request for financial compensation, additional money and extension of time against the other Party concerning the Project for any causes whatsoever based on facts that occurred prior to the date of execution of this Variation No. 2.

7. Execution. On May 18, 2012, by its countersignature below, both parties hereby agree to terms and conditions contained in this Variation Order.

Cerro del Aguila S.A.

Astaldi S.p.A.

/s/ Javier Garcia

/s/ Giacomo Orsatti

By: /s/ Javier Garcia

Name: Javier Garcia

Title: CEO

Date: 18/5/2012

By: /s/ Giacomo Orsatti

Name: Giacomo Orsatti

Title: Representante Legal

Date: 18/05/2012



By: /s/ Juan Carlos Camogliano

Name: Juan Carlos Camogliano

Title:

Date: 18/05/12

GyM S.A.

/s/ Juan Manuel Lambarri

By: /s/ Juan Manuel Lambarri

Name: Juan Manuel Lambarri

Title:

Date: 18/05/2012

By: /s/ Hernando Graña

Name: Hernando Graña

Title:

Date: 18/05/2012

VARIATION ORDER N° 3

This Variation Order N° 3 (this “Variation N° 3”) is agreed to pursuant to the Turnkey Engineering, Procurement and Construction Contract for the Cerro del Aguila Hydroelectric Power Plant, dated November 4, 2011 (the “Contract”) by and between Astaldi and GyM (“Contractor”) and Cerro del Aguila S.A. (“Owner”). Capitalized terms used but not defined herein shall have the meaning given to them in the Contract.

The Owner and the Contractor agree on the following Variation:

1. Purpose of the Variation. The Owner and the Contractor hereby agree to settle that the Owner shall pay the amount of five hundred and eighty thousand three hundred and eighty dollars (USD 580,380.00) to the Contractor as a compensation caused by the suspension of some activities, required by the Owner, of the Contractor’s Equipment since the Commencement Date until to the date of execution of this Variation, inclusive. Within fifteen (15) Business Days after reception of invoice submitted by the Contractor, the Owner shall pay to the Contractor the referred amount.

The Owner and the Contractor hereby agree that the referred amount shall not be added to the Lump Sum Price and the suspension period shall not affect the Time for Completion.

2. Other Terms and Conditions. Except as otherwise specifically provided in section 1 of this Variation N° 3, all other terms and conditions of the Contract shall remain in full force and effect.

3. Waiver. Each Party hereby irrevocably waives any right that it has or might have under the Contract or at Law to commence or file any claim, demand, action or any request for financial compensation, additional money and extension of time against the other Party concerning the Project for any causes whatsoever based on facts that occurred prior to the date of execution of this Variation N° 3.

4. Execution. On June 15, 2012], by its countersigned below, both parties hereby agree to terms and conditions contained in this Variation N° 3.

Cerro del Águila S.A.

/s/ Javier Garcia

By: /s/ Javier Garcia

Name: Javier Garcia

Title: CEO

Date: 2/7/12

By: /s/ Rosa María Flores Araoz

Name: Rosa María Flores Araoz

Title: CERRO DEL AGUILA S.A.

Date:

/s/ Jorge Monaco

CERRO DEL AGUILA S.A.

Ing. JORGE MONACO

Project Manager

Astaldi S.p.A.

/s/ Giacomo Orsatti

By: /s/ Giacomo Orsatti

Name: Giacomo Orsatti

Title:

Date: 15/06/2012

GyM S.A.

/s/ Juan Manuel Lambarri

By: /s/ Juan Manuel Lambarri

Name: Juan Manuel Lambarri

Title:

Date: 15/06/2012

By: /s/ Hernando Graña

Name: Hernando Graña

Title:

Date: 15/06/2012

/s/ Jorge Monaco

CERRO DEL AGUILA S.A.

Ing. JORGE MONACO

Project Manager

Variation No. 4 to the Turnkey Engineering, Procurement and Construction Contract entered into by Cerro del Aguila S.A. and Astaldi SpA and GyM S.A. dated as of November 4, 2011

VARIATION ORDER No. 4

This Variation Order No. 4 (this "Variation No. 4") is agreed to pursuant to the Turnkey Engineering, Procurement and Construction Contract for the Cerro del Aguila Hydroelectric Power Plant, dated as of November 4, 2011 (the "Contract") by and between Astaldi S.p.A. and GyM S.A. (jointly, the "Contractor") and Cerro del Aguila S.A. ("Owner"). Capitalized terms used but not defined herein shall have the meaning given to them in the Contract.

1. Purpose of the variation: The Owner and the Contractor hereby agree to:
 - (a) Amend Schedule 6 of the Contract by substituting the bill of quantities included therein by the new bill of quantities attached herein as Annex 1 to adapt the Unit Values to the new basic consolidated engineering developed by the Contractor for the Project;
 - (b) Modify the Preliminary Project Schedule included in Schedule 1 of the Contract by replacing it with the new Preliminary Project Schedule attached herein as Annex 2; and
 - (c) Amend Exhibit I of the Contract by replacing TABLES No. 1, 2, 3, 4 and 5 with TABLES, 1a, 2a, 3a, 4a, 5a - attached herein as Annex 3 and by amending its Section 2.2.2 as provided below:
 - (i) Incorporate the following paragraph as the last paragraph immediately preceding the first Example of Section 2.2.2. of Exhibit I:

"If the overall total cost of excavating the tunnels changes with respect to the estimated amount indicated in Table 1a, due to the difference in the length of the individual tunnel's support sections, then the resulting adjustment to the Lump Sum Price (increase or decrease) will be made to reflect the difference between the cost estimation indicated in Table 1a and the cost effectively incurred by the Contractor during the excavation of the tunnels."
 - (ii) Incorporate the following paragraph as the fourth paragraph of the first Example of Section 2.2.2. of Exhibit I:

Variation No. 4 to the Turnkey Engineering, Procurement and Construction Contract entered into by Cerro del Aguila S.A. and Astaldi SpA and GyM S.A. dated as of November 4, 2011

“Following the completion of all the Surface Invasive and Subsurface Civil Work, it will be possible to calculate the total amount applicable to the tunnels, considering that in the case in which better than expected rock conditions are found in those tunnels and additional lengths introduced in this variation, and therefore a saving is generated, only 80% of the reduction will be applied to the overall final calculation.”

2. Other Terms and Conditions. Except as otherwise specifically provided in section 1 of this Variation, all other terms and conditions of the Contract and of Exhibit I shall remain in full force and effect.

4. Execution. On May 8, 2013, by its countersignature below, both parties hereby agree to terms and conditions contained in this Variation Order.

Cerro del Aguila S.A.

By: /s/ Javier Garcia Burgos
Name: Javier Garcia Burgos
Title: Director
Date: 15/5/13

GyM S.A.

By: /s/ Hernando Graña
Name:
Title:
Date:

Astaldi S.p.A.

Cerro del Aguila S.A.

By: /s/ JC Camogliano
Name: JC Camogliano
Title: Director
Date: 15/5/13

GyM S.A.

By: /s/ Juan Manuel Lambarri
Name:
Title:
Date:

Astaldi S.p.A.

Variation No. 4 to the Turnkey Engineering, Procurement and Construction Contract entered into by Cerro del Aguila S.A. and Astaldi SpA and GyM S.A. dated as of November 4, 2011

By: _____
Name:
Title:
Date

By: /s/ G. Orsatti _____
Name: G. Orsatti
Title:
Date:

Variation No. 4 to the Turnkey Engineering, Procurement and Construction Contract entered into by Cerro del Aguila S.A. and Astaldi SpA and GyM S.A. dated as of November 4, 2011

VARIATION ORDER No. 4-A

This Variation Order No. 4-A (this “Variation No. 4-A”) is agreed to pursuant to the Turnkey Engineering, Procurement and Construction Contract for the Cerro del Aguila Hydroelectric Power Plant, dated as of November 4, 2011 (the “Contract”) by and between Astaldi S.p.A. and GyM S.A. (jointly, the “Contractor”) and Cerro del Aguila S.A. (“Owner”). Capitalized terms used but not defined herein shall have the meaning given to them in the Contract.

- 1. Purpose of the variation: The Owner and the Contractor hereby agree to:
 - (a) Amend Schedule 6 of the Contract by substituting the Preliminary Payment Schedule included therein by the new Preliminary Payment Schedule attached herein as Annex 1 only to register an advance payment that will be done by Owner; and
 - (b) Incorporate a set of additional milestones to the development of the Works, included herein as Annex 2, which are hereby incorporated to the Contract. Milestones included in Annex 2 attached hereto are additional to those set forth on the Preliminary Project Schedule included in Schedule 1 of the Contract, which is not replaced nor amended herein.
- 2. Additional Considerations. This Variation Order doesn’t affect the Project Schedule nor the Contract Price.
- 3. Other Terms and Conditions. Except as otherwise specifically provided in section 1 of this Variation, all other terms and conditions of the Contract shall remain in full force and effect.
- 4. Execution. On June 17, 2013, by its countersignature below, both parties hereby agree to terms and conditions contained in this Variation Order.

Cerro del Aguila S.A.

Cerro del Aguila S.A.

By: _____
Name:
Title:
Date:

By: _____
Name:
Title:
Date:

Variation No. 4 to the Turnkey Engineering, Procurement and Construction Contract entered into by Cerro del Aguila S.A. and Astaldi SpA and GyM S.A. dated as of November 4, 2011

GyM S.A.

By: /s/ Hernando Graña

Name:

Title:

Date:

GyM S.A.

By: /s/ Juan Manuel Lambarri

Name:

Title:

Date:

Astaldi S.p.A.

By: /s/ Giacomo Orsatti

Name: Giacomo Orsatti

Title: Representante Legal

Date:



Variation No. 4 to the Turnkey Engineering, Procurement and Construction Contract entered into by Cerro del Aguila S.A. and Astaldi SpA and GyM S.A. dated as of November 4, 2011

ANNEX 1

Preliminary Payment Schedule

Variation No. 4 to the Turnkey Engineering, Procurement and Construction Contract entered into by Cerro del Aguila S.A. and Astaldi SpA and GyM S.A. dated as of November 4, 2011

ANNEX 2

Additional Milestones to be achieved by Contractor

No.	MILESTONE	DUE DATE
1	Complete access road to Power House	31.12.2013
2	Complete main access tunnel to Power House excavation	31.12.2013*
3	Complete Adit 2 tunnel excavation up to headrace tunnel	31.12.2013*
4	Complete Power House cavern excavation	30.06.2014*
5	Complete river diversion tunnel excavation	31.12.2013
6	Initiate Dam body concrete pouring	30.11.2013
7	Complete excavation of Headrace tunnel up to at least 1800 m	31.12.2013*

* Due Date is based on expected class of rock mass distribution mentioned on Exhibit I of the Contract. Such due date might vary in case rock mass found during excavation differs from the distribution mentioned on Exhibit I of the Contract.

Variation No. 5 to the Turnkey Engineering, Procurement and Construction Contract entered into by Cerro del Aguila S.A. and Astaldi SpA and GyM S.A. dated as of November 4, 2011

VARIATION ORDER No. 5

This Variation Order No. 5 (this "Variation No. 5") is agreed to pursuant to the Turnkey Engineering, Procurement and Construction Contract for the Cerro del Aguila Hydroelectric Power Plant, dated as of November 4, 2011 (as amended, the "Contract") by and between Astaldi S.p.A. and GyM S.A. (jointly, the "Contractor") and Cerro del Aguila S.A. ("Owner") on the day and year written in Section 14 below (hereinafter, the "Execution Date"). Capitalized terms used but not defined herein shall have the meaning given to them in the Contract.

1. **Purpose of the Variation:** The Owner and the Contractor hereby agree to resolve any and all disputes they may or might have in relation to or arising from the Contract and the Project which arose on or before the Execution Date and subject to the terms and conditions set forth in this Variation No. 5.
2. **Waiver of rights:** Contractor irrevocably waives and releases any right it may have to pursue any existing or past claim it made or could have made, and future claim it may have made or may make against Owner or to request additional payments or time extensions based on facts or events that occurred or were known on or before the Execution Date, including but not limited to, the claims asserted or referenced in letters CRM-CDA-R-1-14 and N° CRM-CDA-R-2-14, dated as of April 15, 2014 and as of May 26, 2014, respectively.

Owner irrevocably waives and releases any right it may have to pursue any existing or past claim it made or could have made, and future claim it may have made or may make against Contractor based on facts or events occurred or known on or before the Execution Date of this Variation No. 5.

3. **Amendments to the Contract:** In consideration for the waiver and release granted hereby by the Parties, the Parties hereby agree to amend the Contract as follows:

3.1 Lump Sum Price.

- (a) Section 1. 1.75 is hereby amended and restated in its entirety as follows:
"1.1.75 "Lump Sum Price" means the fixed lump sum of four hundred and ninety five million seven hundred and sixty five thousand three hundred and forty eight Dollars (US\$ 495,765,348) and of Six Hundred and Twenty Eight Million three hundred and seventeen thousand six hundred and seven Nuevos Soles (S/. 628,317,607) as it may be adjusted pursuant to this Contract."
- (b) The following text is added at the end of Section 14.1.3:



Variation No. 5 to the Turnkey Engineering, Procurement and Construction Contract entered into by Cerro del Aguila S.A. and Astaldi SpA and GyM S.A. dated as of November 4, 2011

“Notwithstanding the above, a portion of the Lump Sum Price equal to USD 40,000,000 (forty million Dollars), Peruvian VAT excluded, will be paid by Owner to Contractor as follows:

- (a) The amount of USD 10,000,000 (ten million Dollars) upon the tenth day after the date in which the Lenders’ consent to this Variation No. 5 has been obtained.
- (b) The amount of USD 10,000,000 (ten million Dollars) upon the tenth day after the occurrence of the Partial Taking-Over Date of the first Generator Set.
- (c) The amount of USD 10,000,000 (ten million Dollars) upon the tenth day after the occurrence of the Partial Taking-Over Date of the second Generator Set; and
- (d) The amount of USD 10,000,000 (ten million Dollars) upon the tenth day after the occurrence of the Final Taking-Over Date.

Contractor will be released from the waivers it granted under Section 2 of Variation No. 5 executed between the Parties and therefore, may exercise any of the rights waived under such provision if Owner continues to fail to pay any of the portion of the Lump Sum Price as provided in the previous subclauses (a), (b), (c) and (d) thirty days after Contractor demanded payment in writing of any amount set forth therein.”

3.2 Scheduled Partial Taking-Over Dates.

Section 1.1.132 is hereby amended and restated in its entirety as follows:

“1.1.132 “Scheduled Partial Taking-Over Dates” means February 28, 2016 for the first Generator Set and April 30, 2016 for the second Generator Set.”

3.3 Scheduled Final Taking-Over Date.

Section 1.1.131 is hereby amended and restated in its entirety as follows:

“1.1.131 “Scheduled Final Taking-Over Date” means July 30, 2016.”

3.4 Liquidated Damages and Early Final Taking Over Bonus.

- (a) Section 9.6 is hereby amended and restated in its entirety as follows:



“If the Partial Taking-Over Date of the first Generator Set is not achieved by March 15, 2016 for such Generator Set, the Contractor shall pay Owner liquidated damages in the amount of US\$ 130,000.00 for each day of delay from such date until the Partial Taking-Over Date of the first Generator Set is achieved.

If the Partial Taking-Over Date of the second Generator Set is not achieved by the Scheduled Partial Taking Over Date for such Generator Set, the Contractor shall pay Owner liquidated damages in the amount of US\$ 100,000 for each day of delay from such date until the Partial Taking-Over Date of the second Generator Set is achieved.

If the Final Taking-Over Date of the Plant is not achieved by July 30, 2016, the Contractor shall pay Owner liquidated damages in the amount of US\$ 160,000.00 for each day of delay from such date until the Final Taking-Over Date is achieved.

If any Generator Set stop working or reduce their output after their Partial Taking-Over Date and such outage or reduction of output is caused by a Defect or by a Contractor's request, then the Contractor shall pay Owner liquidated damages in the amount of US\$ 100,000.00 for each day of outage or reduction in output excluding the first day in aggregate in which an outage or reduction in output occurred.

If the Contractor achieves the Partial Taking-Over Date of the first Generator Set before the Scheduled Partial Taking-Over Date for the first Generator Set, Contractor will be entitled to the Early Final Taking Over Bonus for such Generator Set.

If the Contractor achieves the Partial Taking-Over Date of the second Generator Set before the Scheduled Partial Taking Over Date for the second Generator Set, Contractor will be entitled to the Early Final Taking Over Bonus for such Generator Set.

The liquidated damages provided in this Section 9.6 shall be in lieu of all liability of Contractor to Owner for any and all extra costs, losses or expenses of whatsoever nature incurred or to be incurred by Owner as a result of any delay in achieving the Partial Taking-Over Date or the Final Taking-Over Date, and shall be the sole and exclusive remedy to the Owner in case of delay. The forgoing liquidated damages shall be paid within twenty (20) days of written demand therefor and if not so paid, may be collected by Owner from any amount then owed to the Contractor.



The above liquidated damages are a reasonable forecast of the actual costs, losses and expenses incurred by Owner as a result of delays in achieving the Partial Taking-Over Date and the Final Taking-Over Date by the Time for Completion and therefore, do not constitute a penalty. The parties, having bargained in good faith for such specific damages, are estopped from contesting the validity or enforceability of such damages.

The payment or deduction of such liquidated damages shall not relieve the Contractor from its obligation to complete the Works and achieve the Final Taking-Over Levels, remedy any Defects or Deficiencies or from any other of its outstanding duties, obligations or responsibilities under this Contract.

The Contractor shall issue an invoice evidencing the applicable bonus for the first Generator Set or the second Generator Set, as applicable, within thirty (30) days after the issuance of the Final Taking-Over Certificate. Payment of such invoice shall occur in accordance with Section 14.3.”

(b) Section 1.1.40 is hereby amended and restated in its entirety as follows

“1.1.40 “Early Final Taking Over Bonus” means an amount equal to US\$ 65,000.00 for each day prior to the *Scheduled Partial Taking-Over Date for the first Generator Set*, in which *Partial Taking-Over Date of the first Generator Set* is achieved by Contractor or US\$ 50,000.00 for each day prior to the *Scheduled Partial Taking-Over Date for the second Generator Set*, in which *Partial Taking-Over Date of the second Generator Set* is achieved by Contractor. For the avoidance of doubt, Parties agree that there will be no Early Final Taking Over Bonus associated to the third Generator Set.”

3.5 Punch List.

The following text is added at the end of Section 1.1.121:

“Notwithstanding the above, the items included under Annex I to Variation No.5 can be included in the Punch List and will not be considered as a valid reason for disputing the achievement of the Partial Taking-Over Dates or the Final Taking Over-Date provided that the failure to provide such items by the Partial Taking Over Dates or the Final Taking Over Date does not materially impair the ability to safely operate the relevant Generator Set or the Plant as a whole.”



Variation No. 5 to the Turnkey Engineering, Procurement and Construction Contract entered into by Cerro del Aguila S.A. and Astaldi SpA and GyM S.A. dated as of November 4, 2011

4. **Project Schedule:** Within 30 calendar days after the Execution Date, Contractor will submit for Owner's approval a new Project Schedule, both on Primavera and PDF formats, including the Scheduled Partial Taking-Over Dates and Scheduled Final Taking-Over Date agreed on this Variation No. 5. Such Project Schedule will include in detail (level 3) all engineering, procurement and construction works to be completed and will clearly indicate all tasks that are on the critical path.

5. **Access:** Owner accepts the modifications to the access to the Project Area and the Concession Area that are set forth below:

5.1 Access Road Construction.

The Contractor is relieved from the construction of the Access Road that connects Quintao with Jatuspata and the bypass that connects the Access Road to the dam area with Durasnuyoc and the Owner therefore waives any right it may have to demand the construction of such Access Roads or to seek compensation for such Access Roads not being performed.

5.2 Access Route Alteration or Modification.

The Contractor is relieved from the alteration or modification of the Access Route that connects Andaymarca with Durasnuyoc and the Access Route that connects Durasnuyoc, Suylloc and Quintao and the Owner therefore waives any right it may have to demand the alteration or modification of such Access Routes or to seek compensation for such Access Routes not being performed.

5.3 Access Road from the powerhouse to Jatuspata.

Contractor will build, at no additional cost to Owner, an Access Road which shall be at least 4 meters wide, connecting the powerhouse of the Project and Jatuspata. Compensation to the Contractor for the performance of such Access Road will be regulated under Section 5.4.

5.4 Bill of quantities modification.

The currently unpaid amounts allocated in the bill of quantities, detailed in the Preliminary Schedule of Payments, Schedule 6 of the Contract (the "Bill of Quantities") for the performance of the portion of the Works which have been relieved from the Contractor's obligations pursuant to Sections 5.1, 5.2 and 5.3 of this Variation No. 5, equals to an amount of USD 3,477,521 (three million four hundred and seventy seven thousand five hundred and twenty one Dollars) plus Peruvian Nuevos Soles 12,279,591 (twelve million two hundred and seventy nine thousand five hundred and ninety one). Such amounts will be re-assigned for the execution of the Access Road indicated on Section 5.3 of this Variation No. 5 and will be paid in accordance with the progress of the said portion of the Works in the Monthly Payment Certificates.



5.5 Transitability of accesses from Pampas to powerhouse and dam areas

Contractor agrees to perform and pay for all necessary Works and take all necessary actions so as to guarantee safe transit by the accesses that connect the location of Pampas with the powerhouse and the dam of the Project. Contractor further accepts that it will not file any claims or requests for additional payments or time extensions of any kind which relate to the maintenance and removal of debris resulting from landslides affecting such accesses and therefore waives and releases any claims and rights it may have to make, file or prosecute any legal action of any nature to pursue any such claim, with the sole exception of the events occurring when (i) large landslides occur that block a section of an access mentioned on this Section 5; **and** (ii) the debris and/or damages caused by such landslides cannot be removed or repaired with the use of the set of equipment detailed below despite Contractor's reasonable efforts within a period of 10 days from the date of occurrence of any such event.

- i. 1 large excavator (*excavadora grande*)
- ii. 1 large front loader (*cargador frontal grande*)
- iii. 1 large tractor (*Tractor grande*)
- iv. 1 compactionroll (*rodillo compactador*)
- v. 1 grader (*motoniveladora*)
- vi. 6 dump trucks (*Camiones volquetes*)
- vii. 1 tanker truck (*Camión cisterna*)

Only upon the occurrence of events that comply with the conditions set forth in (a) and (b) above, the Contractor is entitled to an increase of the Lump Sum Price and an extension of time pursuant to Section 20.5 of the Contract.

The increase of the Lump Sum Price as provided in the previous paragraph will include direct and indirect costs (no overheads) incurred by the Contractor to restore the safe transit by such access.

Contractor declares and guarantees that all Equipment necessary to complete the Works will be received at the Project site no later than November 30, 2015 and that therefore, after November 30, 2015, the Contractor will not have any need to transport any Materials and Major Items of Equipment to the Project site for the completion of the Works and that therefore, the Contractor irrevocably waives any right it may have to pursue any claim to extend the Time for Completion or to increase the Lump Sum Price in connection to any delay suffered in the transportation of Materials and Major Items of Equipment to the Project site after November 30, 2015.



5.6 Works on the Imperial—Pampas Access Route.

Contractor declares, guarantees and irrevocably waives its right to that it will not file any claims or requests for additional payments or time extensions of any kind that in any way relate to transit limitations that might affect the Access Route Imperial—Pampas as a result of works performed by any other person or entity and therefore waives and releases any claims and rights it may have to make, file or prosecute any legal action of any nature to pursue any such claim. Contractor acknowledges and agrees to observe the following transit times applicable for such Access Route:

- i. Until April 15, 2015:
 - from 12:00 to 13.30 and from 18:00 to 07:00 of every day, for the transit of all kinds of vehicles.
 - from 10:00 to 11:00 from Mondays to Fridays, for the transit of vehicles that transport personnel.
- ii. Starting on April 16, 2015 until December 1, 2015:
 - from 12:00 to 13.00 and from 18:00 to 19:00 of every day, for the transit of all kinds of vehicles. Regarding these timeframes, Parties agree that they will make their reasonable commercial efforts to get authorizations to extend them, however Contractor agrees and accepts that these timeframes will apply and no claims will be made or asserted in the event that the Parties are unable to extend them.

6. **Pending tunnel excavation works:** Contractor acknowledges and accepts that the amendment to Section 1.1.132 of the Contract provided in Section 3.2 of this Variation No. 5 was agreed based on the assumption that the portion of the headrace tunnel that is pending to be excavated as of the Execution Date, has rock quality C2. Therefore, Contractor waives and releases any claims and rights it may have to request or demand an extension of Time for Completion under Section 5.9 of the Contract in connection to the rock quality found in the headrace tunnel unless the following conditions are satisfied: (i) the portion of the headrace tunnel that is still to be excavated requires support of type D, E, E1 or E2 specified in Exhibit I of the Contract; and (ii) Contractor demonstrates that the part of the tunnel affected by a lower than expected rock quality would cause a delay of the Scheduled Partial Taking Over Dates and/or Scheduled Final Taking-Over Date as a result of such works having an impact on the critical path identified in the Project Schedule required to be delivered in section 4 of this Variation No. 5.



Variation No. 5 to the Turnkey Engineering, Procurement and Construction Contract entered into by Cerro del Aguila S.A. and Astaldi SpA and GyM S.A. dated as of November 4, 2011

7. **Security Logistics:** Contractor will provide at its own cost and as part of its obligations under the Contract, all food and transport to the military and police personnel that have been assigned to the powerhouse and dam areas of the Project, up to a maximum number of 32 persons per each such locations. In the event that the number of military and police personnel will exceed the 32 units per location—powerhouse or dam area-, the Contractor will be entitled to be reimbursed for the additional costs incurred.
8. **Works on the Substation:**
- (a) Expansion and Modification Works.
Contractor will perform, as part of its obligations under the Contract, any and all expansion and modification works to be carried out at the Campo Armiño Substation and shall execute such works in accordance with the terms of the Contract and engineering provided by Owner and developed by Siemens PTD, at the Contractor's sole cost.
- (b) Commitments with Third Parties.
Contractor declares and guarantees that it will fulfill and complete, in a timely manner, any and all obligations undertaken with local communities and Electroperu, especially those relating to the pavement within the site of the Campo Armiño Substation.
9. **Perimeter fence of *Campamento Limonal*:** Contractor will perform all necessary Works to build, as part of its obligations under the Contract and at its sole cost, a perimeter fence in *Campamento Limonal*, in accordance with the terms and conditions of Contractor's letter N° C-AGM-CDA-119-15 dated February 16, 2015.
10. **Effectiveness:** This Variation No. 5 will be in full force and effect as of the date in which the Lenders have expressed their consent in writing to this Variation No. 5 as provided in the Financing Documents.

Immediately upon the Execution Date, the Owner shall submit to the Lenders for consent this Variation No. 5 and give evidence thereof to the Contractor. Upon receipt of Lenders' position, the Owner must promptly provide a written notice to the Contractor stating that position.

The Owner will use its best endeavors to ensure that the above conditions are satisfied by 45 days after the Execution Date.

In the event the Lender's consent to this Variation No. 5 has not been expressed in writing on or before 45 days from the Execution Date, Contractor may decide, at its own discretion, to terminate this Variation order No.5, which will become null and void upon written notification thereof by the Contractor to the Owner.



Variation No. 5 to the Turnkey Engineering, Procurement and Construction Contract entered into by Cerro del Aguila S.A. and Astaldi SpA and GyM S.A. dated as of November 4, 2011

Notwithstanding the above, Sections 4, 5.1, 5.2, 5.3, 5.4, 10, 11, 12, 13 and 14 of this Variation No. 5 shall come into full force and effect immediately upon the Execution Date, provided that the delivery of a new Project Schedule pursuant to Section 4 will not be deemed to be an extension of the Time for Completion until Section 3 is effective.

11. **Mutual Concessions:** Each Party declares that this Variation No. 5 is the result of mutual concessions granted by each Party in favor of the other pursuant to Article 1302 of the Peruvian Civil Code and has the purpose of finishing any existing disputes on the subject matter thereof and avoiding any future disputes based on facts or events occurred or known on or before the Execution Date of this Variation No. 5.
12. **Legal Nature:** In accordance with article 1302 of the Peruvian Civil Code, Parties hereby irrevocably agree that this Variation No. 5 has the effects of a *transacción extrajudicial*.
13. **Other Terms and Conditions:** Except as otherwise specifically provided in this Variation No. 5, all other terms and conditions of the Contract shall remain in full force and effect.
14. **Execution Date.** On March 27, 2015, by its countersignature below, both Parties hereby agree to the terms and conditions contained in this Variation No. 5.

Cerro del Aguila S.A.

By: /s/ Javier Garcia
Name: Javier Garcia
Title: Director
Date: 27/3/2015

Cerro del Aguila S.A.

By: /s/ Rosa María Flores Araoz
Name: Rosa María Flores Araoz
Title:
Date: 27.03.2015

GyM S.A.

By: /s/ Ricardo Canturin Cano
Name: Ricardo Canturin Cano
Title: Representante Legal
Date: 27.03.2015

GyM S.A.

By: /s/ Renato Rojas
Name: Renato Rojas
Title: Gerente General
Date: 27.03.2015



Variation No. 5 to the Turnkey Engineering, Procurement and Construction Contract entered into by Cerro del Aguila S.A. and Astaldi SpA and GyM S.A. dated as of November 4, 2011

Astaldi S.p.A.

By: /s/ Matteo Bordin

Name: Matteo Bordin

Title:

Date: 27/03/2015



Variation No. 5 to the Turnkey Engineering, Procurement and Construction Contract entered into by Cerro del Aguila S.A. and Astaldi SpA and GyM S.A. dated as of November 4, 2011

ANNEX 1

As specified in the aforementioned Section 3.5, the following items may be included in the Punch List at the Partial Taking Over Dates and/or the Final Taking - Over Date:

- Completion of HVAC (Heating Ventilation and Air Conditioning)
- Completion of Fire-detection and Fire-fighting Systems. The correspondent service will be limited to guarantee essential safety features necessary for starting operations (For instance deluge for transformers and extinguishers will be guaranteed).
- Completion of Lighting System
- Completion of Maintenance Shops.
- Completion of Compressed Air System.
- Completion of MCC (Motor Control Center) for Balance of Plant.
- Completion of Control System.
- Provision of Spares Parts.
- Completion of O&M (Operation and Maintenance).
- Completion of As-built and Construction Documents.

Under the terms defined in Section 1.1.121 of the Contract and as mentioned in Section 3.5 of this Variation Order No. 5, the above items will not constitute any kind of defect or deficiency as they not affect the operability, safety or mechanical and electrical integrity of the Plant.



GUARANTEE CONTRACT

保证协议

Between

合同双方

Kenon Holdings Ltd.

And

和

Chery Automobile Co. Ltd.

奇瑞汽车股份有限公司

9 June, 2015

2015 年 6 月 9 日

This guarantee contract (“**Guarantee Contract**”) is entered into on the date first above written by and between:

本保证协议(“保证协议”)于以上所述日期由以下双方签署

- (1) Kenon Holdings Ltd. a limited liability company duly organized and validly existing under the laws of Singapore with its legal address at 1 Temasek Avenue, #36-01 Millenia Tower, Singapore 039192 (“**Kenon**”), represented by Mr. Yoav Doppelt and Mr. Dan Cohen, and
Kenon Holdings Ltd., 一家根据新加坡法律合法设立和有效存续的有限责任公司, 法定地址为 1 Temasek Avenue, #36-01 Millenia Tower, Singapore 039192, 代表人为 Yoav Doppelt 先生和 Dan Cohen 先生 (“**Kenon**”), 和
- (2) Chery Automobile Co. Ltd., a company limited by shares duly organized and validly existing under the laws of the People’s Republic of China (“PRC”), with its legal address at 8 Changchun Road, Economic & Technology Development Zone, Wuhu, Anhui, China, 241009, represented by Mr. Yin Tongyue (“Chery”)
奇瑞汽车股份有限公司, 一家根据中华人民共和国 (“**中国**”)法律合法设立和有效存续的有限责任公司, 法定地址为中国安徽省芜湖市经济技术开发区长春路 8 号, 代表人为尹同跃先生 (“**奇瑞**”)

(Kenon and Chery are hereinafter individually referred to as “Party” or jointly referred to as “Parties”).)

(**Kenon** 和**奇瑞**各自称为 “一方”, 合称为 “双方”。)

WHEREAS:

鉴于:

- (A) Kenon is the parent company of Quantum (2007) LLC (“**Quantum**”) and Chery is a major shareholder of Wuhu Chery Automobile Investment Co., Ltd. (“**Wuhu Chery**”) and Quantum and Wuhu Chery are equal shareholders of the Sino-foreign equity joint venture company Qoros Automotive Co., Ltd. (“**Qoros**” or “**Borrower**”).
Kenon 为量子公司 (“**量子**”) 的母公司, **奇瑞** 为芜湖奇瑞汽车投资有限公司 (“**芜湖奇瑞**”) 的主要股东, **量子** 和 **芜湖奇瑞** 是中外合资企业观致汽车有限公司 (“**观致**” 或 “**借款人**”) 各持有 50% 股权的股东。
- (B) Qoros has signed a Consortium Loan Agreement concerning Project of Research and Development of Hybrid Model (the “**Loan Agreement**”) on 12 May, 2015 with the Export-Import Bank of China (the “**Lender**”), China Construction Bank Co., LTD, Suzhou Branch (the “**Agent**”), in which the Lender agrees to make available to Qoros an aggregate principal amount of equivalent to RMB 700,000,000 (Seven Hundred Million) among which the

USD facility shall not exceed an amount of equivalent to RMB 480,000,000 (RMB Four Hundred and Eighty Million) long term loan facility pursuant to the provisions of the Loan Agreement (the “**Facility**”).

观致已经与中国进出口银行(“贷款人”)、中国建设银行股份有限公司苏州分行(“代理行”), 于 2015 年 5 月 12 日签订了混合动力车型研发项目银团贷款协议(“贷款协议”), 其中贷款人同意按照 贷款协议 条款向 观致 提供总计本金额等值人民币 700,000,000 元(大写: 人民币柒亿元整)的长期贷款额度, 其中美元贷款额度不超过等值 人民币 480,000,000 元(大写: 人民币肆亿捌仟万元整) (“贷款”)。

- (C) As a condition precedent for the Lender to make the Facility available for Qoros, Chery has provided an irrevocable, unconditional and joint guarantee for the indebtedness of Qoros, including the draw downs and other payable amounts with a loan term of 102 months to the Lender, for the liabilities of Qoros under the Loan Agreement pursuant to the terms and conditions set forth in the “Guarantee Contract for RMB 0.7 Billion Consortium Loan Agreement concerning Project of Research and Development of Hybrid Model of Qoros Automotive Co., Ltd.” between Chery and the Lender dated 12 May 2015 (“**Chery Guarantee Deed**”).

作为贷款人向观致提供贷款的先决条件之一, 奇瑞已按照奇瑞和贷款人于 2015 年 5 月 12 日签署的《关于观致汽车有限公司混合动力车型研发项目等值人民币柒亿元银团贷款协议之保证合同》(“奇瑞保证合同”)的条款和条件, 为观致在贷款协议项下的债务, 包括贷款期限为 102 个月的贷款提取额及其他应付款项, 向贷款人提供不可撤销的无条件的连带保证。

- (D) This Guarantee Contract directly correlates with Loan Agreement specified in Whereas (B) and Chery Guarantee Deed specified in Whereas (C), provided that this Guarantee Contract is entered into based on the common understanding between the Parties and Qoros as agreed in the “**Agreement regarding the Shareholders’ Guarantee for Qoros**” dated 7 May 2015.

本保证协议和鉴于(B)所指的贷款协议和鉴于(C)所指的奇瑞保证合同直接相关联, 前提是本保证协议基于双方以及观致在 2015 年 5 月 7 日签署的《观致股东担保协议》中所达成的共识而被签署。

In accordance with relevant laws and regulations of the PRC and after an amicable negotiation based on mutual consents, the Parties agree as follows:

双方经友好协商，依照中国有关法律、法规之规定，协商一致，兹订立本协议如下：

Chapter 1 Scope of Guarantee, Guaranteed Indebtedness and Term of Guarantee 第一章 保证范围、保证责任和保证期间

Clause 1 Pursuant to the provisions of the Chery Guarantee Deed, Chery has agreed to provide an irrevocable, unconditional and joint guarantee to the Lender for 100% of the indebtedness of Qoros under the Loan Agreement subject to the clauses of the Chery Guarantee Deed. Such guarantee provided by Chery under the Chery Guarantee Deed shall include but not limited to:

第一条 奇瑞已按奇瑞保证合同的约定，同意根据奇瑞保证合同的条款为观致在贷款协议项下的 100%的债务向贷款人提供不可撤销的无条件的连带保证。奇瑞在奇瑞保证合同项下提供的保证所担保的范围包括但不限于：

(1) Principal in the consortium loan under Loan Agreement which is equivalent to RMB Seven Hundred Million (RMB 700,000,000);
贷款协议项下等值人民币柒亿元整(RMB700,000,000)的银团贷款的本金；

(2) Interest incurred by principal in the consortium loan (including legal interest, contract interest, compound interest and default interest);
银团贷款本金所产生的利息(包括法定利息、约定利息、复利和罚息)；

(3) Payment is not made by Borrower as regulated by Loan Agreement;
借款人未能依照贷款协议的规定支付的款项；

(4) Compensation, penalty and damage awards incurred due to the noncompliance with any provisions in the Loan Agreement by Borrower;
借款人未能遵守贷款协议的任何规定而产生的补偿金、违约金以及损害赔偿金；

(5) Notary fee, audit fee, expert verification fee, property preservation fee, brief fee, attorney fee and execution fee as well as other relevant fees paid by Lender for the implementation of creditor's rights;
贷款人为实现债权所支出的公证费、评估审计费、专家论证费、财产保全费、诉讼费、律师费、执行费及其他相关费用。

Chery shall bear joint liability of all debts for Borrower within the purview of guarantee outlined in Clause 1 above, including debt cleared off in advance by Borrower due to its default at the request of Lender according to Loan Agreement (collectively the “**Chery Secured Indebtedness**”).

奇瑞应在本上述第一条约定的担保范围内对借款人的全部债务承担连带责任，包括由于借款人违约、贷款人根据贷款协议要求借款人提前清偿的债务(统称“奇瑞担保债务”)。

Clause 2 Pursuant to the provisions of this Guarantee Contract, Kenon agrees to provide an irrevocable and – in accordance with this Guarantee Contract—unconditional guarantee to Chery for up to 50% of the Chery Secured Indebtedness under the Chery Guarantee Deed (such 50% of the Chery Secured Indebtedness under the Chery Guarantee Deed hereinafter referred to as the “**Kenon Secured Indebtedness**”), provided that Qoros shall request the Lender to drawdown up to RMB 350,000,000 (three hundred fifty million) pursuant to the Loan Agreement, the “Agreement regarding the Shareholders’ Guarantee for Qoros” and the Qoros 2015 BOD Resolution No. 7.

The Kenon Secured Indebtedness shall include but be limited to:

- (i) 50% of the principal drawn down by Qoros from the Lender in relation to the Facility granted to Qoros under the Loan Agreement;
- (ii) 50% of the unpaid or accumulated interest in relation to the Facility granted to Qoros under the Loan Agreement (however, such unpaid or accumulated interest guaranteed by Kenon under this Guarantee Contract shall be, at maximum, RMB 27,300,000); and
- (iii) 50% of any and all related fees payable arising from such principal (however, such related fees guaranteed by Kenon under this Guarantee Contract shall be, at maximum, RMB 2,700,000).

The amounts specified under Item (i), Item (ii) and Item (iii) shall, in total, be collectively referred to hereinafter as the “**Total Amount**”, and may be adjusted in accordance with Clause 12 below. If the amount specified either in Item (ii) or Item (iii) is exceeded, Kenon and Chery will discuss the matter amicably and try to find a solution acceptable for both Parties but without any right or obligation for either Party to claim or be liable in excess beyond the amounts specified either in Items (i) to (iii) above under this Guarantee Contract.

If a portion of the fees under Items (ii) and (iii) is attributed to the noncompliance with the representations, warranties and covenants solely by Chery under the Chery Guarantee Deed, Kenon shall not be liable for that portion.

The Parties acknowledge that in an Event of Default by Qoros under the Loan Agreement (as defined therein) and amounts payable in respect of such Event of Default could exceed the limits specified above (in the sole discretion of Chery), Chery may make any payments in respect of the Facility or related expenses under the Loan Agreement whether voluntarily or at the request of the Lender and Kenon shall be obligated to pay 50% of that payment to Chery, subject to the limits set forth under Items (i), (ii) and (iii) above.

The Parties enter into this Guarantee Contract based on the understanding that they both need to approve any drawdowns by Qoros under the Loan Agreement beyond RMB 350,000,000 (three hundred fifty million). The Parties agree that they will not authorize Qoros to drawdown additional amounts beyond RMB 350,000,000 (three hundred fifty million) under the Loan Agreement unless (a) Kenon agrees to provide an additional guarantee in respect of 50% of such additional drawdowns (i.e. up to RMB 175 million of the principal Facility as well as any additional amounts, such as interest and fees in respect thereof, subject however to the limits specified in items (ii) and (iii) above) and (b) Chery and Kenon approve in writing of any Qoros drawdown.

For the avoidance of doubt, any drawdowns of Qoros under the Loan Agreement beyond RMB 350,000,000 (three hundred fifty million) will require the aforesaid prior written approval of Kenon in order for the guarantee by Kenon in respect to those amounts to be effective and binding upon Kenon in respect of this Guarantee Contract.

第二条 Kenon 同意按照本保证协议的约定,就奇瑞保证合同项下的奇瑞担保债务的 50%提供不可撤销的且——根据本保证协议——无条件的保证(该奇瑞保证合同项下奇瑞担保债务的 50%以下称为“**Kenon 担保债务**”,前提是观致应按照贷款协议,《观致股东担保协议》和观致董事会 2015 年第 7 号决议的规定,向贷款人要求不超过人民币 350,000,000 元(人民币叁亿伍仟万元整)贷款提取额。

Kenon 担保债务包括但不限于:

(i)观致根据贷款协议项下授予观致的贷款向贷款人支取的本金的 50%;

(ii)由于贷款协议项下授予观致的贷款产生的未付或累计利息的 50%(不过,Kenon在本保证协议项下担保的未付或累计利息应最高不超过人民币 27,300,000 元),以及

(iii)因前述本金产生的所有相关应付费用的 50% (不过, 在本协议项下, Kenon 为该等相关费用提供的担保额不超过人民币 2,700,000 元)。

第 (i) 项、 第 (ii) 项和第 (iii) 项下所述的金额总和以下称为 “总金额”, 并可根据以下第十二条的规定进行调整。如果第 (ii) 项或第 (iii) 项中任一项所指的限额被超过, Kenon 和 奇瑞 将善意地再议并努力寻找令 双方 均可接受的解决方式, 但是任何 一方 均无权亦无义务主张或承担超过本 保证协议 中上述第 (ii) 项或第 (iii) 项中所述之数额。

如果第 (ii) 项或第 (iii) 项中的部分费用仅是由于 奇瑞 没有遵守 奇瑞保证合同 的陈述、保证和承诺而产生的, Kenon 不应当承担这部分费用。

双方承认, 若 观致 有 贷款协议 项下规定的 违约行为 (定义在 贷款协议 中) 且涉及该 违约行为 的应付款可能超过上述规定的上限 (由 奇瑞 自行裁量) 的情况下, 奇瑞 有权自愿或在 贷款人 的要求下支付 贷款协议 项下任何 贷款 或相关费用, 且在前述第 (i) 项、 第 (ii) 项和第 (iii) 项下规定的上限之内 Kenon 有义务向奇瑞支付上述费用的 50%。

双方 签署本 保证协议 是基于如下共识: 贷款协议 项下 观致 的任何金额超过 人民币 350,000,000.00 元 (大写: 人民币叁亿伍仟万元整) 的支取均需 双方 批准。 双方 同意, 其将不会授权 观致 在 贷款协议 项下支取超过 人民币 350,000,000.00 元 (人民币叁亿伍仟万元整) 的金额, 除非 (a) Kenon 同意就该等额外支取额的 50% (即最高为 人民币 175,000,000 元 (人民币壹亿柒仟伍佰万元整) 的 贷款 本金加上任何附加费用, 例如 贷款 本金的利息及相关费用, 但应受限于上述第 (ii) 项及第 (iii) 项中所述之 限额) 提供额外的担保以及 (b) 奇瑞 和 Kenon 书面同意 观致 的任何提取额。

为避免歧义, 观致 在 贷款协议 项下任何金额超过 人民币 350,000,000.00 元 (大写: 人民币叁亿伍仟万元整) 的支取需要取得上述 Kenon 的事先书面批准, 以使 Kenon 就本 保证协议 对该等金额的担保生效并对 Kenon 具有约束力。

Clause 3 In case Qoros fails to pay any due and payable Chery Secured Indebtedness on any due date or any Event of Default under the Loan Agreement occurs and the payment ability of Qoros could be strongly affected, and in each case Chery pays off such Chery Secured Indebtedness to the Lender in accordance with the Chery Guarantee Deed, Kenon shall pay to Chery 50% (and not more than the Total Amount or an adjusted ratio or amount in accordance with Clause 12 below) of the amount of the Chery Secured Indebtedness actually paid by Chery to the Lender within thirty (30) Business Days upon the receipt of a written notice from Chery to a bank account designated by Chery. If Kenon pays the Kenon Secured Indebtedness in USD, Kenon shall ensure that the amount received by Chery shall be the RMB equivalent of 50% of the sums paid by Chery to the Lender for Chery Secured Indebtedness.

第三条 如观致未按期支付任何到期应付的奇瑞担保债务，或发生了贷款协议项下任何其他违约事件并可能严重影响观致的偿付能力，并且在任何情况下奇瑞根据奇瑞保证合同的约定向贷款人支付了该奇瑞担保债务，则 **Kenon** 应当在收到奇瑞的书面通知后三十（30）个营业日内，向奇瑞指定的银行账户支付奇瑞实际向贷款人支付的奇瑞担保债务的 50%的金额（且不超过总金额或以下第十二条规定的调整比例或金额）。若 **Kenon** 以美元支付 **Kenon** 担保债务，则 **Kenon** 应确保奇瑞收到的金额等值于奇瑞向贷款人支付的奇瑞担保债务人民币总数的 50%。

Clause 4 Chery shall provide Kenon with all documents to prove the Chery Secured Indebtedness paid off to the Lender for the purpose of Kenon's guarantee payable under this Guarantee Contract and that the amount of the Chery Secured Indebtedness paid by Chery to Lender has reduced the amount payable by Qoros in respect of the Loan Agreement and the Facility.

第四条 为了本保证协议项下 **Kenon** 承担的保证责任的目的，奇瑞应向 **Kenon** 提供所有材料以证明奇瑞已向贷款人支付的奇瑞担保债务的金额，并且证明奇瑞向贷款人支付的奇瑞担保债务的金额已经减去了观致就贷款协议和贷款应付的金额。

Clause 5 The term of this Guarantee Contract shall commence from the effectiveness of the Chery Guarantee Deed (a signed and sealed execution copy of which together with a signed and sealed execution copy of the Loan Agreement must be provided by Chery to Kenon prior to the Parties executing this Guarantee Contract) or the effective date of this Guarantee Contract, whichever is earlier, until ten (10) days after the Chery Guarantee Term under the Chery Guarantee Deed, or two (2) years after Chery performs the Chery Secured Indebtednesses owed by Chery under the Chery Guarantee Deed, whichever is later. This Guarantee Contract will become null and void after the term of this Guarantee Contract as set forth above is expired. Clause 18 and 19 shall remain valid and survive the expiration of the term of this Guarantee Contract.

第五条 本保证协议的保证期间，自奇瑞保证合同（双方签署本保证协议前，奇瑞必须向 **Kenon** 提供一份该奇瑞保证合同经签署及盖章的签署版复印件以及一份贷款协议经签署及盖章的签署版复印件）或本保证协议的生效日（以较早者为准）起，至奇瑞保证合同项下奇瑞担保期限之后十（10）日，或者奇瑞履行了奇瑞保证合同项下奇瑞所欠的奇瑞担保债务之后两（2）年，以较晚者为准。在上述本保证协议期限届满后本保证协议即为无效。第十八条及第十九条在本保证协议期限届满后应保持有效。

Chapter 2 Nature and Effectiveness of Guarantee

第二章 保证的性质和效力

Clause 6 The guarantee under this Guarantee Contract is an exclusive guarantee with continuance and full effectiveness provided by Kenon to Chery and shall not be a joint and several guarantee to the Chery Guarantee Deed which Chery provided to the Lender and/or any other guarantee or security provided to the Lender or the Lender in relation to the Loan Agreement. Chery may only claim against Kenon under this Guarantee Contract if and after Chery has fulfilled its obligations and actually paid its guaranteed amount towards the Lender under the Chery Guarantee Deed and shown that the amount of the Chery Secured Indebtedness paid by Chery to Lender has reduced the amount payable by Qoros in respect of the Loan Agreement and the Facility.

第六条 本保证协议项下的保证为 Kenon 提供给奇瑞的独家保证，具有持续性和完全的效力，且不应构成奇瑞向贷款人提供的奇瑞保证合同和/或与贷款协议相关的向贷款人提供的任何其他保证或担保的连带保证。仅在奇瑞已经根据奇瑞保证合同在其承担的份额内向贷款人履行了保证责任且实际支付了其担保的金额，并且表明奇瑞向贷款人支付的奇瑞担保债务的金额已经减去了观致就贷款协议和贷款应付的金额后，奇瑞方可基于本保证协议向 Kenon 提出索赔。

Kenon's guarantee obligation under this Guarantee Contract supplements and replaces Kenon's promises under the "Agreement regarding the Shareholders' Guarantee for Qoros". For no intents and purposes shall Kenon's guarantee obligation under this Guarantee Contract and under the "Agreement regarding the Shareholders' Guarantee for Qoros" be considered additional to one another.

本保证协议项下 Kenon 的保证义务补充及替代 Kenon 在《观致股东担保协议》项下的承诺。Kenon 在本保证协议项下和在《观致股东担保协议》项下的保证义务为其所有目的及意图不应被理解为互为增补。

Clause 7 The effectiveness of this Guarantee Contract shall not be affected by either of the liquidation, merger, spin-off, restructuring, bankruptcy or any other form of change of the organizational chart of Kenon or other arrangements made to Qoros's indebtedness. This Guarantee Contract shall terminate as of the date Quantum ceases to be a shareholder of Qoros, provided that the assignee of Quantum's equity in Qoros unconditionally undertakes the liability and obligation of Kenon hereunder pro rata in accordance with the equity ratio assignment and based on equal terms with this Guarantee Contract with Chery's consent in writing. Also, the ratio and Total Amount of the Kenon Secured Indebtedness shall be adjusted pro rata in accordance with any adjustment of the equity ratio held by Quantum in Qoros during the term of the Guarantee Contract (e.g. if the equity of Quantum in Qoros adjusts to 40%, Kenon shall only guarantee for 40% of the Chery Secured Indebtedness under the Chery Guarantee Deed) subject to the written

agreement among Kenon, Chery and the assignee in question. However, a written agreement is not necessary once the shareholding of Quantum and Wuhu Chery in Qoros is decreased due to dilution (decrease of shareholdings due to issuance of new securities) in case of an IPO of Qoros.

第七条 本保证协议的效力不受 **Kenon** 的清算、合并、分立、重组、破产或是其他形式的组织机构的改变或对观致的债务所做的任何其他安排的影响。自量子不再是观致的股东之日起,本保证协议应终止,前提是,经奇瑞书面同意, 量子之观致股权的受让人根据股权分配比例以及基于本保证协议的平等条件按其份额无条件的接受 **Kenon** 的责任及债务。此外,依据 **Kenon**、奇瑞和受让人之间的书面协议, **Kenon 担保债务**的比例和**总金额**将根据在本保证协议期限内量子所持有的观致的股权比例作同比调整(例如,如量子持有的观致的股权比例调整为 40%,则 **Kenon** 仅就奇瑞保证合同项下的奇瑞担保债务的 40%提供保证)。但是 **Quantum** 和芜湖奇瑞在观致的股份因观致上市被稀释(由于发行新证券而减少股份)而减少时,无需书面协议。

Clause 8 This Guarantee Contract is independent of the Loan Agreement but is dependent on the effectiveness of the Chery Guarantee Deed. The effectiveness of this Guarantee Contract and the obligations and liabilities of Kenon hereunder shall not be affected by the fact that the Loan Agreement becomes null or rescinded for whatsoever reason. The effectiveness of this Guarantee Contract and the obligations and liabilities of Kenon hereunder shall be null and void if the Chery Guarantee Deed becomes null or rescinded for whatsoever reason.

第八条 本保证协议独立于贷款协议,但受制于奇瑞保证合同的效力。如贷款协议因任何原因而成为无效或被撤销,本保证协议的效力以及 **Kenon** 在其项下的责任和义务不受影响。如奇瑞保证合同因任何原因而成为无效或被撤销,则本保证协议以及 **Kenon** 在其项下相关的责任和义务应为无效。

Clause 9 This Guarantee Contract and any of the rights and obligations of the Parties hereunder shall not be transferred by a Party hereof to any third party without prior written consent of the other Party.

第九条 未经另一方事先书面同意,任何一方均不得将本保证协议以及双方在其项下的任何权利和义务转让给任何第三方。

Chapter 3 Representations and Warranties 第三章 陈述及保证

Clause 10 Chery represents and warrants that Chery will comply with its representations, warranties and covenants under the Chery Guarantee Deed.

第十条 奇瑞陈述和保证，奇瑞将遵守其在奇瑞保证合同中的陈述，保证和承诺。

Kenon represents and warrants to Chery with respect to the then facts and situations on the effective date of this Guarantee Contract, every Utilization Notice date, every Utilization Date and every Date of Interest Payment as follows:

Kenon 就本保证协议生效之日、各提款通知之日、各提款日和各付息日的事实和情况，向奇瑞作如下陈述和保证：

1. It is a legal person that has been legally incorporated and validly existing pursuant to the laws and regulations of its incorporation place.
该方是一家依照其注册地的法律法规合法成立并有效存续的法人。
2. It has the necessary civil capacities and rights to own its assets, to operate its businesses, and to make and perform this Guarantee Contract.
该方具有拥有其资产、经营其业务、订立并履行本保证协议的必要
的民事行为能力和民事权利能力。
3. It has obtained all the internal corporate authorizations necessary for entering into and performing this Guarantee Contract with such authorizations still in full force and effect; and this Guarantee Contract has been duly and effectively executed by the authorized representatives of Kenon.
该方已获得订立并履行本保证协议所需的所有公司内部授权，并
且其仍旧完全有效，本保证协议已经由 **Kenon** 的授权签字人有效
签署。
4. All approvals, permits, consents, registrations and filings currently required for its legal performance of this Guarantee Contract have been duly obtained and are still in full force and effect.
该方已经获得了其合法履行本保证协议目前所需的各项批准、许
可、同意、登记及备案，并且该等事项仍旧完全有效。
5. The obligations set forth in this Guarantee Contract are legal, effective and binding upon on Kenon, and it shall be fully performed accordingly.
本保证协议项下的义务均为合法、有效，并对 **Kenon** 有约束力，
Kenon 应当按照其条款履行。
6. The formation and performance of this Guarantee Contract by Kenon for itself do not and will not violate or contradict with any of the following:

Kenon 订立并履行本保证协议没有、并且不会违反下列任何一项或与之冲突：

- (a) Any contracts, agreements or other documents that are of binding effect on it or its assets; which results or would result in a material adverse effect on its ability to perform its obligations under this Guarantee Contract;
对其或其资产具有约束力的任何合同、协议或任何其他文件；
对其履行本保证协议项下的义务的能力导致或将导致实质性的不利后果。
 - (b) Any of its constitutional corporate documents; and/or
其公司根本性文件；及/或
 - (c) Any laws and regulations it is subject to.
任何对其适用的法律法规。
7. There is no existing litigation, arbitration, administrative proceeding, judicial or administrative enforcement proceeding or other legal proceeding of the similar kind initiated against Kenon, which have led or would, if adversely determined, lead to a material adverse effect on its ability to perform its obligations under this Guarantee Contract.
不存在任何对 **Kenon** 提起的、对该方履行本保证协议项下之义务的能力产生或--若确定不利--将产生任何重大不利影响的任何法院诉讼、仲裁、行政程序、司法或行政机关的执行程序或具类似性质的其他法律程序。
8. It has not entered into any proceeding of business suspension, dissolution, liquidation, bankruptcy, restructuring, reconciliation, reorganization or other similar legal proceedings.
该方没有进入任何停业、解散、清算、破产、重整、和解、整顿或类似法律程序。
9. Under judicial proceedings in any jurisdiction, to the best knowledge of Kenon, Kenon do not have any immunity and privilege in respect of suing, judgment, enforcement, preservation and other judicial procedures.
在任何司法管辖地进行的司法程序中，尽 **Kenon** 所知，**Kenon** 在起诉、判决、执行、财产保全或其他司法程序方面不拥有任何豁免权和特权。

10. It has carefully read and fully understood and accepted the contents set forth in this Guarantee Contract and this Guarantee Contract will be made and performed by Kenon based on its will and true intention.
该方已仔细阅读并完全理解、接受本保证协议的内容，Kenon 签署和履行本保证协议基于其自愿及真实意思表示。
11. This Guarantee Contract is directly binding upon Kenon.
本保证协议仅对 Kenon 具有直接约束力。

Chapter 4 Covenants 第四章 承诺

Clause 11 Before any Kenon Secured Indebtedness under the Guarantee Contract is fully discharged and before any of the Chery Secured Indebtedness under the Chery Guarantee Deed is fully discharged, Kenon shall strictly fulfill and observe following covenants:

第十一条 本保证协议项下任何 Kenon 担保债务全部清偿前和奇瑞保证合同项下任何奇瑞担保债务全部清偿前，Kenon 应严格履行和遵守以下承诺：

- Kenon shall ensure that, the respective creditor's rights of Chery to Kenon under this Guarantee Contract shall at least rank pari passu with the creditor's rights (without priority) of the other unsecured creditors of Kenon except for obligations mandatorily preferred by applicable insolvency laws.
Kenon 应当确保，除依法适用的破产法规定的法定优先受偿债务外，奇瑞在本保证协议项下对 Kenon 的债权至少与 Kenon 其他无担保债权人的无法定优先权的债权同处于优先受偿地位。
- Kenon shall maintain its legal status, continuous and effective existence, and ensure it has necessary civil capacities and rights to perform this Guarantee Contract.
Kenon 应当维持其法律地位合法、持续并有效存续，确保其具有必要的民事行为能力 and 民事权利能力以履行本保证协议。
- Kenon shall timely obtain and maintain all approvals, permissions, consents, registrations and filings necessary for the performance of this Guarantee Contract, if any, and maintain the full force and effect hereof.
Kenon 应当及时获得为履行本保证协议所需的各项批准、许可、同意、登记及备案（如有），遵守该等事项，并维持该等事项持续完全有效。

4. Kenon procures that all materials provided to the other Party in relation to this Guarantee Contract are true, complete and effective.

Kenon 应当确保其向奇瑞提供的与本保证协议有关的所有材料均为真实、完整和有效的。

Clause 12 If any change and/or amendment and/or novation of the Loan Agreement and/or the Chery Guarantee Deed or any of their terms alleviate the obligations of Kenon stipulated in this Guarantee Contract, the prior written consent of Kenon shall not be required, and Kenon shall continue to bear guarantee liability thereafter. However, Chery shall notify such change and/or amendment and/or novation of the Loan Agreement and/or the Chery Guarantee Deeds to Kenon in writing.

第十二条 如果对贷款协议和/或奇瑞保证合同，或上述文件的任何条款所做出的任何修改和/或修订和/或更新减轻了本保证协议规定的 **Kenon** 的义务，则无需获得 **Kenon** 事先书面同意，**Kenon** 应继续承担保证责任。但是，奇瑞应就贷款协议和/或奇瑞保证合同所做出的任何修改和/或修订，书面通知 **Kenon**。

If any change and/or amendment and/or novation of the Loan Agreement and/or the Chery Guarantee Deed or any of their terms intensify the obligations of Kenon, the prior written consent of Kenon to such change and/or amendment and/or novation shall be necessary to make them effective and binding upon Kenon in respect to this Guarantee Contract.

如果对贷款协议和/或奇瑞保证合同，或上述文件的任何条款所做出的任何修改和/或修订和/或更新加重了 **Kenon** 的义务，为使本保证协议的这些修改和/或修订和/或更新对 **Kenon** 产生效力和约束力，**Kenon** 的事先书面同意是必不可少的。

Clause 13 Chery herewith undertakes irrevocably and unconditionally towards Kenon (subject only to conditions in the Chery Guarantee Deed, if any) to pay off such Chery Secured Indebtedness and to hold Kenon and/or Quantum harmless from any and all direct and indirect damages and losses incurred by Kenon and/or Quantum in case Chery does not comply with its obligation to pay off the Chery Secured Indebtedness in full and on time in accordance with the Chery Guarantee Deed.

第十三条 奇瑞在此不可撤销且无条件的向 **Kenon** 承诺（仅遵守奇瑞保证合同的条件，如有），其将清偿该等奇瑞担保债务，且确保 **Kenon** 和/或量子不因

奇瑞不遵守其义务，没有根据奇瑞保证合同及时、完整地清偿奇瑞担保债务而受到任何直接和间接的损害及损失。

Chery shall be obliged to pay to Kenon, without further notice by Kenon, simultaneously and on a pro rata basis, 50% of any amounts Chery may receive or may otherwise recover (including by operation of any set-off, deduction or counterclaim) from Qoros and/or any other third party in respect of any payment made by Chery under the Chery Guarantee Deed, provided however that Kenon has in advance made its payments to Chery under this Guarantee Contract; these rights and obligations shall be and remain binding on Qoros whether or not (i) Kenon remains a shareholder of Quantum or (ii) Quantum remains a shareholder of Qoros or (iii) Chery remains a shareholder of Wuhu Chery or (iv) Wuhu Chery remains a shareholder of Qoros.

奇瑞有义务不经 **Kenon** 进一步的通知，将其因其在奇瑞担保合同项下所为之付款而可能从观致及/或任何第三方处所收到的、或以其他形式收回的任何款项（包括通过行使抵销、扣除或反诉）的 50%同步地、且按比例地支付给 **Kenon**，前提是 **Kenon** 已在本协议项下提前付款给奇瑞；无论是否（i）**Kenon** 仍为量子的股东，或（ii）量子仍为观致的股东，或（iii）奇瑞仍为芜湖奇瑞的股东或（iv）芜湖奇瑞仍为观致的股东，以上权利及义务应对观致具有、且持续具有约束力。

Kenon shall be entitled to claim from Qoros and Qoros shall be obliged to pay on demand to Kenon any amounts equal to all and any payments made by Kenon under this Guarantee Contract to Chery; these rights and obligations shall be and remain binding on Qoros whether or not (i) Kenon remains a shareholder of Quantum or (ii) Quantum remains a shareholder of Qoros.

Kenon 应有权要求观致，且观致应有义务应 **Kenon** 的要求向其支付与本保证协议项下 **Kenon** 对奇瑞所作的任何偿付相等的金额；无论是否（i）**Kenon** 仍为量子的股东，或（ii）量子仍为观致的股东，以上权利及义务应对观致具有、且持续具有约束力。

Chapter 5 Event of Default 第五章 违约事件

Clause 14 Any material breach of obligation under this Guarantee Contract by Kenon shall constitute an event of default under this Guarantee Contract by Kenon and Kenon shall be liable to compensate Chery for all and any direct losses and damages incurred by such breach of contract (indirect and consequential losses and damages shall be excluded).

第十四条 Kenon 实质违反本保证协议的义务将构成本保证协议项下的违约事件。Kenon 应有义务向奇瑞赔偿该等违反合同给其造成的任何直接损失和损害（不包括间接及衍生性损失及损害）。

Clause 15 Notwithstanding the aforesaid, after the occurrence of an event of default under this Guarantee Contract and in case Kenon is the defaulting Party, Kenon shall, directly or at the request of Chery observe one or more of the obligations listed below:

1. rectifying the default;
2. providing additional securities.
3. undertaking guarantee liabilities; and/or
4. performing any other obligations under this Guarantee Contract.

第十五条 尽管有上述条款，发生本保证协议项下的任何违约事件后，若Kenon 为违约方，Kenon 应当直接或者应奇瑞的要求履行以下一项或者多项义务：

1. 纠正违约行为；
2. 增加担保措施。
3. 承担保证责任；及/或
4. 履行本保证协议项下的其他义务。

Chapter 6 Fees and Indemnities 第六章 费用及补偿

Clause 16 Any expenses in connection with the negotiation, conclusion and performance of this Guarantee Contract shall be borne by each Party for itself.

第十六条 与本保证协议的协商、签订及履行有关的所有费用将由每一方各自承担。

Chapter 7 Effectiveness 第七章 生效

Clause 17 Subject to the provisions of Clause 5 above, this Guarantee Contract shall come into force on the date when the legal or authorized representatives of Kenon and Chery have affixed their respective signatures together with the company seal of Chery on this Guarantee Contract and when the legal or authorized representatives of Kenon and Qoros have affixed their respective signatures together with the company seal of Qoros on the Addendum to this Guarantee Contract.

第十七条 受限于上述第五条规定，本保证协议自 Kenon 与奇瑞各自的法定代表人或授权签字人在本协议上正式签字并加盖奇瑞的公司公章，且 Kenon 与观致各自的法定代表人或授权签字人在本保证协议附录上正式签字并加盖观致的公司公章且之日起生效。

Chapter 8 Governing Law and Dispute Resolution

第八章 适用法律和争议解决

Clause 18 This Guarantee Contract shall be governed by and construed in accordance with the laws of the PRC.

第十八条 本保证协议适用中国法律并按中国法律解释。

Clause 19 In the event a dispute between the Parties arising out of or in relation to this Guarantee Contract, the Parties shall in the first instance each designate one or more representatives who shall promptly meet to attempt to resolve such dispute through friendly consultations.

第十九条 如双方之间因本保证协议发生争议，或发生与本保证协议有关的争议，则双方应首先指派一名或多名代表立即会面，以期通过友好协商解决该争议。

If the dispute is not resolved through consultations within sixty (60) days after one Party has served a written notice on the other Party requesting the commencement of consultations, then the Parties shall refer and submit the dispute for final resolution by arbitration to the Hong Kong International Arbitration Center (HKIAC) in accordance with the Arbitration Rules of the United Nations Commission on International Trade Law ("UNCITRAL Arbitration Rules") as at present in force save as the same may be amended by this Article and the UNCITRAL Arbitration Rules shall be construed accordingly. The place of arbitration shall be Hong Kong. The arbitration shall be settled by three (3) arbitrators. Each Party shall appoint one arbitrator within the time stipulated in the UNCITRAL Arbitration Rules, failing which the appointment shall be made by HKIAC. The third arbitrator, who will act as the presiding arbitrator, shall be appointed by the HKIAC. The appointing authority shall be the HKIAC. The language of the arbitration proceedings shall be English, provided that either Party may introduce evidence or testimony in languages other than English. The arbitrators may refer to both the English and Chinese texts of this Contract. The award of the arbitration tribunal will be final and binding on each of the Parties and may be enforced in any court of competent jurisdiction.

如在一方向另一方发出书面通知要求开始协商之日起六十（60）天内，双方未能通过协商解决该争议，则应将争议事项提交香港国际仲裁中心（HKIAC）按照当时有效的《联合国国际贸易法委员会仲裁规则》（“UNCITRAL仲裁规则”）进行仲裁，作为最后的争议解决方式，该规则将根据本条进行修改，UNCITRAL仲裁规则也将相应进行解释。仲裁地为香港。仲裁员人数应为三（3）名。每一方应在UNCITRAL仲裁规则规定的期限内指定一名仲裁员，未能在该期限内指定的，将由HKIAC进行指定。第三名仲裁员由HKIAC指定，担任首席仲裁员。有权指定机构为HKIAC。仲裁过程中应使用的语言为英语，但每一方均有权以英语以外的语言提交证据和证言。仲裁员应同时参考本协议的中英文版本。仲裁庭的仲裁裁决是终局的，对双方均有约束力，并可被有管辖权的法院强制执行。

The arbitral tribunal shall have the authority and power to make such orders for interim relief, including injunctive relief, as it may deem just and equitable. A request for interim measures or equitable remedies, including injunctive relief, by a Party to a court shall not be deemed to be or construed as incompatible with, or a waiver of, this agreement to arbitrate. 仲裁庭有权规定其认为公平合理的临时救济，包括禁令救济。一方向法院申请临时措施或公平救济，包括禁令救济的，不得被认为或被解释为与仲裁协定相悖或对仲裁协定的放弃。

The arbitration shall be kept confidential and the existence of the proceeding and any element of it (including but not limited to any pleadings, submissions or other documents submitted or exchanged, any evidence and any awards) shall not without prior consent by all Parties be disclosed beyond the Parties to the arbitration and their representatives, the arbitral tribunal, the administering institution (if any) and any person necessary to the conduct of the proceeding, except as may be lawfully required (under any jurisdiction the Parties are subject to) whether in judicial proceedings or otherwise in the normal course of business of the Parties. 仲裁应保密，未经各方同意，仲裁程序的存在以及其任何要素（包括但不限于任何请求、意见或者提交或交换的任何其他文件，任何证据和裁决）不得披露给除仲裁各方、其代表、仲裁庭、行政机构（如有）以及为开展该法律程序所需知悉的任何人之外的其他人，但在司法程序过程中或双方正常业务开展过程中（双方所处并受约束的任何法域内的）法律另有规定的除外。

The Parties will use their best efforts to effect the prompt execution of any such awards and will render whatever assistance as may be necessary to this end, including, if necessary, compliance with the enforcement procedures stipulated in the United Nations

Convention on the Recognition and Enforcement of Foreign Arbitral Awards and the Arrangements Concerning Mutual Enforcement of Arbitration Awards between the Mainland and the Hong Kong Special Administrative Region.

双方应尽最大努力以实现仲裁裁决的立即执行，并且应当提供为此所需的任何协助，包括（如必要），遵守《承认及执行外国仲裁裁决公约》和《关于内地与香港特别行政区相互执行仲裁裁决的安排》中规定的执行程序。

The costs of arbitration including attorneys' fees shall be borne by the losing Party unless otherwise decided in the arbitral award. 除非仲裁裁决中另有规定，仲裁费用包括律师费由败诉方承担。

When any dispute occurs and when any dispute is under arbitration, except for the matters under dispute, the Parties shall continue to exercise their other respective rights and fulfill their other respective obligations under this Guarantee Contract. In any arbitration proceeding or legal proceeding to enforce an arbitral award, in any other legal action between the Parties relating to this Guarantee Contract, each Party waives the defense of sovereign immunity and any other defense solely based upon the fact or allegation that it is a political subdivision, agency or instrumentality of a sovereign state. 如发生任何争议，且争议正在仲裁中，则双方应继续实施和履行其在本保证协议项下的除争议事项之外的各自的权利和义务。在任何仲裁程序中，或执行仲裁裁决的法律程序中，或双方之间就本保证协议而进行的任何其他法律程序中，每一方均放弃主权豁免抗辩，以及任何其他完全建立在其为某一主权国的政治划区、机构或机关这一主张上的抗辩。

Chapter 9 Others 第九章 其他

Clause 20 Unless otherwise defined in this Guarantee Contract, any reference to the bold and underlined terms herein shall have the same meaning as provided in the paragraph 1.1 (Definitions) under Clause 1 (Definitions and Interpretation) of the Loan Agreement.

第二十条 除非本保证协议中另有定义，本保证协议中使用的加黑加下划线的词语具有贷款协议第一条(定义及解释)第1.1条(定义)中所约定的含义。

Clause 21 Neither tolerance, grace period, privileges or delays that one Party has granted to the other Party under this Guarantee Contract, shall affect, impact or restrict any rights of such one Party under this Guarantee Contract and arising out of the operation of laws, and nor shall these be deemed as a waiver of any rights or interests under this Guarantee Contract by such one Party, and nor shall these affect the obligations and liabilities to be borne by the other Party.

第二十一条 一方在本协议项下给予另一方的任何宽容、宽限、优惠或延缓均不影响、损害或限制该方依据本保证协议和法律、法规而享有的一切权利，也不应被视为该方对本保证协议项下权利、权益的放弃，也不影响另一方所应承担的责任和义务。

Clause 22 This Guarantee Contract may be amended or supplemented by mutual written agreement of the Parties. Any amendment or supplement to this Guarantee Contract shall constitute an integral part of this Guarantee Contract.

第二十二条 本保证协议经双方书面同意，可以修改或补充；对本保证协议的任何修改和补充均构成本保证协议不可分割的一部分。

Clause 23 This Guarantee Contract is made solely for the benefit of Kenon and Chery and shall not be construed to confer any rights to any third party (including, without limitation, Qoros, the Agent and the Lender).

第二十三条 本保证协议仅为 Kenon 和奇瑞之利益而创设,不应解释为向任何第三方(包括但不限于观致、代理行或贷款人)授予任何权利。

Clause 24 Any notice, demand or other documents to be given by one Party to any other Party hereto shall be in writing in English and delivered or sent to the recipient(s) at the address specified in the first page of this Guarantee Contract. Any Party hereto shall timely notify the other Party of any change of its address.

第二十四条 双方相互发出的任何通知、要求或其他文件，应以书面形式以英文作出，并发送至本保证协议首页列出的有关方的地址。如果任何一方变更其地址，该方需及时通知另一方。

Such notice, demand or documents will be deemed as delivered: if sent by person, at the time of actual delivery; if posted by registered mail, at the time of 17:00 of the fifth (5) Business Day after such registered mail is posted; if sent by PDF-email or fax, at the time when a confirmation report is received by the sender.

上述通知、要求或文件，如以专人送递，在实际交付时即被视为送达；如以挂号信方式发送，在挂号信寄出后第五(5)个营业日17:00即被视为送达；如以PDF电邮或传真发送，在发送人收到确认报告时即被视为送达。

Clause 25 This Guarantee Contract is signed in English and Chinese languages with both language versions equally binding. In case of any discrepancy between the two languages versions, the English version shall prevail.

第二十五条 本保证协议以中英文签署，具有同等效力。当两种语言文本有任何歧义时，应以英文文本为准。

Clause 26 This Guarantee Contract is executed in two (2) originals. Chery and Kenon will each hold one (1) original. Each original is equally binding with the same legal force.

第二十六条 本保证协议正本一式二（2）份，奇瑞和Kenon各执一（1）份原件，具有同等的法律效力。

Clause 27 Kenon shall be entitled to disclose any information in terms of its obligation under this Guarantee Contract to the extent to satisfy the legal regulation requirement imposed on a public listed company.

第二十七条 Kenon有权为满足法律对上市公司信息披露义务的要求而披露与其在本保证协议项下之义务有关的信息。

Kenon: Kenon Holdings Ltd.

Name: Yoav Doppelt

姓名: Yoav Doppelt

Position: CEO

职务: CEO

Signature: _____

签名:

Chery: Chery Automobile Co. Ltd.,

奇瑞: 奇瑞汽车股份有限公司

Name: Yin Tongyue

姓名: 尹同跃

Position: Chairman & CEO

职务: 董事长兼总经理

Signature: _____

签名:

Company Seal

公司公章

Name: Dan Cohen

姓名: Dan Cohen

Position: Authorized Signatory

职务: Authorized Signatory

Signature: _____

签名:

ADDENDUM I TO GUARANTEE CONTRACT Kenon – CHERY

Kenon – 奇瑞保证协议附录

This addendum to the guarantee contract (“Addendum”) between Kenon and Chery dated 9 June, 2015 is entered into on the date of such Guarantee Contract (as defined below) by and between:

本 Kenon 和 奇瑞 之间的保证协议附录 (“附录”), 于该 保证协议 (见如下定义) 签订之日 (即: 2015 年 6 月 9 日) 由以下双方签署:

Kenon Holdings Ltd., a limited liability company duly organized and validly existing under the laws of the Republic of Singapore with its legal address at 1 Temasek Avenue, #36-01 Millenia Tower, Singapore 039192 (“Kenon”), and **Kenon Holdings Ltd.**, 一家根据新加坡法律合法设立和有效存续的有限责任公司, 法定地址为 1 Temasek Avenue, #36-01 Millenia Tower, Singapore 039192 (“Kenon”),

Qoros Automotive Co., Ltd., a limited liability company duly organized and validly existing under the laws of the PRC with its legal address at 88 Tonggang Road, Riverside International Building Room 501, Economic Development Area of Changshu City, Jiangsu Province, PRC.

观致汽车有限公司, 一家根据以 中国 法律合法设立和有效存续的有限责任公司, 法定地址为 中国江苏省常熟市经济技术开发区通港路 88 号滨江国际大厦 501 室。

(Kenon and Qoros are hereinafter individually referred to as “Party” or jointly referred to as “Parties”)
(Kenon 和 观致 各自称为“一方”, 合称为“双方”。)

WHEREAS Kenon and Chery Automobile Co. Ltd. have entered into a guarantee contract dated 9 June, 2015 pursuant to which Kenon agrees to provide an irrevocable and – in accordance with such Guarantee Contract—unconditional guarantee to Chery for up to 50% of the Chery Secured Indebtedness (as defined under the Guarantee Contract) under the Chery Guarantee Deed (as defined under the Guarantee Contract).

鉴于, Kenon 与奇瑞汽车股份有限公司于 2015 年 6 月 9 日签订了一份保证协议, Kenon 同意据此就 奇瑞保证合同 (见 保证协议 之定义) 项下的 奇瑞担保债务 (见 保证协议 之定义) 的 50% 提供不可撤销的且——根据本 保证协议——无条件的保证。

In accordance with relevant laws and regulations of the PRC and after an amicable negotiation based on mutual consents, the Parties agree as follows:

双方 经友好协商, 依照 中国 有关法律、法规之规定, 协商一致, 同意如下事项:

Qoros herewith acknowledges the Guarantee Contract and agrees irrevocably and unconditionally in particular to the specific obligations of Qoros under such Guarantee Contract (including but not limited with respect to Clause 13 as it relates to Qoros’ obligation to repay to Kenon any amounts Kenon paid to Chery under this Guarantee Contract).

观致 在此认可该 保证协议, 同时不可撤销且无条件的同意该 保证协议 中特别列明的 观致 的义务 (包括但不限于本 保证协议 十三条所述之关于 观致 向 Kenon 偿还与 Kenon 支付给 奇瑞 的相等的金额之义务)。

Kenon is entitled to be repaid simultaneously with Chery from Qoros in any amount based on pro rata based on the amount actually paid which is divided among Chery and Kenon, if Chery and Kenon fully perform their obligations under the Chery Guarantee Deed and this Guarantee Contract, respectively.

如果 奇瑞 和 Kenon 分别完全履行了他们在 奇瑞保证合同 和本 保证协议 的义务, Kenon 有权与 奇瑞 同时从 观致 得到偿还, 其金额基于 奇瑞 和 Kenon 实际支付的金额按比例分配。

Qoros acknowledges and agrees that its drawdowns from the Lender under the Loan Agreement are capped at RMB 350,000,000 (three hundred fifty million) and that any drawdown beyond such RMB 350,000,000 (three hundred fifty million) shall require the prior written approval of Kenon and Chery.

观致承认并同意，在贷款协议项下的贷款提取额上限为人民币 350,000,000.00 元，且任何超出该等人民币 350,000,000.00 元（人民币叁亿伍仟万元整）的提取需要奇瑞和 Kenon 事先书面批准。

Qoros acknowledges and agree that that Kenon and Chery will not authorize Qoros to drawdown additional amounts beyond RMB 350,000,000 (three hundred fifty million) under the Loan Agreement unless (a) Kenon agrees to provide an additional guarantee in respect of 50% of such additional drawdowns (ie. up to RMB 175 million of the principal Facility as well as any additional amounts, such as interest and fees in respect thereof, subject to the limits specified in Clause 2 items (ii) and (iii) of the Guarantee Contract) and (ii) Chery and Kenon approve in writing of any Qoros drawdown.观致承认并同意，Kenon 和奇瑞不会授权观致在贷款协议项下支取超过人民币 350,000,000.00 元（人民币叁亿伍仟万元整）的金额，除非(i)Kenon 同意就这些额外支取额的 50%（即最高为人民币 175,000,000 元（人民币壹亿柒仟伍佰万元整）的贷款本金加上任何附加费用，例如贷款本金的利息及相关费用，但应受限于保证协议第 2 条第（ii）项及第（iii）项中所述之限额）提供额外的担保以及（ii）奇瑞和 Kenon 书面同意的任何观致的提取额。

This Addendum shall come into force on the date when the legal or authorized representatives of Kenon and Chery have affixed their respective signatures together with the company seal of Chery on the Guarantee Contract and when the legal or authorized representatives of Kenon and Qoros have affixed their respective signatures together with the company seal of Qoros on this Addendum.

本附录应于 Kenon 与奇瑞各自的法定代表人或授权签字人在保证协议上正式签字并加盖奇瑞的公司公章，且 Kenon 与观致各自的法定代表人或授权签字人在本附录上正式签字并加盖观致的公司公章且之日起生效。

This Addendum shall be governed by and construed in accordance with the laws of the PRC. Clause 19 of the Guarantee Contract (HKIAC dispute resolution) shall apply mutatis mutandis to this Addendum and in relation to Qoros and Kenon hereunder, 本附录适用中国法律并按中国法律解释。保证协议第十九条（HKIAC 争议解决）应在细节上做必要修正后适用于本附录以及本附录下之观致及 Kenon。

Clauses 20 to 26 of the Guarantee Contract shall apply mutatis mutandis to this Addendum and in relation to Qoros and Kenon hereunder, 保证协议的第二十至二十六条应在细节上做必要修正后适用于本附录以及本附录下之观致及 Kenon。

Kenon: Kenon Holdings Ltd.

Name: Yoav Doppelt
姓名: Yoav Doppelt
Position: CEO
职务: CEO
Signature: _____
签名:

Name: Dan Cohen
姓名: Dan Cohen
Position: Authorized Signatory
职务: Authorized Signatory
Signature: _____
签名:

Qoros: Qoros Automobile Co. Ltd.,
观致: 观致汽车有限公司

Name: CHEN ANNING
姓名: 陈安宁

Name:
姓名:

Position: Chairman & CEO
职务: 董事长兼总经理

Position:
职务: 副董事长

Signature: _____
签名:

Signature: _____
签名:

Company Seal
公司公章

This Addendum and Qoros’ obligations thereunder being acknowledged by Chery:
奇瑞认可本附录以及附录下观致之义务。

Chery: Chery Automobile Co. Ltd.,
奇瑞: 奇瑞汽车股份有限公司

Name: Yin Tongyue
姓名: 尹同跃
Position: Chairman & CEO
职务: 董事长兼总经理
Signature: _____
签名:

Company Seal
公司公章

GUARANTEE CONTRACT

保证协议

Between

合同双方

Kenon Holdings Ltd.

And

和

Chery Automobile Co. Ltd.
奇瑞汽车股份有限公司

5 November, 2015

2015 年 11 月 05 日

This guarantee contract (“**Guarantee Contract**”) is entered into on the date first above written by and between:
本保证协议(“**保证协议**”)于以上所述日期由以下双方签署

- (1) Kenon Holdings Ltd. a limited liability company duly organized and validly existing under the laws of Singapore with its legal address at 1 Temasek Avenue, #36-01 Millenia Tower, Singapore 039192 (“**Kenon**”), represented by Mr. Yoav Doppelt and Mr. Dan Cohen, and

Kenon Holdings Ltd.，一家根据新加坡法律合法设立和有效存续的有限
任公司，法定地址为 1 Temasek Avenue, #36-01 Millenia Tower, Singapore
039192，代表人为 Yoav Doppelt 先生和 Dan Cohen 先生 (“**Kenon**”)，和

- (2) Chery Automobile Co. Ltd., a company limited by shares duly organized and validly existing under the laws of the People’s Republic of China (“**PRC**”), with its legal address at 8 Changchun Road, Economic & Technology Development Zone, Wuhu, Anhui, China, represented by Mr. Yin Tongyue (“**Chery**”)

奇瑞汽车股份有限公司，一家根据中华人民共和国 (“**中国**”) 法律合法设立
和有效存续的有限责任公司，法定地址为中国安徽省芜湖市经济技术开发区
长春路 8 号，代表人为尹同跃先生 (“**奇瑞**”)

(Kenon and Chery are hereinafter individually referred to as “**Party**” or jointly referred to as “**Parties**”)
(**Kenon** 和 **奇瑞** 各自称为 “**一方**”，合称为 “**双方**”。)

WHEREAS:
鉴于:

- (A) Kenon is the parent company of Quantum (2007) LLC (“**Quantum**”) and Chery is a major shareholder of Wuhu Chery Automobile Investment Co., Ltd. (“**Wuhu Chery**”) and Quantum and Wuhu Chery are equal shareholders of the Sino-foreign equity joint venture company Qoros Automotive Co., Ltd. (“**Qoros**”).

Kenon 为量子公司 (“**量子**”) 的母公司，**奇瑞** 为芜湖奇瑞汽车投资有限
公司 (“**芜湖奇瑞**”) 的主要股东，**量子** 和 **芜湖奇瑞** 是中外合资企业观致
汽车有限公司 (“**观致**”) 各持有 50% 股权的股东。

- (B) Qoros has signed a Syndicated Renminbi/US Dollars Agreement for Fixed Assets Investment with an Aggregate Equivalent Amount of RMB Three Billion (the “**Loan Agreement**”) with Contract No. of YT41121230018 on July 23, 2012 with the Export-Import Bank of China (the “**Arranger**”), China Construction Bank Co., LTD, Suzhou Branch (the “**Agent**”) and several banks listed under the Loan Agreement as the lenders (the “**Lenders**”) in which the Lenders agree to make available to Qoros an aggregate amount not exceeding RMB 3,000,000,000 (Three Billion) equivalent RMB/USD dual currency long term loan facility pursuant to the provisions of the Loan Agreement (the “**Facility**”).

观致已经与中国进出口银行(“牵头行”)、中国建设银行股份有限公司苏州分行(“代理行”), 以及贷款合同所列多家贷款银行(“贷款人”)于 2012 年 7 月 23 日签订了合同号为 YT41121230018 《等值人民币叁拾亿元人民币/美元双币种固定资产银团贷款合同》(“贷款合同”), 各贷款人同意按照贷款合同条款向观致提供总计本金额不超过等值人民币 3,000,000,000 元(大写: 人民币叁拾亿元整)的人民币/美元双币种长期贷款额度(“贷款”).

- (C) As a condition precedent for the Lenders to make the Facility available for Qoros, Chery and Changshu Port Development and Construction Co. Ltd. (“**CS Port**”) agreed that Chery and CS Port each separately provide an irrevocable and unconditional guarantee covering 50% of the indebtedness of Qoros, including the draw downs and other payable amounts with a Loan Term of 120 months to all Bank Consortium Members for the liabilities of Qoros under the Loan Agreement pursuant to the terms and conditions set forth in the Guarantee Deed (No. YT41121230018 (A)) between Chery and the Agent (“**Chery Guarantee Deed**”) and another Guarantee Deed (No. YT41121230018(B)) made between CS Port and the Agent (“**CS Port Guarantee Deed**”), both dated July 23, 2012 (the Chery Guarantee Deed and the CS Port Guarantee Deed hereinafter referred to as the “**Guarantee Deeds**”). For the purpose of clarification, Chery and CS Port provide their individual Guarantee Deeds on a pro-rata basis respectively. Chery shall under the Chery Guarantee Deed not assume any joint and several liabilities in connection with the CS Port Guarantee Deed and vice versa.

作为各贷款人向观致提供贷款的先决条件之一, 奇瑞和常熟港口开发建设有限公司(“常熟港建”)同意按照奇瑞和代理行于 2012 年 7 月 23 日签署的合同号为 YT41121230018(A)号的《保证合同》(“奇瑞保证合同”)以及常熟港建与代理行在同日签订的另一合同号为 YT41121230018(B)号的《保证合同》(“常熟港建保证合

同”) (“奇瑞保证合同”和“常熟港建保证合同”以下称为“保证合同”)的条款和条件，分别为观致在贷款合同项下 50%的债务包括贷款期限为 120 个月的贷款提取额及其他应付款项向全体银团成员行提供不可撤销的无条件的保证。为澄清之目的，奇瑞和常熟港建分别按照各自承担的份额向观致提供单独的保证合同。奇瑞在奇瑞保证合同项下对常熟港建为观致提供的保证不承担连带责任，反之亦然。

(D) This Guarantee Contract directly correlates with Loan Agreement specified in Whereas (B) and Guarantee Deeds specified in Whereas (C).

本保证协议和鉴于(B)所指的贷款合同和鉴于(C)所指的保证合同直接相关联。

In accordance with relevant laws and regulations of the PRC and after an amicable negotiation based on mutual consents, the Parties agree as follows:

双方经友好协商，依照中国有关法律、法规之规定，协商一致，兹订立本协议如下：

Chapter 1 Scope of Guarantee, Guaranteed Indebtedness and Term of Guarantee

第一章 保证范围、保证责任和保证期间

Clause 1 Pursuant to the provisions of the Chery Guarantee Deed, Chery has agreed to provide an irrevocable and unconditional guarantee to all Bank Consortium Members for 50% of the indebtedness of Qoros under the Loan Agreement subject to the clauses of the Chery Guarantee Deed. Such guarantee provided by Chery under the Chery Guarantee Deed covers: all the present and future obligations and indebtedness that Qoros shall be liable to all of the Bank Consortium Members (or any of the Bank Consortium Member) pursuant to the Loan Agreement (or any clause thereof) (including but not limited to the draw downs, interests (including statutory interests, contractual interests, overdue interests and default interests), liquidated damages, compensations, processing charges, costs and any others reasonable and necessary expenditures incurred for the purpose of enforcing the creditor's rights by a Bank Consortium Member, inter alia collection fees, disposal fees, taxes and fees, court fees, notarization fees, preservation fees, public announcement fees, reasonable and necessary enforcement fees, auction fees, reasonable and necessary legal fees, traveling expenses and others etc. as specified in this Clause 1) (collectively the “**Chery Secured Indebtedness**”).

第一条 奇瑞已同意按奇瑞保证合同的约定，根据奇瑞保证合同的条款为观致在贷款合同项下的 50%的债务向全体银团成员行提供不可撤销

的无条件的保证。奇瑞在奇瑞保证合同项下提供的保证所担保的范围包括：观致在贷款合同(或其中任何一条)项下对全体银团成员行(或任一银团成员行)承担的所有现在和将来的义务和债务(包括但不限于本第一条所述的贷款提取额、利息(包括法定利息、约定利息、逾期利息及罚息))、违约金、损害赔偿金、手续费和成本以及实现银团成员行债权的任何合理且必要的开支，如催收费用、处置费用、税费、诉讼费用、公证费用、保全费、公告费、合理且必要的执行费、拍卖费、合理且必要的律师费、差旅费及其他费用)(统称“奇瑞担保债务”)。

Clause 2 Pursuant to the provisions of this Guarantee Contract, Kenon agrees to provide an irrevocable and – in accordance with this Guarantee Contract - unconditional guarantee to Chery for up to 50% of the Chery Secured Indebtedness under the Chery Guarantee Deed, subject to the limitations set forth below (such 50% of the Chery Secured Indebtedness under the Chery Guarantee Deed subject to the limitations set forth below shall hereinafter be referred to as the “**Kenon Secured Indebtedness**”).

The Kenon Secured Indebtedness shall include but be limited to RMB 750 Million for (i) draw downs in relation to the Facility granted to Qoros under the Loan Agreement, (ii) interest in relation to the Facility granted to Qoros under the Loan Agreement and (iii) of any and all related fees. If Chery will have to bear liabilities under the Chery Guarantee Deed exceeding RMB 1.5 billion, Kenon is committed to negotiate with Chery in good faith to find a solution so that Kenon and Chery will assume liabilities for the related indebtedness of Qoros under the Loan Agreement in equal proportion. The amount of RMB 750 million specified in the first sentence of this paragraph together with the amount, if any, agreed to be assumed by Kenon in the immediately preceding sentence, shall be collectively referred to hereinafter as the “**Total Amount**”, and may be adjusted in accordance with Clauses 7 and 12 below. If a portion of the interest and fees under items (ii) and (iii) listed above is attributed to the noncompliance with the representations, warranties and covenants by Chery under the Chery Guarantee Deed and/or this Guarantee Contract, Kenon shall not be liable for that portion to Chery.

第二条 Kenon 同意按照本保证协议的约定，受制于下述限定，就奇瑞保证合同项下的奇瑞担保债务的 50%提供不可撤销的且——根据本保证协议——无条件的保证（该受制于下述限定的奇瑞保证合同项下奇瑞担保债务的 50%以下称为“Kenon 担保债务”）。

Kenon 担保债务包括（但仅限于人民币 7.5 亿）：（i）贷款合同项下给予观致的贷款的贷款提取额；（ii）贷款合同项下给予观致的贷款相关的利息；以及（iii）任何和所有相关费用。如果奇瑞在奇瑞保证合同项下需承担的责任超出人民币 15 亿，Kenon 承诺，其将和奇瑞进行善

意协商，以寻找解决方式，以使 **Kenon** 和**奇瑞**等额分担**观致**于**贷款合同**项下的相关债务。本段第一句中所规定的人民币 7.5 亿以及 **Kenon** 在本句前的句子中同意承担的金额（如有）以下合称为“**总金额**”，并可根据以下第七条及十二条的规定进行调整。如果上述第（ii）项和第（iii）项中的利息和费用的一部分仅是由于**奇瑞**没有遵守**奇瑞保证合同**及/或本**保证协议**的陈述、保证和承诺而产生的，**Kenon**不应当就这部分费用对**奇瑞**负责。

Clause 3 In case Qoros fails to pay any due and payable Chery Secured Indebtedness on any due date or any Event of Default under the Loan Agreement occurs and the payment ability of Qoros could be strongly affected, and in each case Chery pays off such Chery Secured Indebtedness to the Agent in accordance with the Chery Guarantee Deed, Kenon shall pay to Chery 50% (but not more than the Total Amount or an adjusted ratio or amount in accordance with Clauses 7 and/or 12 below) of the amount of the Chery Secured Indebtedness actually paid by Chery to the Agent within thirty (30) Business Days upon the receipt of a written notice from Chery to a bank account designated by Chery. If Kenon pays the Kenon Secured Indebtedness in USD, Kenon shall ensure that the amount received by Chery shall be the RMB equivalent of 50% of the sums paid by Chery to the Agent for Chery Secured Indebtedness (but not more than the Total Amount or an adjusted ratio or amount in accordance with Clauses 7 and/or 12 below), determined by reference to midrate of exchange by the People's Bank of China on the date on which the relevant amount is received by Chery.

第三条 如**观致**未按期支付任何到期应付的**奇瑞担保债务**，或发生了**贷款合同**项下任何其他**违约事件**并可能严重影响**观致**的偿付能力，并且在任何情况下**奇瑞**根据**奇瑞保证合同**的约定向**代理行**支付了该**奇瑞担保债务**，则 **Kenon**应当在收到**奇瑞**的书面通知后三十（30）个**营业日**内，向**奇瑞**指定的银行账户支付**奇瑞**实际向**代理行**支付的**奇瑞担保债务**的 50%的金额（但不超过**总金额**或以下第七条及/或第十二条规定的调整比例或金额）。若 **Kenon**以美元支付 **Kenon 担保债务**，则 **Kenon**应确保**奇瑞**收到的金额等值于**奇瑞**向**代理行**支付的**奇瑞担保债务人民币**总数的 50%（但不超过**总金额**或以下第七条及/或第十二条规定的调整比例或金额），以**奇瑞**收到有关金额当天中国人民银行公布的汇率中间价计算。

Clause 4 Chery shall provide Kenon with all documents to prove the Chery Secured Indebtedness paid off to the Agent for the purpose of Kenon's guarantee payable under this Guarantee Contract.

第四条 为了本**保证协议**项下 **Kenon**承担的保证责任的目的，**奇瑞**应向 **Kenon** 提供所有材料以证明**奇瑞**向**代理行**支付的**奇瑞担保债务**的金额。

Clause 5 The term of this Guarantee Contract shall commence from the effectiveness of the Guarantee Deeds or the effective date of this Guarantee Contract, whichever is earlier, until ten (10) days after the Chery Guarantee Term under the Chery Guarantee Deed, or two (2) years after Chery performs the Chery Secured Indebtedness owed by Chery under the Chery Guarantee Deed, whichever is later. This Guarantee Contract will become null and void after the term of this Guarantee Contract as set forth above is expired.

Clauses 18 and 19 shall remain valid and survive the expiration of the term of this Guarantee Contract.

第五条 本保证协议的保证期间，自保证合同或本保证协议的生效日（以较早者为准）起，至奇瑞保证合同项下奇瑞担保期限之后十（10）日，或者奇瑞履行了奇瑞保证合同项下奇瑞所欠的奇瑞担保债务之后两（2）年，以较晚者为准。在上述本保证协议期限届满后本保证协议即为无效。第十八条及第十九条在本保证协议期限届满后应保持有效。

Chapter 2 Nature and Effectiveness of Guarantee

第二章 保证的性质和效力

Clause 6 The guarantee under this Guarantee Contract is an exclusive guarantee with continuance and full effectiveness provided by Kenon to Chery and shall not be a joint and several guarantee to the Chery Guarantee Deed which Chery provided to the Agent and/or the CS Port Guarantee Deed and/or any other guarantee or security provided to the Agent or any of the Bank Consortium Members in relation to the Loan Agreement. Chery may only claim against Kenon under this Guarantee Contract if and after Chery has fulfilled its obligations and actually paid its guaranteed amount pro rata towards the Agent under the Guarantee Deeds.

第六条 本保证协议项下的保证为 **Kenon** 提供给奇瑞的独家保证，具有持续性和完全的效力。该保证不应构成奇瑞向代理行提供的奇瑞保证合同和/或常熟港建保证合同和/或与贷款合同相关的向代理行或任一银团成员行提供的任何其他保证或担保的连带保证。仅在奇瑞已经根据保证合同在其承担的份额内向代理行履行了保证责任且实际支付其担保的金额后，奇瑞方可基于本保证协议向 **Kenon** 提出索赔。

Clause 7 The effectiveness of this Guarantee Contract shall not be affected by either of the liquidation, merger, spin-off, restructuring, bankruptcy or any other form of change of the organizational chart of Kenon or other arrangements made to Qoros's indebtedness. This Guarantee Contract shall terminate as of the date Quantum ceases to be a shareholder of Qoros, provided that the assignee of Quantum's equity in Qoros unconditionally undertakes the liability and obligation of Kenon hereunder pro rata in accordance with the equity ratio assignment and based on equal terms with this Guarantee Contract with Chery's consent in writing. Also, the ratio and Total Amount of

the Kenon Secured Indebtedness shall be adjusted pro rata in accordance with any adjustment of the equity ratio held by Quantum in Qoros during the term of the Guarantee Contract (e.g. if the equity of Quantum in Qoros adjusts to 40%, Kenon shall only guarantee for 40% of the Chery Secured Indebtedness under the Chery Guarantee Deed, subject to the limitation of the Total Amount) subject to the written agreement among Kenon, Chery and assignee in question. However written agreement is not necessary once shareholding is decreased due to dilution (decrease of shareholdings due to issuance of new securities) in case of an IPO of Qoros.

第七条 本保证协议的效力不受 **Kenon** 的清算、合并、分立、重组、破产或是其他形式的组织机构的改变或对观致的债务所做的任何其他安排的影响。自量子不再是观致的股东之日起,本保证协议应终止,前提是,经奇瑞书面同意, 量子之观致股权的受让人根据股权分配比例以及基于本保证协议的平等条件按其份额无条件的接受 **Kenon** 的责任及债务。此外,依据 **Kenon**、奇瑞和受让人之间的书面协议, **Kenon** 担保债务的比例和总金额将根据在本保证协议期限内量子所持有的观致的股权比例作同比调整(例如,如量子持有的观致的股权比例调整为 40%,则 **Kenon** 仅就奇瑞保证合同项下的奇瑞担保债务的 40%提供保证,但受制于总金额的限定)。但是股份因观致上市被稀释(由于发行新证券而减少股份)而减少时,无需书面协议。

Clause 8 This Guarantee Contract is independent of the Loan Agreement but is dependent on the effectiveness of the Chery Guarantee Deed. The effectiveness of this Guarantee Contract and the obligations and liabilities of Kenon hereunder shall not be affected by the fact that the Loan Agreement becomes null or rescinded for whatsoever reason. The effectiveness of this Guarantee Contract and the obligations and liabilities of Kenon hereunder shall be null and void if the Chery Guarantee Deed becomes null or rescinded for whatsoever reason.

第八条 本保证协议独立于贷款合同,但受制于奇瑞保证合同的效力。如贷款合同因任何原因而成为无效或被撤销,本保证协议的效力以及 **Kenon** 在其项下的责任和义务不受影响。如奇瑞保证合同因任何原因而成为无效或被撤销,则本保证协议以及 **Kenon** 在其项下相关的责任和义务应为无效。

Clause 9 This Guarantee Contract and any of the rights and obligations of the Parties hereunder shall not be transferred by a Party hereof to any third party without prior written consent of the other Party.

第九条 未经另一方事先书面同意,任何一方均不得将本保证协议以及双方在其项下的任何权利和义务转让给任何第三方。

Chapter 3 Representations and Warranties 第三章 陈述及保证

Clause 10 Chery represents and warrants to Kenon that Chery will (a) comply with its representations, warranties and covenants under the Chery Guarantee Deed, (b) to the extent Chery becomes aware that Qoros has failed to comply with any of its payment obligations under the Loan Agreement, to immediately notify Kenon and (c) immediately upon Qoros failing to comply with all or any of its payment obligations under the Loan Agreement and upon the request of Kenon, start to pay all and any due amounts (a “**Kenon Requested Repayment**”) in accordance with the Chery Guarantee Deed as to avoid any increase of interest, fees or other amounts payable under the Loan Agreement and to take all and any reasonable and legally required measures to ensure that Chery’s liabilities under the Chery Guarantee Deed are at all times kept at the lowest possible level, provided that (i) prior to the payment by Chery of any Kenon Requested Repayment, Kenon and Chery will, for a period of 30 days, negotiate in good faith for the interest of both parties to identify and agree on alternatives to repayment which could reduce Qoros’ liabilities under the Loan Agreement, and (ii) at the end of such 30 day period, Kenon shall first make its corresponding proportional payments to Chery in respect of such Kenon Requested Repayment as calculated in accordance with this Guarantee Contract, and immediately upon receipt of such amounts, Chery shall make such Kenon Requested Repayment in accordance with this Guarantee Contract. Notwithstanding the foregoing, at any time beginning when Kenon has requested a Kenon Requested Repayment and prior to the expiry of such 30 day period, Kenon may, in its sole discretion, pay its corresponding proportional payments to Chery in respect of such Kenon Requested Repayment as calculated in accordance with this Guarantee Contract, and upon the receipt by Chery of such amounts, Kenon shall be deemed to have fully satisfied its obligations with respect to the Kenon Secured Indebtedness in a sum equal to such amounts and the Total Amount shall be deemed to be reduced by such amounts, but Kenon shall remain liable under its remaining obligations under this Guarantee Contract, provided that Kenon shall not be responsible for any penalty interest, fees or other related charges related to any such failure to comply with payment obligations accruing after the date of such payment by Kenon in respect of such amounts.

第十条 奇瑞向 Kenon 陈述和保证，奇瑞将（a）遵守其在奇瑞保证合同中的陈述，保证和承诺，（b）在奇瑞了解到观致未能遵守其在贷款合同项下的任何付款义务的范围内，立即通知 Kenon，且（c）当观致不能遵守其在贷款合同项下的全部或任何付款义务时且应 Kenon 的要求，

立即根据奇瑞保证合同开始支付任何及全部到期款项（“Kenon 要求的还款”），以避免任何增加的利息、费用或贷款合同项下其他应付款项，并且采取所有及任何合理且合法的必要措施，以确保奇瑞在奇瑞保证合同项下的责任在任何时候均被保持在尽可能最低的水平，前提条件是，（i）在奇瑞支付任何 Kenon 要求的还款之前，Kenon 和奇瑞将在 30 天的期限内为了双方的利益进行善意协商，以确定并同意能够减少观致在贷款合同下的债务的还款替代方案，并（ii）在该等 30 天的期限结束时，Kenon 应首先就根据本保证合同计算的该等 Kenon 要求的还款而向奇瑞支付其相应比例的付款，并且在收到该等付款后，奇瑞应立即根据本保证合同支付 Kenon 要求的还款。虽有前述规定，在Kenon已要求了 Kenon 要求的还款后且在该等 30 天的期限到期前的任何时间，Kenon 可根据其自主决定就根据本保证合同计算的该等 Kenon 要求的还款而向奇瑞支付其相应比例的付款，并且在奇瑞收到该等付款后，Kenon 应被视为已完全履行了其于 Kenon 要求的还款相关的义务，金额等于该等付款，且总金额应被视为已经减去了该等付款。但是，Kenon 仍应承担其在本保证合同下的其余义务，前提是，因在 Kenon 完成该等付款的支付之后该等未能遵守付款义务所产生任何罚息、费用或其他有关收费，Kenon 应不負責任。

Kenon represents and warrants to Chery with respect to the then facts and situations on the effective date of this Guarantee Contract, every Utilization Notice date, every Utilization Date and every Date of Interest Payment as follows:

Kenon 就本保证协议生效之日、各提款通知之日、各提款日和各付息日的事实和情况，向奇瑞作如下陈述和保证：

1. It is a legal person that has been legally incorporated and validly existing pursuant to the laws and regulations of its incorporation place.
该方是一家依照其注册地的法律法规合法成立并有效存续的法人。
2. It has the necessary civil capacities and rights to own its assets, to operate its businesses, and to make and perform this Guarantee Contract.
该方具有拥有其资产、经营其业务、订立并履行本保证协议的必要的民事行为能力 and 民事权利能力。
3. It has obtained all the internal corporate authorizations necessary for entering into and performing this Guarantee Contract with such authorizations still in full force and effect; and this Guarantee Contract has been duly and effectively executed by the authorized representatives of Kenon.
该方已获得订立并履行本保证协议所需的所有公司内部授权，并且其仍旧完全有效，本保证协议已经由 Kenon 的授权签字人有效签署。

4. All approvals, permits, consents, registrations and filings currently required for its legal performance of this Guarantee Contract have been duly obtained and are still in full force and effect.
该方已经获得了其合法履行本保证协议目前所需的各项批准、许可、同意、登记及备案，并且该等事项仍旧完全有效。
5. The obligations set forth in this Guarantee Contract are legal, effective and binding upon on Kenon, and it shall be fully performed accordingly.
本保证协议项下的义务均为合法、有效，并对 **Kenon** 有约束力，**Kenon** 应当按照其条款履行。
6. The formation and performance of this Guarantee Contract by Kenon for itself do not and will not violate or contradict with any of the following:
Kenon 订立并履行本保证协议没有、并且不会违反下列任何一项或与之冲突：
- (a) Any contracts, agreements or other documents that are of binding effect on it or its assets; which results or would result in a material adverse effect on its ability to perform its obligations under this Guarantee Contract;
对其或其资产具有约束力的任何合同、协议或任何其他文件；
对其履行本保证协议项下的义务的能力导致或将导致实质性的不利后果。
- (b) Any of its constitutional corporate documents; and/or
其公司根本性文件；及/或
- (c) Any laws and regulations it is subject to.
任何对其适用的法律法规。
7. There is no existing litigation, arbitration, administrative proceeding, judicial or administrative enforcement proceeding or other legal proceeding of the similar kind initiated against Kenon, which have led or would, if adversely determined, lead to a material adverse effect on its ability to perform its obligations under this Guarantee Contract.

不存在任何对 **Kenon** 提起的、对该方履行本**保证协议**项下之义务的能力产生或--若确定不利--将产生任何重大不利影响的任何法院诉讼、仲裁、行政程序、司法或行政机关的执行程序或具类似性质的其他法律程序。

8. It has not entered into any proceeding of business suspension, dissolution, liquidation, bankruptcy, restructuring, reconciliation, reorganization or other similar legal proceedings.
该方没有进入任何停业、解散、清算、破产、重整、和解、整顿或类似法律程序。
9. Under judicial proceedings in any jurisdiction, to the best knowledge of Kenon, Kenon do not have any immunity and privilege in respect of suing, judgment, enforcement, preservation and other judicial procedures.
在任何司法管辖地进行的司法程序中，尽 **Kenon** 所知，**Kenon** 在起诉、判决、执行、财产保全或其他司法程序方面不拥有任何豁免权和特权。
10. It has carefully read and fully understood and accepted the contents set forth in this Guarantee Contract and this Guarantee Contract will be made and performed by Kenon based on its will and true intention.
该方已仔细阅读并完全理解、接受本**保证协议**的内容，**Kenon** 签署和履行本**保证协议**基于其自愿及真实意思表示。
11. This Guarantee Contract is directly binding upon Kenon.
本**保证协议**仅对 **Kenon** 具有直接约束力。
12. To the extent Kenon becomes aware that Qoros has failed to comply with any of its payment obligations under the Loan Agreement, to immediately notify Chery.
在 **Kenon** 了解到**观致**未能遵守其在**贷款合同**项下的任何付款义务的范围内，立即通知**奇瑞**。

Chapter 4 Covenants 第四章 承诺

Clause 11 Before any Kenon Secured Indebtedness under the Guarantee Contract is fully discharged and before any of the Chery Secured Indebtedness up to an amount equal to the Total Amount (or an adjusted ratio or amount in accordance with Clauses 7 and/or 12 below) under the Chery Guarantee Deed is fully discharged, Kenon shall strictly fulfill and observe following covenants:

第十一条 本保证协议项下任何 **Kenon 担保债务**全部清偿前和**奇瑞保证合同**项下最高额等于**总金额**的任何**奇瑞担保债务**（或根据第七条及/或下述第十二条调整的比例或金额）全部清偿前，**Kenon**应严格履行和遵守以下承诺：

1. Kenon shall ensure that, the respective creditor's rights of Chery to Kenon under this Guarantee Contract shall at least rank pari passu with the creditor's rights (without priority) of the other unsecured creditors of Kenon except for obligations mandatorily preferred by applicable insolvency laws.
Kenon应当确保，除依法适用的破产法规定的法定优先受偿债务外，**奇瑞**在本保证协议项下对 **Kenon** 的债权至少与 **Kenon** 其他无担保债权人的无法定优先权的债权同处于优先受偿地位。
2. Kenon shall maintain its legal status, continuous and effective existence, and ensure it has necessary civil capacities and rights to perform this Guarantee Contract.
Kenon应当维持其法律地位合法、持续并有效存续，确保其具有必要的民事行为能力和民事权利能力以履行本保证协议。
3. Kenon shall timely obtain and maintain all approvals, permissions, consents, registrations and filings necessary for the performance of this Guarantee Contract, if any, and maintain the full force and effect hereof.
Kenon应当及时获得为履行本保证协议所需的各项批准、许可、同意、登记及备案（如有），遵守该等事项，并维持该等事项持续完全有效。
4. Kenon procures that all materials provided to the other Party in relation to this Guarantee Contract are true, complete and effective.
Kenon应当确保其向**奇瑞**提供的与本保证协议有关的所有材料均为真实、完整和有效的。

Clause 12 If any change and/or amendment and/or novation of the Loan Agreement and/or either of the Guarantee Deeds or any of their terms alleviate the obligations of Kenon stipulated in this Guarantee Contract, the prior written consent of Kenon shall not be required, and Kenon shall continue to bear guarantee liability thereafter. However, Chery shall notify such change and/or amendment and/or novation of the Loan Agreement and/or either of the Guarantee Deeds to Kenon in writing.

第十二条 如果对贷款协议和/或任一保证合同，或上述文件的任何条款所做出的任何修改和/或修订和/或更新减轻了本保证协议规定的 Kenon 的义务，则无需获得 Kenon 事先书面同意，Kenon 应继续承担保证责任。但是，奇瑞应就贷款协议和/或任一保证合同所做出的任何修改和/或修订，书面通知 Kenon。

Any change and/or amendment and/or novation of the Loan Agreement and/or either of the Guarantee Deeds or any of their terms intensify the obligations of Kenon, the prior written consent of Kenon to such change and/or amendment and/or novation shall be necessary to make them effective and binding upon Kenon in respect to this Guarantee Contract.

如果对贷款协议和/或任一保证合同，或上述文件的任何条款所做出的任何修改和/或修订和/或更新加重了 Kenon 的义务，为使本保证协议的 这些修改和/或修订和/或更新对 Kenon 产生效力和约束力，Kenon 的事先书面同意是必不可少的。

Clause 13 Chery herewith undertakes irrevocably and unconditionally towards Kenon (subject only to conditions in the Chery Guarantee Deed, if any) to pay off such Chery Secured Indebtedness and to hold Kenon and/or Quantum harmless from any and all direct and indirect damages and losses incurred by Kenon and/or Quantum in case Chery does not comply with its obligation to pay off the Chery Secured Indebtedness in full and on time in accordance with the Chery Guarantee Deed.

第十三条 奇瑞在此不可撤销且无条件的向 Kenon 承诺（仅遵守奇瑞保证合同的条件，如有），其将清偿该等奇瑞担保债务，且确保 Kenon 和/或量子不因 奇瑞不遵守其义务，没有根据奇瑞保证合同及时、完整地清偿奇瑞担保债务而受到任何直接和间接的损害及损失。

Chery shall be obliged to pay to Kenon, without further notice by Kenon, simultaneously and on a pro rata basis, 50% of any amounts Chery may receive or may otherwise recover (including by operation of any set-off, deduction or counterclaim) from Qoros and/or any other third party in respect of any payment made by Chery under the Chery Guarantee Deed, provided however that Kenon has in advance made its payments to Chery under this Guarantee Contract; these rights and obligations shall be and remain binding on Qoros whether or not (i) Kenon remains a shareholder of Quantum or (ii) Quantum remains a shareholder of Qoros or (iii) Chery remains a shareholder of Wuhu Chery or (iv) Wuhu Chery remains a shareholder of Qoros.

奇瑞有义务不经 Kenon 进一步的通知，将其因其在奇瑞担保合同项下所为之付款而可能从观致及/或任何第三方处所收到的、或以其他形式收回的任何款项（包括通过行使抵销、扣除或反诉）的 50%同步地、且按比例地支付给 Kenon，前提是 Kenon 已在本协议项下提前付款给奇瑞；无论是否（i）Kenon 仍为量子的股东，或（ii）量子仍为观致的股东，或（iii）奇瑞仍为芜湖奇瑞的股东或（iv）芜湖奇瑞仍为观致的股东，以上权利及义务应对观致具有、且持续具有约束力。

Kenon shall be entitled to claim from Qoros and Qoros shall be obliged to pay on demand to Kenon any amounts equal to all and any payments made by Kenon under this Guarantee Contract to Chery; these rights and obligations shall be and remain binding on Qoros whether or not (i) Kenon remains a shareholder of Quantum or (ii) Quantum remains a shareholder of Qoros.

Kenon 应有权要求观致，且观致应有义务应 Kenon 的要求向其支付与本保证协议项下 Kenon 对奇瑞所作的任何偿付相等的金额；无论是否（i）Kenon 仍为量子的股东，或（ii）量子仍为观致的股东，以上权利及义务应对观致具有、且持续具有约束力。

Chapter 5 Event of Default 第五章 违约事件

Clause 14 Any material breach of obligation under this Guarantee Contract by Kenon shall constitute an event of default under this Guarantee Contract by Kenon and Kenon shall be liable to compensate Chery for all and any direct losses and damages incurred by such breach of contract (indirect and consequential losses and damages shall be excluded).

第十四条 Kenon 实质违反本保证协议的义务将构成本保证协议项下的违约事件。Kenon 应有义务向奇瑞赔偿该等违反合同给其造成的任何直接损失和损害（不包括间接及衍生性损失及损害）。

Clause 15 Notwithstanding the aforesaid, after the occurrence of an event of default under this Guarantee Contract and in case Kenon is the defaulting Party, Kenon shall, directly or at the request of Chery observe one or more of the obligations listed below:

1. rectifying the default;
2. providing additional securities.

3. undertaking guarantee liabilities; and/or

4. performing any other obligations under this Guarantee Contract.

第十五条 尽管有上述条款，发生本保证协议项下的任何违约事件后，若Kenon为违约方，Kenon应当直接或者应奇瑞的要求履行以下一项或者多项义务：

1. 纠正违约行为；
2. 增加担保措施。
3. 承担保证责任；及/或
4. 履行本保证协议项下的其他义务。

Chapter 6 Fees and Indemnities

第六章 费用及补偿

Clause 16 Any expenses in connection with the negotiation, conclusion and performance of this Guarantee Contract shall be borne by each Party for itself.

第十六条 与本保证协议的协商、签订及履行有关的所有费用将由每一方各自承担。

Chapter 7 Effectiveness

第七章 生效

Clause 17 Subject to the provisions of Clause 5 above, this Guarantee Contract shall come into force on the date when the legal or authorized representatives of Kenon and Chery have affixed their respective signatures together with the company seal of Chery on this Guarantee Contract and when the legal or authorized representatives of Kenon and Qoros have affixed their respective signatures together with the company seal of Qoros on the Addendum to this Guarantee Contract.

第十七条 受限于上述第五条规定，本保证协议自 Kenon 与奇瑞各自的法定代表人或授权签字人在本协议上正式签字并加盖奇瑞的公司公章，且Kenon 与观致各自的法定代表人或授权签字人在本保证协议附录上正式签字并加盖观致的公司公章且之日起生效。

Chapter 8 Governing Law and Dispute Resolution

第八章 适用法律和争议解决

Clause 18 This Guarantee Contract shall be governed by and construed in accordance with the laws of the PRC.
第十八条 本保证协议适用中国法律并按中国法律解释。

Clause 19 In the event a dispute between the Parties arising out of or in relation to this Guarantee Contract, the Parties shall in the first instance each designate one or more representatives who shall promptly meet to attempt to resolve such dispute through friendly consultations.

第十九条 如双方之间因本保证协议发生争议，或发生与本保证协议有关的争议，
则双方应首先指派一名或多名代表立即会面，以期通过友好协商解决该争议。

If the dispute is not resolved through consultations within sixty (60) days after one Party has served a written notice on the other Party requesting the commencement of consultations, then the Parties shall refer and submit the dispute for final resolution by arbitration to the Hong Kong International Arbitration Center (HKIAC) in accordance with the Arbitration Rules of the United Nations Commission on International Trade Law (“UNCITRAL Arbitration Rules”) as at present in force save as the same may be amended by this Article and the UNCITRAL Arbitration Rules shall be construed accordingly. The place of arbitration shall be Hong Kong. The arbitration shall be settled by three (3) arbitrators. Each Party shall appoint one arbitrator within the time stipulated in the UNCITRAL Arbitration Rules, failing which the appointment shall be made by HKIAC. The third arbitrator, who will act as the presiding arbitrator, shall be appointed by the HKIAC. The appointing authority shall be the HKIAC. The language of the arbitration proceedings shall be English, provided that either Party may introduce evidence or testimony in languages other than English. The arbitrators may refer to both the English and Chinese texts of this Contract. The award of the arbitration tribunal will be final and binding on each of the Parties and may be enforced in any court of competent jurisdiction.

如在一方向另一方发出书面通知要求开始协商之日起六十（60）天内，双方未能通过协商解决该争议，则应将争议事项提交香港国际仲裁中心（HKIAC）按照当时有效的《联合国国际贸易法委员会仲裁规则》（“UNCITRAL仲裁规则”）进行仲裁，作为最后的争议解决方式，该规则将根据本条进行修改，UNCITRAL仲裁规则也将相应进行解释。仲裁地为香港。仲裁员人数应为三（3）名。每一方应在UNCITRAL仲裁规则规定的期限内指定一名仲裁员，未能在该期限内指定的，将由HKIAC进行指定。第三名仲裁员由HKIAC指定，担任首席仲裁员。有权指定机构为HKIAC。仲裁过程中应使用的语言为英语，但每一方均有权以英语以外的语言提交证据和证言。仲裁员应同时参考本协议的中英文版本。仲裁庭的仲裁裁决是终局的，对双方均有约束力，并可被有管辖权的法院强制执行。

The arbitral tribunal shall have the authority and power to make such orders for interim relief, including injunctive relief, as it may deem just and equitable. A request for interim measures or equitable remedies, including injunctive relief, by a Party to a court shall not be deemed to be or construed as incompatible with, or a waiver of, this agreement to arbitrate.

仲裁庭有权规定其认为公平合理的临时救济，包括禁令救济。一方向法院申请临时措施或公平救济，包括禁令救济的，不得被认为或被解释为与仲裁协定相悖或对仲裁协定的放弃。

The arbitration shall be kept confidential and the existence of the proceeding and any element of it (including but not limited to any pleadings, submissions or other documents submitted or exchanged, any evidence and any awards) shall not without prior consent by all Parties be disclosed beyond the Parties to the arbitration and their representatives, the arbitral tribunal, the administering institution (if any) and any person necessary to the conduct of the proceeding, except as may be lawfully required (under any jurisdiction the Parties are subject to) whether in judicial proceedings or otherwise in the normal course of business of the Parties.

仲裁应保密，未经各方同意，仲裁程序的存在以及其任何要素（包括但不限于任何请求、意见或者提交或交换的任何其他文件，任何证据和裁决）不得披露给除仲裁各方、其代表、仲裁庭、行政机构（如有）以及为开展该法律程序所需知悉的任何人之外的其他人，但在司法程序过程中或双方正常业务开展过程中（双方所处并受约束的任何法域内的）法律另有规定的除外。

The Parties will use their best efforts to effect the prompt execution of any such awards and will render whatever assistance as may be necessary to this end, including, if necessary, compliance with the enforcement procedures stipulated in the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards and the Arrangements Concerning Mutual Enforcement of Arbitration Awards between the Mainland and the Hong Kong Special Administrative Region.

双方应尽最大努力以实现仲裁裁决的立即执行，并且应当提供为此所需的任何协助，包括（如必要），遵守《承认及执行外国仲裁裁决公约》和《关于内地与香港特别行政区相互执行仲裁裁决的安排》中规定的执行程序。

The costs of arbitration including attorneys' fees shall be borne by the losing Party unless otherwise decided in the arbitral award. 除非仲裁裁决中另有规定，仲裁费用包括律师费由败诉方承担。

When any dispute occurs and when any dispute is under arbitration, except for the matters under dispute, the Parties shall continue to exercise their other respective rights and fulfill their other respective obligations under this Guarantee Contract. In any arbitration proceeding or legal proceeding to enforce an arbitral award, in any other legal action between the Parties relating to this Guarantee Contract, each Party waives the defense of sovereign immunity and any other defense solely based upon the fact or allegation that it is a political subdivision, agency or instrumentality of a sovereign state.

如发生任何争议，且争议正在仲裁中，则双方应继续实施和履行其在本保证协议项下的除争议事项之外的各自的权利和义务。在任何仲裁程序中，或执行仲裁裁决的法律程序中，或双方之间就本保证协议而进行的任何其他法律程序中，每一方均放弃主权豁免抗辩，以及任何其他完全建立在其为某一主权国的政治划区、机构或机关这一主张上的抗辩。

Chapter 9 Others 第九章 其他

Clause 20 Unless otherwise defined in this Guarantee Contract, any reference to the capitalized, bold and/or underlined terms herein shall have the same meaning as provided in the paragraph 1.1 (Definitions) under Clause 1 (Definitions and Interpretation) of the Loan Agreement.

第二十条 除非本保证协议中另有定义，本保证协议中使用的大写、加黑及/或加下划线的词语具有贷款合同第一条(定义及解释)第1.1条(定义)中所约定的含义。

Clause 21 Neither tolerance, grace period, privileges or delays that one Party has granted to the other Party under this Guarantee Contract, shall affect, impact or restrict any rights of such one Party under this Guarantee Contract and arising out of the operation of laws, and nor shall these be deemed as a waiver of any rights or interests under this Guarantee Contract by such one Party, and nor shall these affect the obligations and liabilities to be borne by the other Party.

第二十一条 一方在本协议项下给予另一方的任何宽容、宽限、优惠或延缓均不影响、损害或限制该方依据本保证协议和法律、法规而享有的一切权利，也不应被视为该方对本保证协议项下权利、权益的放弃，也不影响另一方所应承担的责任和义务。

Clause 22 This Guarantee Contract may be amended or supplemented by mutual written agreement of the Parties. Any amendment or supplement to this Guarantee Contract shall constitute an integral part of this Guarantee Contract.

第二十二條 本保证协议经双方书面同意，可以修改或补充；对本保证协议的任何修改和补充均构成本保证协议不可分割的一部分。

Clause 23 This Guarantee Contract is made solely for the benefit of Kenon and Chery and shall not be construed to confer any rights to any third party (including, without limitation, Qoros, CS Port, the Agent or the Bank Consortium Members).

第二十三條 本保证协议仅为 Kenon 和奇瑞之利益而创设,不应解释为向任何第三方(包括但不限于观致、常熟港建、代理行或银团成员行)授予任何权利。

Clause 24 Any notice, demand or other documents to be given by one Party to any other Party hereto shall be in writing in English and delivered or sent to the recipient(s) at the address specified in the first page of this Guarantee Contract. Any Party hereto shall timely notify the other Party of any change of its address.

第二十四條 双方相互发出的任何通知、要求或其他文件，应以书面形式以英文作出，并发送至本保证协议首页列出的有关方的地址。如果任何一方变更其地址，该方需及时通知另一方。

Such notice, demand or documents will be deemed as delivered: if sent by person, at the time of actual delivery; if posted by registered mail, at the time of 17:00 of the fifth (5) Business Day after such registered mail is posted; if sent by PDF-email or fax, at the time when a confirmation report is received by the sender.

上述通知、要求或文件，如以专人送递，在实际交付时即被视为送达；如以挂号信方式发送，在挂号信寄出后第五(5)个营业日17:00即被视为送达；如以PDF电邮或传真发送，在发送人收到确认报告时即被视为送达。

Clause 25 This Guarantee Contract is signed in English and Chinese languages with both language versions equally binding. In case of any discrepancy between the two languages versions, the English version shall prevail.

第二十五條 本保证协议以中英文签署，具有同等效力。当两种语言文本有任何歧义时，应以英文文本为准。

Clause 26 This Guarantee Contract is executed in two (2) originals. Chery and Kenon will each hold one (1) original. Each original is equally binding with the same legal force.

第二十六条 本保证协议正本一式二（2）份，奇瑞和Kenon各执一（1）份原件，具有同等的法律效力。

Clause 27 Kenon shall be entitled to disclose any information in terms of its obligation under this Guarantee Contract to the extent to satisfy the legal regulation requirement imposed on a public listed company.

第二十七条 Kenon 有权为满足法律对上市公司信息披露义务的要求而披露与其在本保证协议项下之义务有关的信息。

Kenon: Kenon Holdings Ltd..

Name: Yoav Doppelt

姓名: Yoav Doppelt

Position: CEO

职务: CEO

Signature:

签名:



Name: Dan Cohen

姓名: Dan Cohen

Position: Authorized Signatory

职务: Authorized Signatory

Signature: _____

签名:

Chery: Chery Automobile Co. Ltd.,

奇瑞: 奇瑞汽车股份有限公司

Name: Yin Tongyue

姓名: 尹同跃

Position: Chairman & CEO

职务: 董事长兼总经理

Signature: _____

签名:

Company Seal

公司公章

ADDENDUM TO GUARANTEE CONTRACT Kenon – CHERY

Kenon – 奇瑞保证协议附录

This addendum to the guarantee contract (“Addendum”) between Kenon and Chery dated 5 November 2015 is entered into on the date of such Guarantee Contract (as defined below) by and between:

本 Kenon 和 奇瑞 之间的保证协议附录 (“附录”), 于该保证协议 (见如下定义) 签订之日 (即: 2015 年 11 月 5 日) 由以下双方签署:

Kenon Holdings Ltd., a limited liability company duly organized and validly existing under the laws of the Republic of Singapore with its legal address at 1 Temasek Avenue, #36-01 Millenia Tower, Singapore 039192 (“Kenon”), and **Kenon Holdings Ltd.**, 一家根据新加坡法律合法设立和有效存续的有限责任公司, 法定地址为 1 Temasek Avenue, #36-01 Millenia Tower, Singapore 039192 (“Kenon”),

Qoros Automotive Co., Ltd., a limited liability company duly organized and validly existing under the laws of the PRC with its legal address at 88 Tonggang Road, Riverside International Building Room 501, Economic Development Area of Changshu City, Jiangsu Province, PRC.

观致汽车有限公司, 一家根据以中国法律合法设立和有效存续的有限责任公司, 法定地址为中国江苏省常熟市经济技术开发区通港路 88 号滨江国际大厦 501 室。

(Kenon and Qoros are hereinafter individually referred to as “Party” or jointly referred to as “Parties”)

(Kenon 和 观致 各自称为 “一方”, 合称为 “双方”。)

WHEREAS Kenon and Chery Automobile Co. Ltd. have entered into a guarantee contract dated 5 November 2015 pursuant to which Kenon agrees to provide an irrevocable and – in accordance with such Guarantee Contract—unconditional guarantee to Chery for the Total Amount (as defined under the Guarantee Contract) under the Chery Guarantee Deed (as defined under the Guarantee Contract). 鉴于, Kenon 与奇瑞汽车股份有限公司于 2015 年 11 月 5 日签订了一份保证协议, Kenon 同意据此并且受制于保证协议规定的限制 (见保证协议之定义) 就奇瑞保证合同 (见保证协议之定义) 项下的总金额 (见保证协议之定义) 提供不可撤销的且——根据本保证协议——无条件的保证。

In accordance with relevant laws and regulations of the PRC and after an amicable negotiation based on mutual consents, the Parties agree as follows:

双方经友好协商, 依照中国有关法律、法规之规定, 协商一致, 同意如下事项:

Qoros herewith acknowledges the Guarantee Contract and agrees irrevocably and unconditionally in particular to the specific obligations of Qoros under such Guarantee Contract (including but not limited with respect to Clause 13 as it relates to Qoros’ obligation to repay to Kenon any amounts Kenon paid to Chery under this Guarantee Contract).

观致在此认可该保证协议, 同时不可撤销且无条件的同意该保证协议中特别列明的观致的

义务（包括但不限于本保证协议十三条所述之关于观致向 Kenon 偿还与 Kenon 支付给奇瑞的相等的金额之义务）。

Kenon is entitled to be repaid simultaneously with Chery and CS Port from Qoros in any amount based on pro rata based on the amount actually paid which is divided among Chery, CS Port and Kenon, if Chery, CS Port and Kenon fully perform their obligations under the CS Port Guarantee Deed, the Chery Guarantee Deed and this Guarantee Contract, respectively.

如果奇瑞、常熟港建和 Kenon 分别完全履行了他们在常熟港建保证合同、奇瑞保证合同和本保证协议的义务，Kenon 有权与奇瑞、常熟港建同时从观致得到偿还，其金额基于奇瑞、常熟港建和 Kenon 实际支付的金额按比例分配。

This Addendum shall come into force on the date when the legal or authorized representatives of Kenon and Chery have affixed their respective signatures together with the company seal of Chery on the Guarantee Contract and when the legal or authorized representatives of Kenon and Qoros have affixed their respective signatures together with the company seal of Qoros on this Addendum.

本附录应于 Kenon 与奇瑞各自的法定代表人或授权签字人在保证协议上正式签字并加盖奇瑞的公司公章，且 Kenon 与观致各自的法定代表人或授权签字人在本附录上正式签字并加盖观致的公司公章且之日起生效。

This Addendum shall be governed by and construed in accordance with the laws of the PRC. Clause 19 of the Guarantee Contract (HKIAC dispute resolution) shall apply mutatis mutandis to this Addendum and in relation to Qoros and Kenon hereunder, 本保证协议适用中国法律并按中国法律解释。保证协议第十九条（HKIAC 争议解决）应在细节上做必要修正后适用于本附录以及本附录下之观致及 Kenon。

Clauses 20 to 26 of the Guarantee Contract shall apply mutatis mutandis to this Addendum and in relation to Qoros and Kenon hereunder.

保证协议的二十至二十六条应在细节上做必要修正后适用于本附录以及本附录下之观致及 Kenon。

Kenon: Kenon Holdings Ltd.

Name: Yoav Doppelt

姓名: Yoav Doppelt

Position: CEO

职务: CEO

Signature: _____

签名: _____



Name: Dan Cohen

姓名: Dan Cohen

Position: Authorized Signatory

职务: Authorized Signatory

Signature: _____

签名: _____

Qoros: Qoros Automobile Co. Ltd.,

观致: 观致汽车有限公司

Name: CHEN ANNING

姓名: 陈安宁

Position: Chairman

职务: 董事长

Signature: _____

签名: _____

Name: _____

姓名: _____

Position: Vice Chairman

职务: 副董事长

Signature: _____

签名: _____

Company Seal

公司公章

This Addendum and Qoros' obligations thereunder being acknowledged by Chery:

奇瑞认可本附录以及附录下观致之义务。

Chery: Chery Automobile Co. Ltd.,

奇瑞: 奇瑞汽车股份有限公司

Name: Yin Tongyue

姓名: 尹同跃

Position: Chairman & CEO

职务: 董事长兼总经理

Signature: _____

签名: _____

Company Seal

公司公章

STOCK PURCHASE AGREEMENT

among

IC POWER DISTRIBUTION HOLDINGS PTE, LIMITED

as Purchaser

and

INKIA ENERGY, LIMITED,

as Purchaser Guarantor

and

DEORSA-DEOCSA HOLDINGS LIMITED,

as Seller

and

ESTRELLA COOPERATIEF BA

Dated as of December 29, 2015

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STOCK PURCHASE AGREEMENT

STOCK PURCHASE AGREEMENT, dated as of December 29, 2015, among IC Power Distribution Holdings Pte, Limited, a company organized and existing under the laws of Singapore (the “Purchaser”), Inkia Energy, Limited, a company organized and existing under the laws of Bermuda (the “Purchaser Guarantor”), DEORSA-DEOCSA HOLDINGS LIMITED, a company organized and existing under the laws of Mauritius (the “Seller”), and Estrella Cooperatief BA, a cooperative with limited liability, with seat in Amsterdam, the Netherlands, having its office address at De Boelelaan 7, 1083 HJ Amsterdam, the Netherlands, and registered with the Dutch Commercial Register under number 52429342 (the “Company”).

BACKGROUND

WHEREAS, the Company, directly or indirectly, owns: (i) all of the issued and outstanding shares of capital stock of the Owned Companies (as hereinafter defined), (ii) 90.62% of the issued and outstanding shares of capital stock of DEOCSA (as hereinafter defined), and (iii) 92.68% of the issued and outstanding shares of capital stock of DEORSA (as hereinafter defined); and

WHEREAS, the Seller wishes to sell, and cause Actis Infrastructure GP Limited, a private limited company existing under the laws of the United Kingdom (the “Nominee Holder”), to sell, and the Purchaser wishes to purchase, and cause the Nominee Purchaser (as hereinafter defined) to purchase, the Membership Interests (as hereinafter defined) on the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements contained in this Agreement, and intending to be legally bound by them, the parties hereby agree as follows:

ARTICLE I DEFINITIONS

Section 1.1. Definitions.

(a) As used in this Agreement, the following terms shall have the following meanings:

“Accountants” means Ernst & Young or (if unable or unwilling to be retained) such other independent public accounting firm (not engaged by the any of the parties or their Affiliates in the three (3) years prior to being appointed to serve as the Accountants) upon whom the Purchaser and the Seller may mutually agree.

“Action” means any and all actions, complaints, demands, hearings, audits, sub-poenas, suits, arbitrations or proceedings, whether civil, criminal, regulatory, administrative or investigative.

“Actis Fund” means any fund, investment vehicle or other entity formed or incorporated in any jurisdiction which is managed or advised by any entity in the Actis Manager Group.

“Actis Group” means (i) Affiliates of the Seller; (ii) debt providers and investors in any Affiliate of the Seller (including any member of such investors’ group undertaking); (iii) directors, officers, employees, advisers, managers, investment advisers, partners, general partners, agents and consultants of any person named in (i) or (ii) above; and (iv) any third party with an interest in co-investing with any Affiliate of the Seller.

“Actis Manager Group” means (i) Actis LLP; (ii) Actis GP LLP or any of its successor entities which is responsible for managing or advising any fund, investment vehicle or other entity formed or incorporated in any jurisdiction; and (iii) any unincorporated body, body corporate or partnership which is the subsidiary, subsidiary undertaking or holding company or parent undertaking of any of the persons referred to in (i) or (ii) above and each unincorporated body, body corporate or partnership which is a subsidiary or subsidiary undertaking of the holding company or parent undertaking of any of the persons referred to in (i) or (ii) above but excluding, for the avoidance of doubt, any investor in any Actis Fund and any portfolio company of any Actis Fund.

“Adjustment Amount” means the amount, which may be positive or negative, equal to (i) the Closing Working Capital, minus (ii) the Target Working Capital, minus (iii) Adjustment Net Cash, minus (iv) the Company Expenses, minus (v) the Company Employee Payables, plus (vi) the Target Tariff Liability, minus (vii) the Relevant Proportion of the Tariff Liability as of the Closing.

“Adjustment Amount Accounting Policies” means the Applicable Accounting Standards as applied by each of the Group Companies in connection with the preparation of the Financial Statements in relation to each of the items forming an element of the Adjustment Amount, including the determination of the amount of each of the items included in the Closing Working Capital, the Adjustment Net Cash, the Company Expenses, the Company Employee Payables and the Relevant Proportion of the Tariff Liability as of the Closing.

“Adjustment Net Cash” means the amount, which may be positive or negative, equal to (a) the Target Cash minus the Target Indebtedness; minus (b) the Net Cash.

“Affiliate” means, with respect to (a) any Person (other than the Seller), any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with the Person specified; and (b) the Seller, (i) a member of the Actis Manager Group; (ii) any Actis Fund; and/or (iii) any subsidiary or subsidiary undertaking of any Actis Fund.

“Agreed Policy Allocation” means the sum of (i) 50% of the underwriting fees paid by the Purchaser in connection with the issuance of the Special Policy (including 50% of any Taxes payable by Purchaser allocable to such underwriting fees) and (ii) the premium and all other costs of issuing the Special Policy (including any Taxes payable by Purchaser allocable thereto), up to a maximum (in the case of both clauses (i) and (ii)) of \$1,472,000.

“Agreement” means this Stock Purchase Agreement, together with the Schedules and Exhibits attached hereto and each of the Seller Disclosure Schedule, the Company Disclosure Schedule and the Purchaser Disclosure Schedule.

“Anti-Money Laundering Laws” means, collectively, (i) the USA Patriot Act of 2001 (Pub. L. No. 107-56), (ii) the U.S. Money Laundering Control Act of 1986, as amended, and (iii) any other Law of any relevant jurisdiction having the force of Law and relating to anti-money laundering.

“Applicable Accounting Standards” means (i) with respect to DEOCSA, DEORSA, Redes Eléctricas de Centroamérica, S.A. and Comercializadora Guatemalteca Mayorista de Electricidad, S.A., IFRS and (ii) with respect to the Company and the Holding Companies, Dutch GAAP.

“Arthasan” means Arthasan, S.A., a company incorporated under the laws of the Republic of Guatemala.

“Arthasan Service Agreement” means the service agreement dated May 19, 2011 as amended on November 24, 2014 among Arthasan, S.A., Distribuidora de Electricidad de Occidente, S.A., Distribuidora de Electricidad de Oriente, S.A., Redes Eléctricas de Centroamérica, S.A., Comercializadora Guatemalteca Mayorista, S.A. and Generación Limpia Guatemala, S.A.

“Base Purchase Price” means the amount equal to \$274,500,000 minus the Agreed Policy Allocation.

“Board” means, with respect to an entity, the board of directors, board of managers or corresponding governing body of such entity, including, if duly acting in such capacity, the general partner or managing member.

“Business Day” means any day other than a Saturday, Sunday or any day on which banks located in New York, New York are authorized or required to be closed for the conduct of regular banking business.

“Business Material Adverse Effect” means any material adverse effect on (x) the ability of the Seller or the Company to perform its obligations under this Agreement or to consummate the Transactions or (y) the business, assets or financial condition of the Company and the other Group Companies taken as a whole, other than, in the case of (y), any change, effect, event or condition due to or resulting from (a) general economic or market conditions, (b) matters generally affecting the industries in which the Company or the other Group Companies operate, (c) acts of war, armed hostilities or terrorism, (d) changes in commodity, credit, security or financial markets, including currency exchange rates or interest rates, (e) changes after the date hereof in Laws or the interpretation thereof that in each case are generally applicable, (f) changes after the date hereof in generally accepted accounting principles or financial reporting standards (including the Applicable Accounting Standards) or the interpretation thereof, (g) this Agreement or the Transactions or the announcement thereof, (h) any act or omission by the Seller or the Group Companies taken with the consent of or at the direction or request of the Purchaser provided; provided, however, that the exclusions in clauses

(a)-(d) above shall be inapplicable to the extent that any such change, effect, event or condition impacts the Company or the other Group Companies taken as a whole in a disproportionate manner relative to other Persons engaged in similar industries and geographic areas as the Company and the other Group Companies.

“Cash” means all cash and cash equivalents determined in accordance with the Adjustment Amount Accounting Policies.

“Closing” means the closing of the sale and purchase of the Membership Interests as contemplated by this Agreement.

“Closing Working Capital” means the Working Capital of the Group Companies as of 12:01 a.m. New York City time on the Closing Date, expressed in Dollars at the spot rate of exchange in effect on the Reference Date, which shall be determined in accordance with the Adjustment Amount Accounting Policies.

“Company Employee” means any Person that is or was an employee, director or consultant of the Company or any other Group Company on or prior to the Closing Date.

“Company Employee Payables” means any transaction bonuses, severance or other amounts of a similar nature that become payable to Company Employees by the Group Companies pursuant to an obligation in effect as of the Closing Date which is triggered in whole or in part (in such case only to the proportional part thereof) by, or as a direct consequence of, the consummation of the Transactions.

“Company Expenses” means the Expenses of the Group Companies that are incurred but unpaid as of the Closing.

“Consent” means any approval, consent, waiver, Order, authorization, registration, declaration, filing, report or notice of, with, by, or to any Person.

“Contract” of a Person means all agreements, contracts, instruments, obligations, offers, commitments, leases, licenses, purchase orders, security arrangements, and any other understandings, written or oral, in each case as amended, supplemented, waived or otherwise modified.

“Control” (including the terms “controlling,” “controlled by” and “under common control with”) means possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

“Controlled Companies” means each of DEOCSA and DEORSA.

“Data Room” means the electronic documentation site established by the Seller with Intralinks in relation to the Transactions containing the documents made available on such site, as listed in the index attached to the Seller Disclosure Schedule as Section 1.1.

“DEOCSA” means Distribuidora de Electricidad de Occidente, S.A., a company duly incorporated under the laws of the Republic of Guatemala and an indirect subsidiary of the Company and having the details set forth in Schedule 1.1.

“DEORSA” means Distribuidora de Electricidad de Oriente, S.A., a company duly incorporated under the laws of the Republic of Guatemala and an indirect subsidiary of the Company and having the details set forth in Schedule 1.1.

“Dutch GAAP” means generally accepted accounting principles in The Netherlands.

“Dutch Tax Ruling” means the Advance Tax Ruling dated March 20, 2011 obtained from the Dutch Tax Authorities on behalf of the Seller and the Company.

“Encumbrances” means any (i) mortgage, pledge, lien, attachment, charge, hypothecation, security interest, or other encumbrance, or trust securing any obligation of any Person; (ii) real estate easement, restrictive covenant or encroachment; or (iii) option or right of first offer or refusal giving another Person a right to acquire an asset or property; or (iv) agreement to create or effect any of the foregoing, other than a Permitted Encumbrance.

“Environmental Law” means any applicable Law relating to (i) the protection of the environment (including air, water, soil and natural resources), or (ii) the use, storage, handling, release or disposal of Hazardous Substances, in each case, as in effect on the date of this Agreement.

“Escrow Additional Amount” means an amount equal to (i) the Estimated Adjustment Amount minus (ii) the Reference Amount.

“Escrow Agreement” means the escrow agreement to be executed by and among the Escrow Agent, the Seller and the Purchaser on or prior to the Closing Date in the form set forth in Exhibit D.

“Escrow Amount” means \$10,000,000; provided that to the extent that the Escrow Additional Amount is greater than zero, the Escrow Amount will be increased by an amount equal to the Escrow Additional Amount.

“Expenses” means, with respect to any Person, all third party fees and expenses incurred by or on behalf of such Person in connection with the evaluation, authorization, preparation, negotiation, execution and performance of the Transaction Documents, including the fees and disbursements of investment bankers, financing sources, accountants, legal counsel, and other consultants and advisors.

“Fraud” means, (i) with respect to the Seller, an actual and intentional fraud with respect to the making of the representations and warranties pursuant to Article III, provided that such actual and intentional fraud of the Seller shall be deemed to exist only if any of the individuals included in the definition of Knowledge (as it relates to the Seller) had actual knowledge (as opposed to imputed or constructive knowledge) that such representations and warranties, as qualified by the Seller Disclosure Schedule, were actually breached when made,

with the intention that the Purchaser would rely thereon to its detriment, (ii) with respect to the Company, an actual and intentional fraud with respect to the making of the representations and warranties pursuant to Article IV, provided that such actual and intentional fraud of the Company shall be deemed to exist only if any of the individuals included in the definition of Knowledge (as it relates to the Company) had actual knowledge (as opposed to imputed or constructive knowledge) that such representations and warranties, as qualified by the Company Disclosure Schedule, were actually breached when made, with the intention that the Purchaser would rely thereon to its detriment and (iii) with respect to the Purchaser, an actual and intentional fraud with respect to the making of the representations and warranties pursuant to Article V, provided that such actual and intentional fraud of the Purchaser shall be deemed to exist only if any of the individuals included in the definition of Knowledge (as it relates to the Purchaser) had actual knowledge (as opposed to imputed or constructive knowledge) that such representations and warranties were actually breached when made, with the intention that the Seller would rely thereon to its detriment.

“Fundamental Representations” means with respect to the Seller, any of the representations and warranties contained in Section 3.1 (Corporate Existence; Standing), Section 3.2 (Authorization), Section 3.4 (Membership Interest Ownership) and Section 3.7 (Brokers).

“Governmental Authority” means any court, governmental commission, board or other regulatory authority or agency.

“Group Companies” means, collectively, the Company, the Owned Companies and the Controlled Companies.

“Hazardous Substance” shall mean any substance to the extent presently listed, defined, designated or classified as hazardous, toxic or radioactive under any applicable Environmental Law, including, but not limited to petroleum and any petroleum derivatives or by-products, polychlorinated biphenyls, methane, asbestos, and radon.

“Holding Companies” means, collectively, Deocsa, B.V., Deorsa, B.V., Recsa, B.V. and Guatemel, B.V., each being a company duly incorporated under the laws of the Netherlands and a direct subsidiary of the Company having the respective details set forth on Schedule 1.1.

“IFRS” means international financial reporting standards as adopted and applied in the applicable jurisdiction.

“Indebtedness” with respect to a Person means, without duplication, the unpaid principal amount of, and accrued interest on, (a) all obligations for borrowed money, (b) all obligations evidenced by bonds, debentures, notes or similar instruments, and (c) other financial obligations reflected, or required to be reflected according to Adjustment Amount Accounting Policies, in the line item identified as “*otras obligaciones financieras*” in the financial statements of each of the Group Companies.

“Indemnified Party” means any Person claiming indemnification under any provision of Article VII.

“Indemnifying Party” means any Person against whom a claim for indemnification is being asserted under any provision of Article VII.

“Information” means all information, received or obtained, whether before, on or after the date of this Agreement (including that which is disclosed orally or in writing or represented by computer data or any other form of media) which is used in or otherwise relates to (i) the Company or any Group Company; (ii) the business of the Company or any Group Company; (iii) the documents and information contained or made available in the Data Room; (iv) any other party including, where that other party is the Seller, a member of the Actis Group and, where that other party is the Purchaser, any Affiliate of the Purchaser; (v) the provisions or the subject matter of this Agreement and/or any claim or potential claim hereunder; (vi) the negotiations relating to this Agreement; and/or (vii) the Transactions and any other information received or obtained as a result of entering into or performing the Transactions.

“Intra-Group Payables” means the aggregate of the amounts owing from the Group Companies to any Affiliate of the Seller (other than the Group Companies) as of 12:01 a.m. New York City time on the Closing Date, expressed in Dollars at the spot rate of exchange in effect on the Reference Date.

“Intra-Group Receivables” means the aggregate of the amounts owing from the Affiliates of the Seller (other than the Group Companies) to the Group Companies as of 12:01 a.m. New York City time on the Closing Date, expressed in Dollars at the spot rate of exchange in effect on the Reference Date.

“Knowledge” with respect to (i) the Seller, means the actual knowledge, after good faith inquiry, of Michael Till and Michael Harrington; (ii) the Company, means the actual knowledge, after good faith inquiry, of Jaime Tupper, Adrián Ratner and Daniel Bernardez; and (iii) the Purchaser, means the actual knowledge, after good faith inquiry, of Javier Garcia, Alberto Triulzi, Joaquin Coloma and Daniel Urbina.

“Laws” means, collectively, all laws, statutes, ordinances, codes, rules, regulations, decrees, orders, or judicial, arbitral, administrative or regulatory judgments, decisions, rulings or awards issued by any Governmental Authorities.

“Loan Facility Agreements” means (i) the Amended and Restated Credit Agreement dated as of April 23, 2015, among *inter alios*, Distribuidora de Electricidad de Occidente, S.A., a *sociedad anónima* organized under the laws of the Republic of Guatemala, Deocsa, B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) organized under the laws of The Netherlands, the lenders party thereto and Banco Agromercantil de Guatemala, S.A. as administrative agent; (ii) the Amended and Restated Credit Agreement dated as of April 23, 2015, among *inter alios*, Distribuidora de Electricidad de Oriente, S.A., a *sociedad anónima* organized under the laws of the Republic of Guatemala, Deorsa, B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) organized under the laws of The Netherlands, the lenders party thereto and Banco Agromercantil de Guatemala, S.A. as administrative agent; and (iii) the security agreements, ancillary agreements and any other agreements and documents executed under the agreements referred to in (i) and (ii) herein.

“Losses” means the Relevant Proportion of any and all losses, fines, fees, penalties, deficiencies, damages, liabilities, claims, demands, judgments, settlements and costs and expenses (including reasonable attorneys’ fees and disbursements).

“Material Contract” means any of the following types of Contracts to which a Group Company is party as of the date hereof (other than any such Contract terminated after the date hereof for any reason except due to a breach thereof or default thereunder by the Group Company party thereto): (i) for any item of Indebtedness in excess of \$250,000; (ii) with a supplier for the purchase of products or services involving payments during the 2015 calendar year in excess of \$250,000, other than any contract that is terminable without liability on ninety (90) or fewer days’ notice; (iii) for capital expenditures involving payments during the 2015 calendar year in excess of \$250,000, other than any contract that is terminable without liability on ninety (90) or fewer days’ notice; (iv) relating to the acquisition or disposition of (x) any business (whether by merger, consolidation or other business combination, sale of securities, sale of assets or otherwise) or (y) any asset with a value in excess of \$250,000 other than acquisitions or dispositions of assets in the Ordinary Course; (v) that has granted “most favored nation” pricing provisions or exclusive marketing or distribution rights relating to any products, services or territory; (vi) containing terms that materially restrict or prohibit (x) the business activity or limit the freedom of any Group Company to engage in any line of business or to compete with, or solicit business from or the employment of, any Person, in each case, in any geographical area or (y) the payment of dividends; (vii) relating to any Encumbrance (other than Encumbrances incurred in the Ordinary Course) affecting any of the assets or properties thereof; (viii) that is a Related Person Contract other than any Related Person Contract that is terminated pursuant to Section 8.2(e); (ix) relating to the service of any individual as a director, officer, employee, independent contractor or consultant involving the payment of \$250,000 or more during the 2015 calendar year; (x) settling or compromising any Action involving a payment in excess of \$250,000; (xi) relating to an obligation to indemnify any Person; or (xii) any material Contract with any Governmental Authority.

“Membership Interests” means the rights, collectively, of the Seller and the Nominee Holder to each such member’s entire legal relationship with the Company, including the balances of its capital and reserve accounts and all rights and obligations relating to its membership in the Company and all ancillary rights pertaining thereto.

“Net Cash” means the amount, which may be positive or negative, determined as of 12:01 a.m. New York City time on the Closing Date, expressed in Dollars at the spot rate of exchange in effect on the Reference Date, equal to (i) the Relevant Proportion of the Cash of the Group Companies, minus (ii) the Relevant Proportion of the Indebtedness of the Group Companies (in each case without double-counting any amounts included in such Indebtedness or the Company Expenses).

“Nominee Purchaser” means Verde Securities Ltd.

“Order” means any order, writ, injunction, award, judgment, decision, directive, ruling, assessment, stipulation or decree of, with or by any Governmental Authority.

“Ordinary Course” means the ordinary course of the business of the Group Companies, consistent with the past practices thereof, including with respect to scope, nature, quantity and frequency, and without regard to the Transactions.

“Organizational Documents” means, with respect to any Person, as applicable, the certificate of incorporation, articles of incorporation, memorandum and articles of association, shareholders agreement, certificate of formation, by-laws, articles of organization, limited liability company agreement, limited partnership agreement, formation agreement, joint venture agreement, general partnership agreement or other similar organizational documents of such Person.

“Owned Companies” means, collectively, (i) the Holding Companies and (ii) each of Redes Eléctricas de Centroamérica, S.A. and Comercializadora Guatemalteca Mayorista de Electricidad, S.A., each being a company duly incorporated under the laws of the Republic of Guatemala and an indirect subsidiary of the Company having the respective details set forth on Schedule 1.1.

“Permitted Encumbrances” means (i) Encumbrances for Taxes and other governmental charges and assessments that are not yet due and payable, and Encumbrances for current Taxes and other charges and assessments of any Governmental Authority that may thereafter be paid without penalty or that are being contested in good faith by appropriate proceedings and for which adequate reserves have been established on any Group Company’s books and records, (ii) Encumbrances of landlords, carriers, warehousemen, mechanics and materialmen and other like Encumbrances arising in the Ordinary Course securing payments not yet due and payable or being contested in good faith by appropriate proceedings and for which adequate reserves have been established on any Group Company’s books and records, (iii) Encumbrances of record identified in any title reports or Organizational Documents made available to the Purchaser, (iv) all applicable local and other building, environmental and zoning Laws now or hereafter in effect, (v) any Encumbrances or other encroachments, covenants, restrictions, state of facts that would be disclosed by an accurate survey or inspection of the applicable real property, or other title imperfections that, in each case, would not materially interfere with the use of the applicable properties or the business operations of the Group Companies thereat and (vi) any other Encumbrances that do not materially impair the use of the underlying property in the Ordinary Course.

“Person” means any natural person, corporation, general partnership, limited partnership, limited or unlimited liability company, proprietorship, trust, joint venture, other business entity or Governmental Authority.

“Plan” means any employment, union, guild, works council, consulting, bonus, incentive compensation, deferred compensation, pension, profit sharing, retirement, superannuation, stock purchase, stock option, stock ownership, stock appreciation rights, phantom stock, equity (or equity-based), leave of absence, layoff, vacation, day or dependent care, legal services, cafeteria, life, health, medical, dental, vision, welfare, accident, disability, workmen’s compensation or other insurance, employee loan, severance, separation, retention termination, change of control, collective bargaining or other fringe or benefit plan, understanding, agreement, practice, policy or arrangement of any kind, whether written or oral, formal or informal; provided that the foregoing shall not include any such plan that was established or is administered or maintained by any Governmental Authority.

“Purchaser Material Adverse Effect” means a material adverse effect on the enforceability of the Purchaser’s obligations under this Agreement, the Purchaser’s ability to perform its obligations under this Agreement in a timely manner or the ability of the Purchaser and the Nominee Purchaser to consummate the transactions contemplated by this Agreement without material delay.

“Reference Amount” means an Estimated Adjustment Amount of \$(17,800,000) (i.e., negative \$17.8 million).

“Reference Date” means the last Business Day prior to the delivery of the Closing Statement by the Seller to the Purchaser.

“Related Person” means, with respect to any Person, (i) the Affiliates of such Person, (ii) the Family members of such Person and (iii) any other Person in whom such Person or any Person described in clauses (i) or (ii) holds a Material Interest. For purposes of this definition, “Family” means, with respect to any Person, such Person, such Person’s spouse and each of their parents, children and siblings, including adoptive relationships and relationships through marriage, or any other relative of such Person that resides with such Person; and “Material Interest” means beneficial ownership (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended) of securities representing at least 20% of the voting power or equity interests in a Person.

“Related Person Contract” means any Contract between or among any Group Company, on the one hand, and the Seller, any Board member or senior executive officer of the Seller or any Group Company, or any Related Person of the Seller or any Board member or senior executive officer of the Seller or any Group Company, on the other hand, in each case other than between or among the Group Companies.

“Relevant Proportion” means: (a) in respect of DEOCSA, 90.62%, (b) in respect of DEORSA, 92.68%, (c) in respect of the Owned Companies, one hundred percent (100%), and (c) in respect of any other Person, unless otherwise specified, one hundred percent (100%).

“Representatives” means, with respect to a Person, such Person’s employees, officers, Board members, managers, accountants, counsel, consultants, advisors and other representatives.

“Sanctions Target” means any Person on the Specially Designated Nationals and Blocked Persons List issued by the United States Treasury Department, Office of Foreign Assets Control (<http://www.treas.gov/offices/enforcement/ofac/sdn/index.html>) or any other Person that because of its domicile or ownership is targeted under any of the Trading With the Enemy Act, the International Emergency Economic Powers Act, the United Nations Participation Act, or the Syria Accountability and Lebanese Sovereignty Act, all as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 C.F.R., Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto, as collectively interpreted and applied by the United States government at the prevailing point in time.

“Seller Material Adverse Effect” means a material adverse effect on the enforceability of the Seller’s obligations under this Agreement, the Seller’s ability to perform its obligations under this Agreement in a timely manner or the ability of the Seller and the Nominee Holder to consummate the Transactions contemplated by this Agreement without material delay.

“Seller’s Account” means the bank account in the name of the Seller with Barclays Bank PLC, International Banking Division, 1st Floor, Barclays House, 68-68A, Cybercity Ebene, Mauritius, account number (IBAN) MU 06 BARC 03 05 00000 7009209 OOOUSD and SWIFT code BARCMUMUOBU with correspondent bank being Barclays Bank PLC, 200 Park Avenue, New York, NY 10166, USA, ABA No. 026002574 and SWIFT code BARCUS33.

“Special Policy” means the Buyer-Side Representations and Warranties Insurance Policy, issued on or about the date hereof, by AIG to the Purchaser.

“Support Letter” means the shareholder support letter executed and delivered by certain shareholders of the Seller on the date hereof.

“Target Cash” means \$16,995,787, which is equal to the Relevant Proportion of Cash computed as of (i) March 31, 2015 for the Controlled Companies, and (ii) December 31, 2014 for Redes Electricas de Centroamérica, S.A. and Comercializadora Guatemalteca Mayorista de Electricidad, S.A., expressed in Dollars, calculated as set out in Schedule 1.1(a).

“Target Indebtedness” means \$222,643,663, which is equal to the Relevant Proportion of Indebtedness computed as of (i) March 31, 2015 for the Controlled Companies, and (ii) December 31, 2014 for Redes Eléctricas de Centroamérica, S.A. and Comercializadora Guatemalteca Mayorista de Electricidad, S.A., expressed in Dollars, calculated as set out in Schedule 1.1(a).

“Target Tariff Liability” means \$50,399,197, which is equal to the Relevant Proportion of Tariff Liability computed as of March 31, 2015 for the Controlled Companies expressed in Dollars, calculated as set out in Schedule 1.1(a).

“Target Working Capital” means \$36,821,993, which is equal to the Relevant Proportion of Working Capital computed as of (i) March 31, 2015 for the Controlled Companies, and (ii) December 31, 2014 for Redes Electricas de Centroamérica, S.A. and Comercializadora Guatemalteca Mayorista de Electricidad, S.A., expressed in Dollars, calculated as set out in Schedule 1.1(a).

“Tariff Liability” means the regulatory liability (*pasivo regulatorio*) as reflected in the accounting records of each of the Controlled Companies.

“Tax” means (i) all federal, state, local or non-U.S. taxes, charges, fees, imposts, levies or other assessments, including all net income, alternative minimum, gross receipts, windfall profits, production, capital, paid-up capital, sales, use, ad valorem, value added, transfer, franchise, profits, inventory, capital stock, license, greenmail, withholding (including liability as a withholding agent), payroll, employment, social security, unemployment, excise, severance, stamp, occupation, premium, escheat, environmental, property and estimated taxes,

customs duties, fees, assessments and charges of any kind whatsoever; and all interest, penalties, fines, additions to tax or other additional amounts imposed by any Tax Authority with respect thereto, whether disputed or not, and (ii) any amount described in clause (i) for which a Person is liable (A) as a transferee or successor, or (B) under applicable Law.

“Tax Authority” means any legislature, agency, bureau, branch, department, division, regulatory authority, commission, court, tribunal, magistrate, justice, multi-national organization, quasi-governmental body, or other similar recognized organization or body of any federal, state, county, municipal, local, or foreign government or other similar recognized organization or body exercising similar powers authorized to impose any interest, penalty, addition or Tax.

“Tax Return” means all returns, reports, forms, declarations, statements and information returns (including any attached schedules, supplements and additional or supporting material) supplied or required to be supplied to a Tax Authority relating to Taxes, including any claim for refund, amended return or declaration of estimated Taxes (and including any amendments with respect thereto) and returns or reports with respect to backup withholding and other payments to third parties.

“Transaction Documents” means this Agreement, the Escrow Agreement, the Letter of Credit and any and all other agreements, certificates and instruments required to be delivered by the parties thereto.

“Transactions” means the transactions contemplated by the Transaction Documents.

“Transition Services” means the following services provided by Arthasan to the Group Companies pursuant to the Arthasan Service Agreement: management services, directorate services, assistance and support services, general advice on project management, support on certain legal, tax, accounting and insurance advisory matters.

“Transition Services Fee” means \$60,000.

“U.S.\$”, “\$” or “Dollars” means the lawful currency of the United States of America.

“Working Capital” means the aggregate amount, which may be positive or negative, equal to (i) the Relevant Proportion of the current assets of the Group Companies calculated in the manner set out in Schedule 1.1(b), minus (ii) the Relevant Proportion of the current liabilities (including accrued but unpaid Taxes as of the Closing Date) of the Group Companies calculated in the manner set out in Schedule 1.1(b), in each case determined in accordance with the Adjustment Amount Accounting Policies using the same methodologies used in preparing the Financial Statements, provided, however, that (a) the amount calculated pursuant to the foregoing clause (i) shall not include any Cash included in the determination of Net Cash or any Intra-Group Receivables and (b) the amount calculated pursuant to the foregoing clause (ii) shall not include any Indebtedness included in the determination of Net Cash, the Company Expenses, the Company Employee Payables, any Intra-Group Payables or the Tariff Liability.

Section 1.2. Other Defined Terms.

(a) Other terms defined are in the other parts of this Agreement indicated below:

<u>"2014 Financial Statements"</u>	Section 4.8(a)
<u>"Accountants Ruling"</u>	Section 2.2(f)
<u>"Adjustment Dispute Notice"</u>	Section 2.2(f)
<u>"Adjustment Statement"</u>	Section 2.2(e)
<u>"Admitted Liability"</u>	Section 7.5(c)
<u>"Anti-Bribery Laws"</u>	Section 4.18
<u>"Bankruptcy and Equity Exception"</u>	Section 3.2
<u>"Claimant"</u>	Section 10.12(a)
<u>"Closing Date"</u>	Section 2.3
<u>"Closing Payment"</u>	Section 2.2(c)
<u>"Closing Statement"</u>	Section 2.2(b)
<u>"Company"</u>	Preamble
<u>"Company Disclosure Schedule"</u>	Article IV
<u>"Company Intellectual Property Rights"</u>	Section 4.14
<u>"Company Leases"</u>	Section 4.10(a)
<u>"Company Plan"</u>	Section 4.16(c)
<u>"Deferred Payment"</u>	Section 2.2(d)
<u>"Dispute"</u>	Section 10.12(a)
<u>"Dispute Statement"</u>	Section 7.5(d)
<u>"Escrow Agent"</u>	Section 2.2(c)
<u>"Estimated Adjustment Amount"</u>	Section 2.2(b)
<u>"Financial Statements"</u>	Section 4.8(a)
<u>"Group Company Shares"</u>	Section 4.4(a)
<u>"ICC"</u>	Section 10.12(a)
<u>"Indemnity Amount"</u>	Section 7.4
<u>"Intellectual Property Rights"</u>	Section 4.14
<u>"Interim Balance Sheet"</u>	Section 4.8(a)
<u>"Leased Real Property"</u>	Section 4.10(a)
<u>"Letter of Credit"</u>	Section 6.13
<u>"Local Currency"</u>	Section 10.17
<u>"Nominee Holder"</u>	Recitals
<u>"Owned Real Property"</u>	Section 4.10(a)
<u>"Payment"</u>	Section 4.18
<u>"Permitted Liquidation Date"</u>	Section 6.8
<u>"Permits"</u>	Section 4.6(b)
<u>"Purchase Price"</u>	Section 2.2
<u>"Purchaser"</u>	Preamble

<u>“Purchaser Adjustment”</u>	Section 2.2(h)
<u>“Purchaser Disclosure Schedule”</u>	Article V
<u>“Purchaser Guarantor”</u>	Preamble
<u>“Purchaser Guaranteed Obligations”</u>	Section 2.2
<u>“Purchaser Indemnified Parties”</u>	Section 7.2

<u>“Real Property”</u>	Section 4.10(a)
<u>“Respondent”</u>	Section 10.12(a)
<u>“Restraints”</u>	Section 8.1(a)
<u>“Rules”</u>	Section 10.12(a)
<u>“Seller”</u>	Preamble
<u>“Seller Disclosure Schedule”</u>	Article III
<u>“Seller Indemnified Parties”</u>	Section 7.3
<u>“Transfer Instruments”</u>	Section 2.5(c)
<u>“Unaudited Financial Statements”</u>	Section 4.8(a)

(b) For the purposes of this Agreement, except to the extent that the context otherwise requires:

(i) for the purposes of the definitions of “Actis Manager Group” and “Affiliate”, (A) a “subsidiary” or “holding company” is to be construed in accordance with section 1159 (and Schedule 6) of the English Companies Act 2006 (the “Act”) and, for the purposes of this definition, a person shall be treated as a member of another person if any of that person’s subsidiaries is a member of that other person or, if any shares in that other person are held by a person acting on behalf of it or any of its subsidiaries and (ii) a “subsidiary undertaking” or “parent undertaking” is to be construed in accordance with section 1162 (and Schedule 7) of the Act. A subsidiary and a subsidiary undertaking shall include any person the shares or ownership interests in which are subject to security and where the legal title to the shares or ownership interests so secured are registered in the name of the secured party or its nominee pursuant to such security;

(ii) when a reference is made in this Agreement to an Article, Section, Exhibit or Schedule, such reference is to an Article or Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated;

(iii) the table of contents and headings for this Agreement are for reference purposes only and do not affect in any way the meaning or interpretation of this Agreement;

(iv) whenever the words “include,” “includes” or “including” (or similar terms) are used in this Agreement, they are deemed to be followed by the words “without limitation”;

(v) the words “hereof,” “herein” and “hereunder” and words of similar import, when used in this Agreement, refer to this Agreement as a whole and not to any particular provision of this Agreement;

(vi) all terms defined in this Agreement have their defined meanings when used in any certificate or other document made or delivered pursuant hereto, unless otherwise defined therein;

(vii) the definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms;

(viii) if any action is to be taken by any party hereto pursuant to this Agreement on a day that is not a Business Day, such action shall be taken on the next Business Day following such day;

(ix) references to a Person are also to its permitted successors and assigns;

(x) the use of “or” is not intended to be exclusive unless expressly indicated otherwise;

(xi) after the Closing, any reference to the “Affiliates of the Seller”, the “Actis Group” and the “Actis Manager Group” shall not include the Company or any Group Company.

(c) This Agreement is the product of negotiation by the parties having the assistance of counsel and other advisors. It is the intention of the parties that no party shall be considered the drafter hereof and that this Agreement not be construed more strictly with regard to one party than to any other.

ARTICLE II

PURCHASE AND SALE OF MEMBERSHIP INTERESTS

Section 2.1. Purchase and Sale. At the Closing, upon the terms and subject to the conditions of this Agreement, the Seller shall, and shall cause the Nominee Holder to, sell, transfer, assign, convey and deliver to the Purchaser, and the Purchaser shall, and shall cause the Nominee Purchaser to, purchase and accept from the Seller and the Nominee Holder, the Membership Interests, free and clear of all Encumbrances, for the Purchase Price.

Section 2.2. Purchase Price.

(a) *Consideration*. As consideration for the Membership Interests, the Purchaser shall pay to the Seller, in the manner described herein, an amount (the “Purchase Price”) equal to (i) the Base Purchase Price, plus (ii) the Deferred Payment, plus (iii) the final Adjustment Amount.

(b) *Estimated Adjustment Amount*. Not less than three (3) Business Days prior to Closing, the Seller shall prepare and deliver to the Purchaser a closing statement (the “Closing Statement”) calculated in the manner set out in Schedule 2.2(b), certified by an appropriate officer of the Seller, setting forth the Seller’s good faith estimate of the Adjustment Amount (such estimate, the “Estimated Adjustment Amount”) together with reasonably detailed back-up data to support the Seller’s estimate of each item from which such amount is calculated. The Estimated Adjustment Amount shall be prepared in accordance with the Adjustment Amount Accounting Policies using the same methodologies used in preparing the Financial Statements. Without limiting the generality of Section 6.10(b), the Seller shall afford Purchaser

and its Representatives with reasonable access upon reasonable prior notice during normal business hours to the books, records, properties and assets of the Group Companies for the purpose of verifying the computation of the Estimated Adjustment Amount and shall meet with the Purchaser prior to the delivery of the Estimated Adjustment Amount to explain its calculations.

(c) *Closing Payment and Escrow.* At the Closing, the Purchaser shall (x) pay the Seller, an amount (the “Closing Payment”) equal to (i) the Base Purchase Price, plus (ii) the Estimated Adjustment Amount, minus (iii) the Escrow Amount, plus (iv) the Transition Services Fee, by wire transfer of immediately available funds to the Seller’s Account; and (y) deposit the Escrow Amount in escrow with Citibank, N.A. (the “Escrow Agent”) pursuant to the Escrow Agreement.

(d) *Deferred Payment.* On or before April 15, 2016, the Purchaser shall pay the Seller an amount equal to \$23,750,000 (the “Deferred Payment”), by wire transfer of immediately available funds to the Seller’s Account.

(e) *Post-Closing Adjustment.* Within sixty (60) calendar days following the Closing, the Purchaser shall prepare and deliver to the Seller a statement calculated in the manner set out in Schedule 2.2(b) (the “Adjustment Statement”) setting forth the Purchaser’s calculation of the Adjustment Amount. The Adjustment Statement shall refer exclusively to the Purchaser’s calculation of each line item as set out in Schedule 2.2(b) and be prepared in accordance with the Adjustment Amount Accounting Policies using the same methodologies used in preparing the Financial Statements. The Adjustment Statement shall not take into account any events occurring after the Closing.

(f) *Dispute.* The Seller shall have thirty (30) calendar days following receipt of the Adjustment Statement to deliver to the Purchaser a written notice (an “Adjustment Dispute Notice”) that the Seller disputes the Purchaser’s calculation of any of the amounts set forth therein, which Adjustment Dispute Notice shall set forth in reasonable detail the basis for each element of such dispute. If the Seller does not deliver an Adjustment Dispute Notice on or before the expiration of such thirty-day (30-day) period (or if the Seller notifies the Purchaser in writing that there is no such dispute), the calculations prepared by the Purchaser shall be deemed to be final, binding and conclusive. In the event the Seller delivers an Adjustment Dispute Notice with respect to only certain of the amounts set forth in the Adjustment Statement but not others, then any undisputed amount shall be deemed to be final, binding and conclusive. In the event the Seller delivers an Adjustment Dispute Notice to the Purchaser, then the Seller and the Purchaser shall cooperate in good faith for a period of thirty (30) calendar days commencing the date of delivery of the Adjustment Dispute Notice to resolve any such dispute as promptly as possible. During such thirty-day (30-day) period, the Purchaser shall provide the Seller reasonable access to the Purchaser’s and the Group Companies’ personnel, properties, Contracts, documents, books, records, files and other data (including Tax Returns) relevant to the calculation of the Adjustment Amount (subject to the execution of customary work paper access letters if requested). In the event that (i) there is no disagreement with respect to the Adjustment Amount or (ii) the Purchaser and the Seller are able to resolve any disagreements on or before the thirtieth (30th) calendar day following the delivery of such Adjustment Dispute Notice, the Seller and the Purchaser shall, no later than two (2) Business Days after the date on which the

Adjustment Amount has been determined, jointly instruct the Escrow Agent to release all or a part of the Escrow Amount to the Seller or the Purchaser, as appropriate pursuant to Section 2.2(h). In the event that the Purchaser and the Seller are unable to resolve all such disagreements on or before the thirtieth (30th) calendar day following the delivery of such Adjustment Dispute Notice, the Purchaser and the Seller shall retain the Accountants to resolve all such disagreements. The Accountants (i) may only resolve disagreements as to matters covered by the Adjustment Dispute Notice (which disagreements shall refer to the specific the line items set out in Schedule 2.2(b)); (ii) shall base their determination solely on (x) the written submissions of the parties and shall not conduct an independent investigation and (y) the Adjustment Amount Accounting Policies; and (iii) shall not assign any value with respect to a disputed amount that is greater than the highest value for such amount claimed by either the Seller or the Purchaser or that is less than the lowest value for such amount claimed by either the Seller or the Purchaser. The Accountants shall be instructed to render a determination as soon as reasonably possible (which the parties hereto agree should not be later than thirty (30) calendar days following the day on which the disagreement is referred to the Accountants). The Accountants shall conduct the determination activities in a manner wherein (x) each of the Seller and the Purchaser promptly provide their assertions regarding the Adjustment Amount to the Accountants and to each other, substantially simultaneously and (y) all materials submitted are held in confidence and shall not be disclosed to any third parties. The determination by the Accountants shall be final, binding and conclusive on both the Seller and the Purchaser (the "Accountants Ruling"). The parties agree that judgment may be entered upon the determination of the Accountants in any court having jurisdiction over the party against which such determination is to be enforced.

(g) *Dispute Expenses.* The Purchaser and the Seller shall each pay the fees and disbursements of their separate Representatives incurred in the initial preparation, review and final determination of the Adjustment Amount. All fees and expenses relating to the work, if any, to be performed by the Accountants shall be borne fifty percent (50%) by the Seller and fifty percent (50%) by the Purchaser.

(h) *Adjustment Payment and Release of the Escrow Amount.*

(i) Within five (5) Business Days after the final determination of the Adjustment Amount:

(A) if the Adjustment Amount is greater than the Estimated Adjustment Amount, (x) the Purchaser shall pay the Seller the amount of such difference and (y) the Escrow Amount shall be released by the Escrow Agent to the Seller;

(B) if the Estimated Adjustment Amount is greater than the Adjustment Amount, (x) all or a part (as applicable) of the Escrow Amount corresponding to the amount of such difference (the "Purchaser Adjustment") shall be released by the Escrow Agent to the Purchaser and (y) the remainder, if any, of the Escrow Amount shall be released by the Escrow Agent to the Seller; and

(C) if the Purchaser Adjustment exceeds the Escrow Amount, the Seller shall pay the Purchaser the amount of such difference.

(ii) The Escrow Agreement shall provide that all or any portion of the Escrow Amount shall be released by the Escrow Agent to the Seller or the Purchaser, as appropriate, on the earlier of (x) delivery of joint instructions from the Seller and the Purchaser to the Escrow Agent (which the Seller and the Purchaser shall give no later than two (2) Business Days after the date on which the Adjustment Amount has been determined as set out in Section 2.2(f)), or (y) delivery of notice by any of the Seller or the Purchaser of the Accountants Ruling requiring such release. Any fees and expenses of the Escrow Account and the Escrow Agent shall be borne equally between the Purchaser and the Seller.

(iii) Any payment required under this Section 2.2(h) shall be made by wire transfer of immediately available funds to the account or accounts designated in writing by the payee.

(i) *Payments.* All payments to be made by the Purchaser pursuant to this Agreement shall be made without deduction, set-off or counter-claim of any kind and shall be made free and clear of any withholding or deduction for or on account of Taxes (including any interest, charges, penalties and expenses in connection therewith).

Section 2.3. Closing. The Closing shall be held at the offices of Clifford Chance US LLP, 31 West 52nd Street, New York, New York 10019, at 10:00 a.m. local time, on January 22, 2016 provided that all of the conditions set forth in Article IX have been satisfied or waived (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of those conditions), or at such other time or place as the Purchaser and the Seller mutually agree in writing (the "Closing Date"). Except as otherwise provided in this Agreement, all actions and all documents to be executed and delivered at the Closing shall be deemed to have been taken, delivered and executed simultaneously, and no such action shall be deemed taken nor any such documents deemed executed or delivered until all have been taken, delivered and executed.

Section 2.4. Closing Deliveries by the Purchaser. At the Closing, the Purchaser shall deliver or cause to be delivered to the Seller:

(a) the Purchase Price by wire transfer of immediately available funds to such account as the Seller may direct by written notice to the Purchaser;

(b) a membership transfer certificate for the Membership Interests, in the form attached as Exhibit A, duly executed by the Purchaser and the Nominee Purchaser;

(c) an accession letter, in the form attached as Exhibit C, duly executed by the Purchaser and the Nominee Purchaser;

(d) resolutions replacing any members of the Board or other such governing body of each of the Company and the Group Companies as are designated by the Purchaser to resign, effective as of the Closing; and

(e) duly executed counterparts of each Transaction Document which is to be executed at the Closing and to which the Purchaser or the Nominee Purchaser is a party.

Section 2.5. Closing Deliveries by the Seller. At the Closing, the Seller shall deliver or cause to be delivered to the Purchaser:

(a) a copy of a duly signed written resolution of the management board of the Company approving the admission of the Purchaser and the Nominee Purchaser, in accordance with article 4.2(a) of the Company's articles of association;

(b) a copy of a duly signed written resolution of the general meeting of the Company pursuant to which the Seller and the Nominee Holder approve the admission of the Purchaser and the Nominee Purchaser, in accordance with article 4.2(b)(ii) of the Company's articles of association;

(c) a membership transfer certificate for the Membership Interests, in the form attached as Exhibit A, duly executed by the Seller and the Nominee Holder, and any other assignment or transfer instruments or documents necessary to transfer the Membership Interests to the Purchaser and the Nominee Purchaser (the "Transfer Instruments");

(d) evidence of the registration of the transfer of the Membership Interests to the Purchaser in the register of members of the Company;

(e) resignation letters and mutual releases, in substantially the form attached as Exhibit B, duly executed by (i) the directors and officers of each of the Group Companies set forth in Section 2.5(e) of the Seller Disclosure Schedule, and (ii) the Company and the other Group Companies, effective as of the Closing; and

(f) duly executed counterparts of each Transaction Document which is to be executed at the Closing and to which the Seller or any of the Group Companies is a party.

ARTICLE III

REPRESENTATIONS AND WARRANTIES REGARDING THE SELLER

Except as set forth in and as qualified by the correspondingly numbered section or subsection of the disclosure schedule delivered by the Seller to the Purchaser simultaneously with the execution of this Agreement (the "Seller Disclosure Schedule") (it being agreed that the disclosure of any item in one section or subsection thereof shall be deemed to include any other section or subsection to which the relevance of such item is reasonably apparent on its face), the Seller represents and warrants to the Purchaser as of the date of this Agreement and as of the Closing Date as follows:

Section 3.1. Corporate Existence; Standing.

(a) Each of the Seller and the Nominee Holder is duly organized, validly existing and in good current standing under the Laws of its jurisdiction of organization.

(b) Each of the Seller and the Nominee Holder has the requisite power and authority to enter into and deliver the Transaction Documents to which it is a party and to perform its obligations under such Transaction Documents and to consummate the Transactions.

(c) Each of the Seller and the Nominee Holder is neither in bankruptcy, liquidation or receivership (and no order or resolution therefore has been presented and no notice of appointment of any liquidator, receiver, administrative receiver or administrator has been given), nor, to the Knowledge of the Seller, is there any valid grounds or circumstances on the basis of which any such procedure may be requested on a voluntary or involuntary basis by any entity.

Section 3.2. Authorization. The execution, delivery and performance by each of the Seller and the Nominee Holder of the Transaction Documents to which it is a party and the consummation by such Person of the Transactions have been duly authorized by all necessary corporate action on the part of such Person and no other action on the part of such Person is necessary to authorize this Agreement or the consummation of the Transactions. Each of the Transaction Documents to be executed by the Seller and the Nominee Holder, as applicable, have been, or as of the Closing will be, duly executed and delivered by such Person and, assuming due authorization, execution and delivery by the other parties thereto, each such Transaction Document constitutes, or as of the Closing will constitute, the legally valid and binding obligations of the Seller and/or the Nominee Holder, as applicable, enforceable against such Person in accordance with its terms, except that such enforceability (i) may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar Laws of general application affecting or relating to the enforcement of creditors' rights generally and (ii) is subject to general principles of equity, whether considered in a proceeding at Law or in equity (the "Bankruptcy and Equity Exception").

Section 3.3. Non-Contravention. The execution, delivery and performance by each of the Seller and the Nominee Holder of the Transaction Documents to which it is a party, and the consummation by each of the Seller and the Nominee Holder of the Transactions do not and will not (i) conflict with or violate any provisions of its Organizational Documents or any resolutions adopted by such Person's shareholders or its Board; (ii) violate, conflict with, result in a breach of or constitute a default under any of the terms, conditions or provisions of any Contract to which it is a party; or (iii) violate, conflict with or result in a breach of any Law, judgment, writ or injunction of any Governmental Authority applicable to it, except, in the case of clauses (ii) and (iii), as would not reasonably be expected to have a Seller Material Adverse Effect.

Section 3.4. Membership Interest Ownership.

(a) The Seller and the Nominee Holder are the only legal, record and beneficial owners of the Membership Interests and each of the Seller and the Nominee Holder has good and valid title to their respective portion of the Membership Interests free and clear of any Encumbrance. Upon delivery at the Closing by each of the Seller and the Nominee Holder to the Purchaser and the Nominee Purchaser of the Transfer Instruments to make effective the Transactions, the Purchaser and the Nominee Purchaser will acquire good and valid title to the Membership Interests, free and clear of any Encumbrance. Except as set forth in Section 3.4(a) of the Seller Disclosure Schedule, the Company, directly or indirectly, has good and valid title to the Group Company Shares free and clear of any Encumbrances.

(b) The Membership Interests comprise all of the rights to membership in the Company and are fully paid or credited as fully paid, and have not been issued in violation of any preemptive rights, rights of first refusal or similar rights.

(c) Except for this Agreement and the Organizational Documents of the Company, there are no voting trusts, proxies, membership agreements or other agreements or understandings to which the Seller or the Nominee Holder is a party or by which either the Seller or the Nominee Holder is bound with respect to the ownership, disposition, voting, issuance or transfer of the Membership Interests or other capital stock (or other equity interests) of the Company.

Section 3.5. Government Approvals. The execution, delivery and performance of the Transaction Documents to which it is a party and consummation of the Transactions by each of the Seller and the Nominee Holder do not and will not require any Consents of any Governmental Authority, other than such Consents that, if not obtained, made or given, would result in a Seller Material Adverse Effect.

Section 3.6. Legal Proceedings. There are no Actions pending, or, to the Knowledge of the Seller, threatened, against, relating to or involving the Seller or the Nominee Holder that would reasonably be expected to result in a Seller Material Adverse Effect.

Section 3.7. Brokers. No agent, broker, investment banker, financial advisor or other firm or Person (except for Citigroup Global Markets Inc.) is entitled to any brokerage, finder's, financial advisor's or other similar fee or commission in connection with the Transactions as a result of any action taken by or on behalf of the Seller or any of its Affiliates for which the Purchaser or its Affiliates (which, for the purposes of the Purchaser shall include the Group Companies after the Closing) could be liable.

Section 3.8. Dutch Tax matters. The facts and assumptions (including "*Kritische veronderstellingen*") on which the Dutch Tax Ruling is based are complete and correct in all material respects.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES REGARDING THE GROUP COMPANIES

Except as set forth in and as qualified by the correspondingly numbered section or subsection of the disclosure schedule delivered by the Company to the Purchaser simultaneously with the execution of this Agreement (the “Company Disclosure Schedule”) (it being agreed that the disclosure of any item in one section or subsection thereof shall be deemed to include any other section or subsection to which the relevance of such item is reasonably apparent on its face), the Company represents and warrants to the Purchaser as of the date of this Agreement and as of the Closing Date (except for representations and warranties that speak as of a certain date, in which case, as of such date) as follows:

Section 4.1. Corporate Existence; Standing.

(a) Each of the Group Companies is duly organized, validly existing and in good current standing under the Laws of its jurisdiction of organization and has the requisite power and authority to own, operate and lease its properties, as applicable, and carry on its business as currently conducted. Each of the Group Companies is duly licensed or qualified to do business and, if applicable, is in good standing in each jurisdiction in which such licensing or qualification is necessary, except for such failures to be licensed, qualified and in good standing as would not reasonably be expected to have a Business Material Adverse Effect.

(b) The Company has the requisite power and authority to enter into the Transaction Documents to which it is a party and to perform its obligations under such Transaction Documents and to consummate the Transactions.

(c) None of the Group Companies is in bankruptcy, liquidation or receivership (and no order or resolution therefore has been presented and no notice of appointment of any liquidator, receiver, administrative receiver or administrator has been given), nor, to the Knowledge of the Company, are there any valid grounds or circumstances on the basis of which any such procedure may be requested on a voluntary or involuntary basis by any Person.

Section 4.2. Authorization. The execution, delivery and performance by the Company of the Transaction Documents to which it is a party and the consummation by the Company of the Transactions have been duly authorized by all necessary corporate action on the part of the Company and, except as otherwise contemplated herein, no other action on the part of the Company is necessary to authorize this Agreement or the consummation of the Transactions. The Transaction Documents to be executed by the Company have been, or as of the Closing will be, duly executed and delivered by the Company and, assuming due authorization, execution and delivery by the other parties thereto, each such Transaction Document constitutes, or as of the Closing will constitute, the legally valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, except that such enforceability is subject to the Bankruptcy and Equity Exception.

Section 4.3. Non-Contravention. The execution, delivery and performance by the Company of the Transaction Documents to which it is a party, and the consummation by the Company of the Transactions do not and will not (i) conflict with or violate any provisions of the Organizational Documents of any Group Company or any resolutions adopted by the Company's or any other Group Company's shareholders or Board; (ii) violate, conflict with, result in a breach of or constitute a default under any of the terms, conditions or provisions of any Material Contract; or (iii) violate, conflict with or result in a breach of any Law, judgment, writ or injunction of any Governmental Authority applicable to it, except, in the case of clauses (ii) and (iii), as would not reasonably be expected to have a Business Material Adverse Effect.

Section 4.4. Capitalization of the Group Companies.

(a) Section 4.4(a) of the Company Disclosure Schedule sets forth, as of the date hereof, the name, jurisdiction of organization, number and percentage of issued and outstanding shares of capital stock of each of the Owned Companies and the Controlled Companies, as well as the Company's direct or indirect ownership interest in each of the Owned Companies and the Controlled Companies (the "Group Company Shares"). The shares of capital stock (or other equity interests) described on Section 4.4 (a) of the Company Disclosure Schedule across from the name of each of the Owned Companies and the Controlled Companies comprise all of the issued and outstanding capital stock (or other equity interests) of such Person. All of the Group Company Shares have been duly authorized and validly issued and are fully paid or credited as fully paid, and have not been issued in violation of any preemptive rights, rights of first refusal or similar rights.

(b) The sole assets of each of the Company and the Holding Companies consist of the Group Company Shares directly or indirectly owned by it as reflected in Section 4.4(a) of the Company Disclosure Schedule. None of the Company and the Holding Companies has conducted any business other than incidental to the ownership of the Group Company Shares owned by it.

(c) Except for this Agreement and the Organizational Documents, there are no outstanding or authorized options, convertible securities, warrants, subscription or other rights, agreements, arrangements or commitments of any character to which any Group Company is a party or by which it is bound relating to the sale, issuance or voting of, or the granting of rights to acquire, any capital stock (or other equity interests) in any Group Company or any securities convertible or exchangeable into or evidencing the right to purchase any capital stock (or other equity interests) in any Group Company, and there are no plans or arrangements that authorize or permit the issuance or grant to any Person of options or any other rights to any capital stock (or other equity interests) with respect to any Group Company.

(d) Except for this Agreement and the Organizational Documents of the Group Companies, there are no voting trusts, proxies, membership agreements or other agreements or understandings to which any of the Group Companies is a party or by which any of the Group Companies is bound with respect to the ownership, disposition, voting, issuance or transfer of the Group Company Shares. The Group Companies are not subject to any obligation to (A) repurchase, redeem or otherwise acquire any of their capital stock (or other equity interests), (B) make any investment (in the form of a loan, capital contribution or otherwise) in any Person or (C) declare dividends or make any other distributions with respect to their capital stock (or other equity interests) or refrain from making any such distributions.

Section 4.5. Government Approvals. The execution, delivery and performance of the Transaction Documents to which the Company is a party and consummation of the Transactions by the Company do not and will not require any Consents of any Governmental Authority, other than such Consents that, if not obtained, made or given, would not result in a Business Material Adverse Effect.

Section 4.6. Compliance with Laws; Permits. Except as would not reasonably be expected to have a Business Material Adverse Effect:

(a) Each of the Group Companies is, and since July 1, 2014 has been, in compliance in all material respects with all Laws applicable to it.

(b) Each of the Group Companies holds all material permits, licenses, franchises, approvals, consents, registrations, clearances, variances, exemptions, orders, certificates or authorizations by or of any Governmental Authority (collectively, "Permits") necessary for the lawful conduct of its business as presently conducted, all such Permits are in full force and effect and none of the Group Companies or any of their respective assets is in any material respect in violation of or is being operated in violation of the terms of any such Permit and, to the Knowledge of the Company, no written notice has been received relating to the termination, cancellation or withdrawal thereof.

Section 4.7. Legal Proceedings. Except as set forth in Section 4.7 of the Company Disclosure Schedule, there are no Actions pending or, to the Knowledge of the Company, threatened against, relating to or involving any Group Company that would reasonably be expected to have a Business Material Adverse Effect, and no legally binding injunction, order, judgment, ruling or decree has been imposed upon any of the Group Companies affecting any Group Company or any of its respective assets in any material adverse respect. There are no Actions pending, or, to the Knowledge of the Company, threatened, against, relating to or involving any of the Group Companies that would reasonably be expected to impair in any material respect the ability of the Company to perform its obligations hereunder or prevent or materially delay the consummation of the Transactions.

Section 4.8. Financial Statements.

(a) Section 4.8(a) of the Company Disclosure Schedule sets forth: (i) the audited balance sheets of each of DEOCSA, DEORSA, Redes Electricas de Centroamerica, S.A. and Comercializadora Guatemalteca Mayorista de Electricidad, S.A. as at December 31, 2014, and the respective related statements of income, cash flow and changes in equity for each of the fiscal years then ended, together with the report thereon of Deloitte, independent accounting firm; (ii) the unaudited balance sheet of each of the Company and the Holding Companies as at December 31, 2014, and the related statements of income, cash flow and changes in equity for each of the fiscal years then ended (collectively, the "2014 Financial Statements"); and (iii) the unaudited interim balance sheets (the "Interim Balance Sheet") of each of the Group Companies as at March 31, 2015 and the related unaudited statements of income, cash flow and changes in

equity for the three (3) fiscal months then ended (together with the Interim Balance Sheet, the “Unaudited Financial Statements” and, together with the 2014 Financial Statements, the “Financial Statements”). The Unaudited Financial Statements were prepared from the books and records of the Group Companies in a manner consistent with the 2014 Financial Statements. The Financial Statements fairly present in all material respects the unconsolidated financial position and results of operations of each of the Group Companies as at the respective dates thereof and for the periods therein referred to, all in accordance with the Applicable Accounting Standards (except as otherwise indicated in the notes thereto).

(b) None of the Group Companies has any liability required by the Applicable Accounting Standards to be reflected on a balance sheet, other than liabilities (i) reflected in, reserved against or disclosed in the Financial Statements; (ii) incurred in the Ordinary Course since the date of the Interim Balance Sheet; (iii) arising under the Transaction Documents or otherwise in connection with the Transactions; (iv) disclosed in Section 4.8(b) or Section 4.9 of the Company Disclosure Schedule; (v) owing to the Group Companies; or (vi) which will be reflected in the Adjustment Amount.

Section 4.9. Absence of Certain Changes and Events. Since June 30, 2015, the Group Companies have conducted their businesses in all material respects in the Ordinary Course and, except as expressly contemplated by this Agreement or any other Transaction Document, there has not been any action, omission, change, effect, event or condition that has had, or would reasonably be expected to have, a Business Material Adverse Effect. Since June 30, 2015 through the date hereof, there has not been any action, omission, change, effect, event or condition that, if occurring during the period from the date hereof through the Closing Date, would constitute a default under Section 6.9 hereof.

Section 4.10. Real Property.

(a) Section 4.10(a) of the Company Disclosure Schedule sets forth a true and complete list of all material real properties owned by the Group Companies (the “Owned Real Property”) and all material real properties leased by the Group Companies (the “Leased Real Property”) and, together with the Owned Real Property, the “Real Property”) as of the date of this Agreement. True, correct and complete copies of all leases and related guaranties (collectively, the “Company Leases”) for the Leased Real Property have been made available to the Purchaser.

(b) With respect to the Leased Real Property: (i) no Group Company is, and, to the Knowledge of the Company, no other party is in breach or violation of, or default under, any Company Lease; (ii) no event has occurred that would result in a breach or violation of, or a default under, any Company Lease by any Group Company or, to the Knowledge of the Company, any other party thereto (in each case, with or without notice or lapse of time); and (iii) each Company Lease is valid, binding and enforceable in accordance with its terms and is in full force and effect with respect to the applicable Group Company and, to the Knowledge of the Company, with respect to the other parties thereto, except as may be limited by the Bankruptcy and Equity Exception.

(c) No condemnation or rezoning proceeding is pending or, to the Knowledge of the Company, threatened with respect to any Real Property.

(d) There are (i) no unexpired option to purchase agreements, rights of first refusal or first offer or any other rights to purchase or otherwise acquire any Real Property or any portion thereof, and (ii) no other outstanding rights or agreements to enter into any contract for sale, ground lease or letter of intent to sell or ground lease any Real Property or any portion thereof.

(e) All material tangible properties and assets owned or leased by the Group Companies are in good condition and repair, ordinary wear and tear excluded.

Section 4.11. Title to Assets. Except as would not reasonably be expected to have a Business Material Adverse Effect:

(a) Each of the Group Companies has valid title to all of its owned assets (including the assets reflected on the balance sheets within the Financial Statements), free from all Encumbrances that would affect the value thereof or interfere with the use made or to be made thereof by it;

(b) Each of the Group Companies holds all leased assets under valid and enforceable leases with no terms or provisions that would interfere in any material respect with the use made or to be made thereof by it during the terms of such leases; and

(c) The assets owned or leased by each of the Group Companies constitute (i) all those material assets currently used or held for use by the Group Companies, and (ii) are sufficient to continue to conduct its business as currently operated after the Closing.

Section 4.12. Contracts.

(a) Section 4.12(a) of the Company Disclosure Schedule sets forth a complete and accurate list of all Material Contracts as of the date of this Agreement. A complete and accurate copy of each Material Contract has been made available to the Purchaser prior to the date hereof.

(b) Each Material Contract is valid, binding and enforceable against the applicable Group Company in accordance with its terms and, to the Knowledge of the Company, the other parties thereto, in each case in accordance with its terms, subject to the Bankruptcy and Equity Exception. None of the Group Companies is or, to the Knowledge of the Company, has been alleged to be, in material default with respect to any Material Contract. To the Knowledge of the Company, no other party thereto is in material default with respect to any Material Contract. As of the date of this Agreement, no Group Company has received written notice that any other party to any Material Contract intends to cancel or terminate such Material Contract.

Section 4.13. Insurance. Each of the Group Companies is covered by insurance policies which are prudent in light of its activities and with limits and deductibles customarily carried by companies of comparable size and scope and type of business, and such policies comply with the requirements of applicable Laws. Section 4.13 of the Company Disclosure Schedule sets forth a complete and accurate list of each policy of insurance (including property, casualty, liability, life, health, accident, workers' compensation, disability insurance and bonding arrangements) owned by, or maintained for the benefit of, or respecting which, any premiums are

paid directly or indirectly by any Group Company as of the date of this Agreement, in each case identifying: (i) the respective issuers and expiration dates thereof; and (ii) their coverage. None of the Group Companies is in material default under any such insurance policy. All premiums due have been paid on such insurance policies. Except as set forth on Section 4.13 of the Company Disclosure Schedules, with respect to each such insurance policy, to the Knowledge of the Company, (i) such insurance policy will be in full force and effect following consummation of the Transactions, and (ii) no written notice of cancellation or termination has been received with respect to any such insurance policy.

Section 4.14. Intellectual Property. The execution, delivery and performance of this Agreement and the consummation of the Transactions will not result in the loss, forfeiture, termination, license, or impairment of, or give rise to a right to limit, terminate, or consent to the continued use of any patents, patent applications, patent rights, trademarks, trademark applications, trademark rights, trade names, trade name rights, service marks, service mark applications, service mark rights, copyrights, computer programs (including source code and object code), trade secrets, know-how and other proprietary intellectual property rights (collectively, the “Intellectual Property Rights”) that are material to the conduct of the business of the Group Companies (the “Company Intellectual Property Rights”) as currently conducted. No claims are pending for which any of the Group Companies has received written notice or, to the Knowledge of the Company, threatened (a) that it is infringing the rights of any Person with regard to any Intellectual Property Right, or (b) that any Company Intellectual Property Right is invalid or unenforceable, except for any claims which would not reasonably be expected to have a Business Material Adverse Effect. To the Knowledge of the Company, no Person is infringing, misappropriating or using without authorization the Company Intellectual Property Rights, except for any infringement, misappropriation or use which is not reasonably likely to have a Business Material Adverse Effect.

Section 4.15. Suppliers, Customers, etc.

(a) Suppliers. Section 4.15(a) of the Company Disclosure Schedule sets forth a list of the twenty (20) suppliers and vendors from whom DEOCSA and DEORSA made the most purchases (in terms of monetary amounts) during the 2015 calendar year. As of the date of this Agreement, neither DEOCSA nor DEORSA has received written notice that any such supplier intends to cancel or terminate its agreements with DEOCSA or DEORSA (as applicable);

(b) Customers. Section 4.15(b) of the Company Disclosure Schedule sets forth a list of the twenty (20) customers to whom DEOCSA and DEORSA made the most sales (in terms of monetary amounts) during the 2015 calendar year. As of the date of this Agreement, neither DEOCSA nor DEORSA has received written notice that any such customer intends to cancel or terminate its agreements with DEOCSA or DEORSA (as applicable);

(c) Billing Practice. Except as would not reasonably be expected to have a Business Material Adverse Effect, all charges made by each of DEOCSA and DEORSA to its customers for electricity distribution services have been made in accordance with the terms and conditions set forth in applicable Law and any Contract with the Guatemalan Electricity Commission (*Comisión Nacional de Energía Eléctrica*) and the Guatemalan Institute of Electrification (*Instituto Nacional de Electrificación*).

Section 4.16. Employment Matters.

(a) Except as set forth on Section 4.16(a) of the Company Disclosure Schedule, (i) the Group Companies are not party to any collective bargaining agreements with any union and (ii) none of the employees of the Group Companies is represented by any labor union or similar labor organization with respect to their employment, and to the Knowledge of the Company, there are no pending efforts to establish collective representation of any such employees. No labor strike or other material labor dispute is pending or, to the Knowledge of the Company, threatened against the Group Companies.

(b) Each of the Group Companies is in compliance in all material respects with all applicable Laws respecting employment and employment practices, including all Laws respecting terms and conditions of employment, wages, hours, and working conditions, and there is no employment related Action pending or, to the Knowledge of the Company, threatened against any of the Group Companies that would reasonably be expected to have a Business Material Adverse Effect.

(c) Section 4.16(c) of the Company Disclosure Schedule sets forth a list of each material Plan that is sponsored, maintained, administered or contributed to by any of the Group Companies for the benefit of its current or former directors, officers, employees or other service providers (each, a “Company Plan”). Each Company Plan has been maintained, administered and contributed to in compliance with its terms and the requirements of any applicable Laws.

(d) Each Company Plan required to be registered has been registered and has been maintained in good standing with applicable regulatory authorities and is approved by any applicable Tax Authority to the extent such approval is required by applicable Law.

(e) No Group Company has any express or implied commitment (i) to create, incur liability with respect to or cause to exist any new employee benefit plan, program or arrangement that would be considered a Company Plan, or (ii) to modify, change or terminate any Company Plan, other than with respect to a modification, change or termination required by applicable Laws. Where employees may be subject to statutory social insurance schemes or similar government-sponsored social insurance programs, (i) the applicable Group Company has registered its employees within these programs and correctly classified them and (ii) without limiting other provisions set forth in this Agreement, all employer and employee contributions to such programs have been made.

(f) Each Company Plan required by applicable Laws or the applicable Company Plan to be funded, insured and/or book-reserved is funded, insured and/or book-reserved, as appropriate, based upon reasonable actuarial assumptions.

(g) There are no Actions pending or, to the Knowledge of the Company, threatened (other than routine claims for benefits), against any Company Plan and there is no correspondence or any requests, audits, interrogatories, filings, notices or similar communications received by any of the Group Companies from any Governmental Authority with respect to any Company Plan.

(h) The execution and delivery of and the performance by the Company of its obligations under this Agreement and the Transaction Documents to which it is a party and the consummation of the Transactions do not or will not (either alone or together with any other related event, including any termination of employment) (i) result in any payment (including severance payments) becoming payable by any of the Group Companies to any of its current or former directors, officers, employees or contractors under any Company Plan or otherwise, (ii) increase any benefits otherwise payable under, or require funding of, any Company Plan, (iii) result in any acceleration of the time of payment or vesting of any benefits or rights under any Company Plan, or (iv) trigger the forgiveness of indebtedness owing to any of the Group Companies by any of their respective directors, officers or employees. No compensation or benefit payable to any current or former director, officer or employee of any Group Company (whether in cash or property or the vesting of property) will result in a loss of deduction under applicable Tax Law or will be subject to an excise tax under applicable Tax Law.

(i) Except as set forth on Section 4.16(i) of the Company Disclosure Schedule, since June 30, 2015 through the date hereof, no Group Company has hired or engaged any new employees or officers whose current annual compensation exceeds \$100,000.

Section 4.17. Anti-Money Laundering. Each of the Group Companies is in compliance in all material respects with the applicable requirements of the Anti-Money Laundering Laws. No Group Company or any of its officers, directors or shareholders is a Sanctions Target.

Section 4.18. Foreign Corrupt Practices Act.

(a) Neither any Group Company nor, to the Company's Knowledge, any current director, officer, employee, agent, representative or any other Person acting for or on behalf of any Group Company (i) has been convicted of any offense under the U.S. Foreign Corrupt Practices Act of 1977, as amended, the UK Bribery Act 2010, the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, signed December 17, 1997, or any corresponding Law (or a predecessor Law) (collectively, the "Anti-Bribery Laws"), nor, to the Company's Knowledge, are they the subject of, or in any way involved in, any investigation, inquiry or enforcement Actions by any Governmental Authority in any country in which any Group Company does business, and no such investigation is pending or threatened.

(b) Neither any Group Company nor, to the Company's Knowledge, any current director, officer, employee, agent, representative or any other Person acting for or on behalf of any Group Company has made any unlawful payment, offer, promise or authorized the payment of money or other assets (collectively, the "Payments") to any Governmental Authority or official thereof where such Payment was made (x) to or for the use or benefit of such Governmental Authority or official thereof in violation of Anti-Bribery Laws; or (z) to induce or reward the improper performance of their duties to their employer or in relation to a function of a public nature, connected with a business, or on behalf of any other organization where such Payment violated any Laws in the country or countries of such Person or applicable to such Persons or the Anti-Bribery Laws in order to assist the Group Companies in obtaining or retaining business or directing business to a third party.

(c) Neither any Group Company nor, to the Company's Knowledge, any current director, officer, agent, employee, or any other Person acting for or on behalf of any Group Company has accepted or received any Payment in violation of Anti-Bribery Laws.

Section 4.19. Tax Matters.

(a) Each of the Group Companies has timely filed, or joined in the filing of, all Tax Returns required to be filed in accordance with applicable Laws by or with respect to it before the date of this Agreement, taking into account any extension of time to file. All such Tax Returns are true, accurate and complete in all material respects. All amounts of Taxes shown to be due in such Tax Returns have been or will be timely paid, collected or withheld, as the case may be.

(b) Each of the Group Companies has withheld and paid over all Taxes required to have been withheld and paid over and complied with all information reporting and backup withholding requirements, including maintenance of required records with respect thereto, in connection with amounts paid or owing to any employee, creditor, independent contractor, Affiliate, or other third party.

(c) No audits, claims or other administrative proceedings or court proceedings are pending as of the date of this Agreement with regard to any Taxes or Tax Returns of any Group Company, no Group Company has received any written notice prior to the date of this Agreement of any such audits, claims or proceedings, and, to the Knowledge of the Company, there are no threatened audits or proceedings of such kind.

(d) No extensions or waivers of statutes of limitation have been given or requested with respect to any Taxes of the Group Companies. There is no power of attorney granted with respect to Taxes relating to any of the Group Companies.

(e) Seller has made available to the Purchaser true, correct and complete copies of all Tax Returns filed by, or with respect to the income of each of the Group Companies for all taxable periods for the past three years, and all examination reports, and statements of deficiencies assessed against or agreed to by Seller or the Group Companies with respect to such taxable periods. The Company has never filed or been included in a combined, consolidated or unitary Tax Return, other than a Tax Return in which the Company was the common parent.

(f) No claim has been made in writing by any Governmental Authority in a jurisdiction where any Group Company does not file Tax Returns that such Group Company is or may be subject to any Taxes assessed by such jurisdiction.

(g) None of the Group Companies is a party to or otherwise bound by any Tax sharing agreement or any similar agreement, arrangement or practice with respect to Taxes (including any agreement relating to Taxes with a Tax authority).

(h) There are no Encumbrances for Taxes on any of the assets of the Group Companies.

(i) All transactions entered into by any Group Company, on the one hand, and the Seller or any of its Affiliates (other than a Group Company), on the other hand, have been entered into on arm's length terms.

(j) Section 4.19(j) of the Company Disclosure Schedule sets forth a true and complete list of all Tax exemptions and preferential Tax treatments (if any) granted to any Group Company that are in effect as of the date of this Agreement or could be subject to forfeiture, repayment or other liability or penalty with respect to past periods. No submissions made to any Governmental Authority in connection with obtaining such Tax exemptions and preferential Tax treatments contained any misstatement or omission that would have materially affected the granting of such Tax exemptions or preferential Tax treatments. No Group Company has received any written notice with respect to the repeal, cancellation or revocation of any such Tax exemptions or preferential Tax treatments or has any reason to believe that any such Tax exemptions or preferential Tax treatments is reasonably likely to be repealed, cancelled or revoked.

(k) No Guatemala income or capital gains Tax will be imposed on any Group Company as a result of the transfer of the Membership Interests to the Purchaser contemplated by this Agreement.

(l) All liabilities for Taxes have been accrued in the balance sheets of each Group Company included in the Financial Statements in accordance with the Applicable Accounting Standards.

(m) The transactions contemplated by Section 8.2(e) will not give rise to any Tax liability except to the extent included in the determination of the Estimated Adjustment Amount or the Adjustment Amount.

(n) In the past six (6) calendar years, no transactions or deemed transactions between the relevant Group Companies have taken place as a result of which article 15ai of the Dutch Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*) may be invoked partly or in full upon a termination of the fiscal unity for Dutch corporate income tax purposes.

Section 4.20. Directors, Officers and Employees.

(a) Section 4.20(a) of the Company Disclosure Schedule sets forth the following information for each natural person acting, as of the date of this Agreement, as director, officer, employee, consultant and independent contractor of any Group Company whose aggregate compensation for the last fiscal year exceeded \$150,000 or whose current annual rate of compensation exceeds such amount (including each such person on leave or layoff status): (i) employer and location of employment; (ii) name and job title; (iii) current annual rate of compensation (identifying bonuses separately) and any change in compensation since June 30, 2015; and (iv) eligibility to participate in applicable Company Plans; provided that, where the disclosure of such information would be prohibited by applicable privacy Laws without the individual's consent, Section 4.20(a) of the Company Disclosure Schedule shall specify such legal prohibition and shall provide such information in de-identified form in compliance with applicable Laws.

(b) To the Knowledge of the Company, except for customary confidentiality agreements with former employers, none of the Group Companies' directors, officers or management employees listed on Section 4.20(a) of the Company Disclosure Schedule is a party to, or is otherwise bound by, any agreement or arrangement (including any confidentiality, non-competition or proprietary rights agreement), with any Person other than a Group Company that in any way materially affects or will materially affect the performance of his or her duties. Except as set forth in Section 4.20(b) of the Company Disclosure Schedule, to the Knowledge of the Company, none of the Group Companies' directors or officers is (a) subject to voluntary or involuntary petition under any bankruptcy/insolvency Law; (b) convicted in a criminal proceeding or named in a pending criminal proceeding (excluding traffic violations other than driving while under the influence); (c) subject to any court order enjoining such Person from engaging, or otherwise imposing limits on engaging, in any type of business or acting as an officer or director of a public company; or (d) found by a Governmental Authority to have violated any securities, commodities, or unfair trade practices Law.

Section 4.21. Related Person Transactions.

(a) Except for those Related Person Contracts terminated prior to or on Closing or which are not required to be terminated pursuant to the terms of this Agreement, the Group Companies are not party to or bound by any other Related Person Contracts.

(b) None of the Seller or any of its directors and officers has a claim against any Group Company, other than (i) claims for unpaid compensation or pursuant to indemnification obligations existing on the date hereof, (ii) claims arising pursuant to the Related Person Contracts, and (iii) claims being terminated or released pursuant to the Transaction Documents.

Section 4.22. Environmental Matters. Except as set forth in Section 4.22 of the Company Disclosure Schedule or as would not reasonably be likely to have a Business Material Adverse Effect:

(a) None of the Group Companies has (i) received any written communication from any Governmental Authority that alleges that it is not in compliance with any Environmental Law or subject to liability under any Environmental Law, or (ii) notice or knowledge (understood as the Knowledge of the Company) of any Action relating to or arising under any Environmental Law that is pending or threatened against it or any Real Property;

(b) None of the Group Companies has entered into any order, settlement, judgment, injunction or decree involving uncompleted, outstanding or unresolved obligations, liabilities or requirements relating to or arising under Environmental Laws;

(c) Each of the Group Companies holds, and is in compliance with, all Permits required for it to conduct its business under Environmental Laws and is in compliance with all Environmental Laws;

(d) None of the Group Companies has any known or suspected asbestos-containing materials on, at or under any Real Property;

(e) None of the Group Companies has disposed of or arranged for the disposal of Hazardous Substances at any Real Property in violation of applicable Environmental Laws; and

(f) There has been no release, spill, emission, disposal, discharge, or leaching of Hazardous Substances at, from, to, on or under any Real Property giving rise to any reporting or remediation obligations under Environmental Law; provided that, to the extent this representation relates to events other than actions taken by or on behalf of any Group Company (including by any contractor, subcontractor or Representative thereof), it is given solely to the Knowledge of the Company.

Section 4.23. Records. Each of the Group Companies keeps record of all Contracts, documents, books, records, ledgers, files and other data (including Tax Returns) that it is required to keep in its records pursuant to applicable Law.

ARTICLE V

REPRESENTATIONS AND WARRANTIES REGARDING THE PURCHASER

Except as set forth in and as qualified by the disclosure schedule delivered by the Purchaser to the Seller simultaneously with the execution of this Agreement (the "Purchaser Disclosure Schedule") (it being agreed that the disclosure of any item in one section or subsection thereof shall be deemed to include any other section or subsection to which the relevance of such item is reasonably apparent on its face), the Purchaser represents and warrants to the Seller as of the date of this Agreement and as of the Closing Date as follows:

Section 5.1. Corporate Existence; Standing.

(a) Each of the Purchaser and the Nominee Purchaser is duly organized, validly existing and in good current standing under the Laws of its jurisdiction of organization.

(b) Each of the Purchaser and the Nominee Purchaser has the requisite power and authority to enter into and deliver the Transaction Documents to which it is a party and to perform its obligations under such Transaction Documents and to consummate the Transactions.

(c) Each of the Purchaser and the Nominee Purchaser is neither in bankruptcy, liquidation or receivership (and no order or resolution therefore has been presented and no notice of appointment of any liquidator, receiver, administrative receiver or administrator has been given), nor, to the Knowledge of the Purchaser, is there any valid grounds or circumstances on the basis of which any such procedure may be requested on a voluntary or involuntary basis by any entity.

Section 5.2. Authorization. The execution, delivery and performance by each of the Purchaser and the Nominee Purchaser of the Transaction Documents to which it is a party and the consummation by such Person of the Transactions have been duly authorized by all necessary corporate action on the part of such Person and no other action on the part of such Person is necessary to authorize this Agreement or the consummation of the Transactions. The Transaction Documents to be executed by each of the Purchaser and the Nominee Purchaser have been, or as of Closing will be, duly executed and delivered by such Person and, assuming due authorization, execution and delivery by the other parties thereto, each Transaction Document constitutes, or as of the Closing will constitute, the legally valid and binding obligations of the Purchaser and/or the Nominee Purchaser, as applicable, enforceable against such Person in accordance with its terms, except that such enforceability is subject to the Bankruptcy and Equity Exception.

Section 5.3. Non-Contravention. The execution, delivery and performance by each of the Purchaser and the Nominee Purchaser of the Transaction Documents to which it is a party, and the consummation by each of the Purchaser and the Nominee Purchaser of the Transactions do not and will not (i) conflict with or violate any provisions of its Organizational Documents or any resolutions adopted by such Person's shareholders or its Board; (ii) violate, conflict with, result in a breach of or constitute a default under any of the terms, conditions or provisions of any Contract to which it is a party; or (iii) violate, conflict with or result in a breach of any Law, judgment, writ or injunction of any Governmental Authority applicable to it, except, in the case of clauses (ii) and (iii), as would not reasonably be expected to have a Purchaser Material Adverse Effect.

Section 5.4. Financing. The Purchaser has funds sufficient to pay the Purchase Price at the Closing.

Section 5.5. Government Approvals. The execution, delivery and performance of the Transaction Documents to which it is a party and consummation of the Transactions by each of the Purchaser and the Nominee Purchaser do not and will not require any Consents of any Governmental Authority, other than such Consents that, if not obtained, made or given, would result in a Purchaser Material Adverse Effect.

Section 5.6. Legal Proceedings. There are no Actions pending, or, to the Knowledge of the Purchaser, threatened, against, relating to or involving the Purchaser that would reasonably be expected to result in a Purchaser Material Adverse Effect.

Section 5.7. Brokers. No agent, broker, investment banker, financial advisor or other firm or Person is entitled to any brokerage, finder's, financial advisor's or other similar fee or commission in connection with the Transactions as a result of any action taken by or on behalf of the Purchaser or any of its Affiliates for which the Seller or its Affiliates could be liable.

Section 5.8. Anti-Money Laundering. The Purchaser is in compliance in all material respects with the applicable requirements of the Anti-Money Laundering Laws. None of the Purchaser or any of its officers, directors or shareholders is a Sanctions Target.

Section 5.9. Knowledge of Misrepresentations. As of the date hereof, the Purchaser has no Knowledge that any of the representations and warranties regarding the Seller, the Company or any of the Group Companies in this Agreement is not true and correct in all material respects.

Section 5.10. Opportunity for Independent Investigation.

(a) The Purchaser recognizes that investment in the Membership Interests involves substantial risks. The Purchaser is (or its advisors are) experienced and knowledgeable in the power distribution business and aware of the risks of such business. The Purchaser acknowledges that it has conducted such review and investigation as the Purchaser has deemed necessary in its sole judgment to evaluate the Transactions and the Group Companies and their respective assets, business, condition (financial and otherwise) and prospects. In making its decision to execute this Agreement and to purchase the Membership Interests, the Purchaser has relied and will rely solely upon (i) the results of such independent review and evaluation and (ii) the express representations and warranties of the Seller contained in this Agreement.

(b) Notwithstanding anything contained in this Agreement to the contrary, the Purchaser understands and agrees that the Seller has not made, and is not making, any representation or warranty whatsoever, express or implied, with respect to the Transactions or the Seller, any member of the Actis Group, the Company, the Group Companies or their respective assets, properties, business, financial condition and prospects or any other matter, other than those representations and warranties of the Seller expressly set forth in Article III. The Purchaser acknowledges that it has carefully reviewed and, after such consultation with counsel as it has deemed necessary, agreed to the limitations and disclaimers set forth in Section 10.1, which it hereby agrees are conspicuously disclosed.

Section 5.11. Qualified Transferee. The parent company of the Purchaser is a Person that (a) has either (i) a long-term unsecured indebtedness rating or financial strength rating of at least "BBB-" from Standard & Poor's Ratings Services and "Baa3" from Moody's Investors Service, Inc. or (ii) not less than \$200,000,000 of issued and paid in common equity (or, in the case of a fund, a net asset value of not less than \$500,000,000), (b) has, for not less than

the two years preceding the Closing Date, directly or indirectly Controlled (i) one or more electric distribution companies operating in Latin America with net sales of not less than \$400,000,000 in the aggregate or (ii) power generation projects in Latin America with an aggregate capacity of not less than 400 megawatts, (c) is not, and none of its Affiliates is, currently in breach or default under any other transaction in which any lender under the Loan Facility Agreements has been or is currently involved, (d) is not, and none of its Affiliates is, listed on the World Bank List of Debarred Firms, (e) has not been sanctioned in connection with the United Nations Security Council Resolutions adopted pursuant to Chapter VII of the Charter of the United Nations or any other UN sanctions list promulgated pursuant to the UN Security Council resolutions in connection with money laundering or anti-terrorism measures, as updated from time to time, and (f) is not a Person to which any lender under the Loan Facility Agreements is unable to extend loans or credit by reason of exposure limits to it (or its Affiliates) or for any reason which such lender (acting reasonably) may determine. As used in this Section 5.11, “Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlled” has the meaning correlative thereto.

ARTICLE VI COVENANTS

Section 6.1. Confidentiality.

(a) Subject to Section 6.1(b), the Seller undertakes to the Purchaser and the Purchaser undertakes to the Seller for itself and for each other member of the Actis Group that it will keep confidential and will not disclose or divulge the Information.

(b) Section 6.1(a) does not apply to disclosure by a party of any Information: (i) which is required to be disclosed by Law, by a rule of a listing authority or securities or stock exchange to which such party or, in the case of the Seller, any member of the Actis Group, and in the case of the Purchaser, any Affiliate of the Purchaser, is subject or submits or by a Governmental Authority or other authority with relevant powers to which such party is subject or submits, whether or not the requirement has the force of Law provided that the disclosure shall, so far as is practicable, be made after consultation with the Seller, in the case of the Purchaser, or the Purchaser in the case of the Seller and after taking into account that other party’s reasonable requirements as to its timing, content and manner of making or dispatch; (ii) to an adviser for the purposes of advising in connection with the Transactions provided that such disclosure is essential for these purposes and is on the basis that the disclosing party procures that such adviser keeps such information confidential on terms equivalent to this Section 6.1; (iii) to the extent that the information is disclosed on a strictly confidential basis to the professional advisers, auditors, insurers, custodians and/or bankers or other funders of or investors in any member of the Actis Group and the Seller procures that such advisers, auditors, insurers, custodians and/or bankers or other funders or investors keep such information confidential on terms equivalent to this Section 6.1; (iv) to the extent that the information is disclosed by the Seller or a member of the Actis Group on a strictly confidential basis to any actual or proposed investor or participant in an Actis Fund or a third party with a co-investment or an interest in co-investing with any member of the Actis Group or any Actis Fund in any acquisition target or other project and the

Seller procures that such recipient keeps such information confidential on terms equivalent to this Section 6.1; (v) to the extent that such disclosure is necessary to enable that party to enforce its rights under this Agreement; or (vi) to a director, officer or employee of the Purchaser or any of its Affiliates or the Seller or any member of the Actis Group whose function requires him to have the relevant information provided that such disclosure is on the basis that the disclosing party procures that each such director, officer or employee keeps such information confidential on terms equivalent to this Section 6.1.

Section 6.2. Breach of Confidentiality. For purposes of Section 6.1, each party acknowledges and agrees that money damages might not be a sufficient remedy for any breach or threatened breach of Section 6.1 by such party or its Representatives. Therefore, in addition to all other remedies available at Law (which no party waives by the exercise of any rights hereunder), the non-breaching party shall be entitled to seek specific performance and injunctive and other equitable relief as a remedy for any such breach or threatened breach.

Section 6.3. Transfer Taxes. All transfer, registration, stamp, documentary, value added, sales, use and similar Taxes (including all applicable real estate transfer or gains Taxes and transfer Taxes, but for the avoidance of doubt, excluding any Guatemala capital gains Tax imposed on any Group Company as a result of the transfer of the Membership Interests to the Purchaser under this Agreement), any penalties, interest and additions to Tax, and fees incurred in connection with the Transactions shall be borne fifty percent (50%) by the Seller and fifty percent (50%) by the Purchaser. The Seller and the Purchaser shall cooperate in the timely making of all filings, returns, reports and forms as may be required in connection therewith.

Section 6.4. Public Announcements. The Purchaser and the Seller, and their respective Affiliates, shall consult with each other before issuing, and provide each other the opportunity to review and comment upon, any press release or other public statement with respect to this Agreement or the Transactions and shall not issue any such press release or make any such public statement without the advance approval of the other party following such consultation (such approval not to be unreasonably withheld or delayed), except as may be required by applicable Law, court process or by the requirements of any securities exchange.

Section 6.5. Intercompany Arrangements. Except as otherwise provided in Section 6.11, prior to the Closing Date, the Seller and the Actis Group shall be entitled to terminate the Related Person Contracts set forth on Section 8.2(e) of the Seller Disclosure Schedule. From and after the Closing Date, the Seller shall be under no obligation to maintain, or to cause the Group Companies to maintain, any insurance policy with or for the benefit of the Group Companies. Following the Closing, the Purchaser shall (i) cause itself to be substituted as a guarantor or obligor under any guarantee (including for performance under any contract or agreement), support agreement, credit agreement or the like for the benefit of the Company and the Group Companies or, if it is not able to do so, shall indemnify and hold harmless the Seller and the Actis Group on demand for any and all Losses arising under or otherwise relating thereto, and (ii) reimburse the Seller on a dollar for dollar basis for any returned premium received by the Purchaser, its Affiliates or any Group Company that was paid in advance by the Seller or the Group Companies under any insurance policy maintained by or for the benefit of the Group Companies that was terminated as of the Closing Date.

Section 6.6. Further Assurances; Post-Closing Cooperation.

(a) From time to time after the Closing, without additional consideration, each of the parties hereto will (or, if appropriate, cause their Affiliates to) execute and deliver such further instruments and take such other action as may be necessary to make effective the Transactions. If any party to this Agreement following the Closing shall have in its possession any asset or right that under this Agreement should have been delivered to the other, such party shall promptly deliver such asset or right to the other.

(b) Following the Closing, the Purchaser and the Seller will afford the other party and its representatives (i) such access as the other party may reasonably request to all books, records and other data and information relating to the Company and the Group Companies and (ii) the right to make copies and extracts therefrom at the cost of the party requesting such copies and extracts. Further, the Purchaser and the Seller each agrees for a period extending five years after the Closing Date not to destroy or otherwise dispose of any such books, records and other data unless such party shall first offer in writing to surrender such books, records and other data to the other party and such other party shall not agree in writing to take possession thereof during the ten-day (10-day) period after such offer is made.

Section 6.7. Nominee Holder. The Seller will cause the Nominee Holder to sell its portion of the Membership Interests to the Purchaser or the Nominee Purchaser pursuant to this Agreement.

Section 6.8. No Liquidation. Beginning on the date of this Agreement and continuing until the later of (x) the one (1) year anniversary of the Closing Date and (y) the resolution of all pending claims previously asserted by the Purchaser against the Seller pursuant to Article VII (the "Permitted Liquidation Date"), the Seller shall not voluntarily commence or institute any proceedings with respect to its dissolution, liquidation or winding up.

Section 6.9. Conduct of Business. From the date hereof until the Closing Date, except as (i) contemplated or permitted by the Transaction Documents, (ii) required by applicable Law, (iii) set forth in Section 6.9 of the Seller Disclosure Schedule, or (iv) the Purchaser otherwise consents in writing (such consent shall not be unreasonably withheld or delayed), the Seller shall cause each of the Group Companies to (i) maintain its organizational existence, (ii) operate its respective business in the Ordinary Course and in compliance with all applicable Laws in all material respects, (iii) use commercially reasonable efforts to preserve intact in all material respects the organization of its business (including its rights and assets), and (iv) maintain their books and records in the Ordinary Course consistent with past practice and policy used in the preparation of the Financial Statements. Without limiting the generality of the foregoing, from the date hereof until the Closing, except as (i) contemplated or permitted by the Transaction Documents, (ii) required by applicable Law, (iii) set forth in Section 6.9 of the Seller Disclosure Schedule, without the prior written consent of the Purchaser, the Seller shall exercise the voting, governance and contractual powers available to it to cause each Group Company not to:

- (a) amend any of its Organizational Documents;

(b) issue, grant, sell, transfer, or authorize the issuance, granting, sale or transfer of, any capital stock (or other equity interests) or any securities convertible into, or exercisable or exchangeable for the same;

(c) declare, set aside or pay any dividend or other distribution, with respect to its capital stock (or other equity interests), other than any dividends by any direct or indirect subsidiary to the Company;

(d) reclassify, combine, split, subdivide or redeem, purchase or otherwise acquire, directly or indirectly, any of its capital stock (or other equity interests) or other securities;

(e) acquire (including by merger, consolidation, tender offer, acquisition of stock (or other equity interests) or assets, or any other business combination) any Person or assets or business thereof (including by forming a partnership or joint venture therewith), other than (i) such acquisitions as (x) would not reasonably be expected to delay, impede or affect the consummation of the Transactions and (y) do not involve consideration, in the aggregate, having a fair market value exceeding \$1,000,000, (ii) in the Ordinary Course, and (iii) capital expenditures not exceeding \$2,000,000 per each calendar month;

(f) sell, assign, transfer, convey, lease, license or otherwise dispose of any material asset or property with a book value in excess of \$150,000;

(g) make any loan, advance, capital contribution to, or any investment in, any Person except in the Ordinary Course,

(h) create or permit any Encumbrance on any material asset or property except Encumbrances incurred in the Ordinary Course;

(i) incur, assume or otherwise become liable for any Indebtedness or enter into any Contract relating to interest rate protection or amend, settle, satisfy, defease, refinance, purchase, pay or prepay any Indebtedness other than the Ordinary Course;

(j) (A) modify the compensation payable or to become payable or the benefits provided to its directors, officers, consultants, contractors or employees, (B) grant or modify any severance or termination pay to, or enter into or modify any vesting, employment, bonus, consulting, change of control or severance arrangement with any current or former director, officer, consultant, contractor or employee, or (C) establish, adopt, enter into, modify or terminate any Company Plan except (i) as required by the terms thereof or (ii) solely with respect to employees, consultants and natural persons acting as contractors, where the aggregate annualized compensation does not exceed \$100,000, in the Ordinary Course;

(k) announce, implement or effect any material reduction in labor force, lay-off, early retirement program, severance program or other program or effort concerning the termination of employment of employees of the Company or any direct or indirect subsidiary other than routine terminations of employees, consultants and natural persons acting as contractors whose aggregate annualized compensation does not exceed \$100,000 in the Ordinary Course;

(l) enter into, amend, waive or terminate any Material Contract (or Contract that, if in effect on the date hereof, would be a Material Contract) other than Contracts that would be deemed to be Material Contracts pursuant to clauses (ii) or (xi) of the definition thereof entered into after the date hereof in the Ordinary Course;

(m) make any material change in policies or procedures relating to procurement, inventory, advertising or product pricing (including the use of any promotions, coupons, rebates, discounts or price increases);

(n) make or rescind any material Tax election or settle or compromise any material Tax liability;

(o) except for changes required by reason of a change in the Applicable Accounting Standards or applicable Law, change independent accountants or any accounting methods, principles or practices;

(p) fail to pay insurance premiums with respect to any policy naming the Company as a beneficiary or a loss payee outside the Ordinary Course, or permit any such insurance policy to lapse or be cancelled or terminated;

(q) commence, defend or settle any material Action;

(r) become subject to a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization;

(s) enter into any new line of business or materially change the corporate purpose of any Group Company (except as may be required by Law); or

(t) authorize, commit or agree to take any of the foregoing actions.

To the extent the Seller requests consent from the Purchaser pursuant to Section 6.9 and the Purchaser has not responded within five (5) Business Days of the Purchaser receiving written notice of such request, the Purchaser shall be deemed to have consented for the relevant matter.

Section 6.10. Changes in Circumstances; Access.

(a) During the period from the date of this Agreement until the Closing Date,

(i) the Seller shall, and shall cause the Group Companies to, give notice to the Purchaser, as soon as reasonably practicable, of (i) the occurrence of any event, that would reasonably be expected to cause any representation or warranty of the Seller or the Company in this Agreement to be untrue or inaccurate at or prior to the Closing in a manner that causes the condition in Section 8.2(a) to not be satisfied, (ii) any failure of such party to comply with its covenants and other obligations in a manner that would reasonably be expected to cause the condition in Section 8.2(b) to not be satisfied, or (iii) the occurrence of an event that has had or would reasonably be expected to have, in the aggregate, a Seller Material Adverse Effect; and

(ii) the Purchaser shall give notice to the Seller, as soon as reasonably practicable, of (i) the occurrence of any event, that would reasonably be expected to cause any representation or warranty of the Purchaser in this Agreement to be untrue or inaccurate at or prior to the Closing in a manner that causes the condition in Section 8.3(a) to not be satisfied, (ii) any failure of such party to comply with its covenants and other obligations in a manner that would reasonably be expected to cause the condition in Section 8.3(b) to not be satisfied, or (iii) the occurrence of an event that has had or would reasonably be expected to have, in the aggregate, a Purchaser Material Adverse Effect.

(b) During the period from the date of this Agreement until the Closing Date, the Seller shall, and shall cause the Group Companies to, provide the Purchaser with reasonable access to the business, assets and properties of the Group Companies as the Purchaser may reasonably request, as well as keep the Purchaser informed in all material respects and on a reasonably timely basis about any material developments with regard to such matters, if any, as the Purchaser may reasonably inquire about; provided, however, that nothing contained in this Section 6.10 shall require the Seller or any Group Company to provide any information or access that the Seller believes is necessary to preserve the attorney-client privilege or to comply with regulatory restrictions, Law or any confidentiality restrictions with third parties.

(c) For the avoidance of doubt, nothing contained in this Section 6.10 or otherwise in this Agreement, including the delivery of any notice, any access, any Information, or any investigation, pursuant to this Section 6.10 or otherwise, shall operate as a waiver or otherwise affect any representation, warranty, covenant or agreement given or made by Seller in this Agreement nor shall it (i) cure any inaccuracy in any representation or warranty or (ii) limit or otherwise affect any remedies available to a Purchaser Indemnified Party contained in this Agreement (including for purposes of determining whether conditions to Closing have been satisfied or in respect of indemnification rights).

Section 6.11. Transition Services.

(a) Through the tenth (10th) Business Day following the Closing Date, the Seller shall, and shall cause Arthasan to (i) maintain the Arthasan Service Agreement in force and (ii) make available, in connection with the performance thereof, the services of the individuals set forth on Section 6.11 of the Purchaser Disclosure Schedule. Following the tenth (10th) Business Day after the Closing Date, the Arthasan Service Agreement shall expire automatically.

(b) In consideration of the Transition Services, the Purchaser shall, or shall cause the Group Companies to, pay the Transition Services Fee. Such fee is non-refundable and shall be payable in advance on the Closing Date in accordance with Section 2.2(c). If the Purchaser elects to cause one of the Group Companies to pay the Transition Services Fee, such amount shall be disregarded for the purposes of calculating the Adjustment Amount.

Section 6.12. KYC Information.

(a) The Purchaser shall (i) provide the Seller with all information listed in Section 6.12(a) of the Seller Disclosure Schedule regarding the Purchaser, the Purchaser Guarantor, the Nominee Purchaser and their respective Affiliates (and their respective direct and indirect shareholders) and (ii) use its commercially reasonable efforts to provide the Seller with any further information regarding the Purchaser, the Purchaser Guarantor, and the Nominee Purchaser and their respective Affiliates (and their respective direct and indirect shareholders) as the Seller may request in order to satisfy their respective “know your customer” requirements.

(b) Each of the Purchaser and the Seller shall use its commercially reasonable efforts to provide the Escrow Agent with any information as the Escrow Agent may reasonably request in order to satisfy their respective “know your customer” requirements.

(c) For the purpose of this Section 6.12, “commercially reasonable efforts” by the Purchaser or the Seller, as appropriate, shall include providing assistance in resolving any positive matches on the standard sanctions and other screening checks and information on the indirect or direct shareholders of such party, its respective Affiliates and their respective direct and indirect shareholders.

Section 6.13. Letter of Credit. No later than five (5) Business Days prior to the Closing Date, the Purchaser shall procure a letter of credit for the benefit of the Seller in an amount equal to the Deferred Payment and in the form set forth in Exhibit E (the “Letter of Credit”). No later than three (3) Business Days following receipt of the Deferred Payment, the Seller shall return the original Letter of Credit to the Purchaser and shall take such further actions as may reasonably be requested by the Purchaser to authorize the issuing bank to terminate the same.

Section 6.14. Support Letter. The Seller agrees to enforce, and take such actions to enforce, any and all of the Seller’s rights pursuant to the Support Letter. If any provision of the Support Letter is not performed in accordance with its specific terms or is otherwise breached, the Purchaser shall be entitled to seek specific performance by the Seller in accordance with Section 10.9, including specific performance requiring the Seller to enforce its rights under the Support Letter.

ARTICLE VII

SURVIVAL; INDEMNIFICATION

Section 7.1. Survival of Representations, Warranties, Covenants and Agreements.

(a) The representations, warranties, covenants and agreements of the Seller, the Company and the Purchaser contained in this Agreement (including any certificate contemplated hereby) and in the other Transaction Documents will not survive the Closing, except that: (i) all such representations and warranties shall survive the Closing solely for purposes of the Special Policy, until the expiration of the term of the Special Policy, (ii) the covenants and agreements of the Seller, the Fundamental Representations, and the representations, warranties, covenants and agreements of the Purchaser contained in this Agreement (including any certificate contemplated hereby) and in the other Transaction Documents shall survive the Closing and will continue in full force and effect for a period from

the date hereof until the date that is the one (1) year anniversary from the Closing Date (except those covenants and agreements, which by their terms extend past such date, which shall survive for the period specified thereof), and (iii) any claim for indemnification asserted prior to the end of the time period contemplated by the foregoing clauses (i) and (ii) shall survive until the resolution of such claim.

(b) For purposes of this Agreement, the Seller's representations and warranties shall be deemed to include the Seller Disclosure Schedule, the Company's representations and warranties shall be deemed to include the Company Disclosure Schedule and the Purchaser's representations and warranties shall be deemed to include the Purchaser Disclosure Schedule.

Section 7.2. Indemnification of the Purchaser. The Seller shall indemnify and hold harmless the Purchaser, its Affiliates and their respective successors and their respective shareholders, officers, directors, employees and agents (collectively, the "Purchaser Indemnified Parties") from and against any and all Losses that may be asserted against, or paid, suffered or incurred by any Purchaser Indemnified Party that arise out of or result from (i) any inaccuracy in or any breach of any Fundamental Representation of the Seller, and (ii) any failure by the Seller or the Company to perform or fulfill any of the covenants or agreements required to be performed by it under this Agreement.

Section 7.3. Indemnification of the Seller. The Purchaser shall indemnify and hold harmless the Seller and its Affiliates and their respective successors and their respective shareholders, officers, directors, employees and agents (collectively, the "Seller Indemnified Parties") from and against any and all Losses that may be asserted against, or paid, suffered or incurred by any Seller Indemnified Party that arise out of or result from (a) the inaccuracy of any representation or warranty made by the Purchaser in this Agreement, and (b) any failure by the Purchaser to perform or fulfill any of its covenants or agreements required to be performed by the Purchaser under this Agreement.

Section 7.4. Limitations.

(a) The maximum aggregate liability of the Seller under this Agreement and any Transaction Document shall not exceed the Purchase Price.

(b) For the avoidance of doubt, the Purchaser may seek indemnification pursuant to Section 7.2 prior to or in addition to making a claim with respect to the applicable breach under the Special Policy but in no event shall be entitled to recover more than once for any particular amount of Loss or series of related Losses.

(c) Subject to the last sentence of this paragraph, the obligations of an Indemnifying Party to defend and hold harmless an Indemnified Party pursuant to Section 7.2 or Section 7.3 (as the case may be) will terminate when the applicable representation, warranty, covenant or agreement expires pursuant to Section 7.1(a). As such and notwithstanding anything herein to the contrary, an Indemnified Party must give notice to the relevant Indemnifying Party of any claim for indemnification with respect thereto under this Article VII in writing setting forth the specific claim and the basis therefor in reasonable detail prior to such date. Notwithstanding the foregoing, as to Sections 7.2 and 7.3, the obligations to indemnify, defend

and hold harmless will not terminate with respect to any individual item as to which an Indemnified Party shall have, before the expiration of the applicable period, previously made a claim by delivering a notice (stating in reasonable detail the basis of such claim) to the applicable Indemnifying Party, according to the method of asserting claims established in Section 7.5.

(d) An Indemnified Party shall use all reasonable efforts to mitigate its Losses hereunder. Any Losses shall be computed net of any insurance proceeds (net of direct collection expenses, self-insurance costs, premiums and deductibles) actually received by the Indemnified Party on account of such Losses.

Section 7.5. Method of Asserting Claims. All claims for indemnification by any Indemnified Party under this Article VII shall be asserted and resolved as follows:

(a) If an Indemnified Party intends to seek indemnification under this Article VII, it shall promptly notify the Indemnifying Party in writing of such claim. The failure to provide such notice will not affect any rights hereunder except to the extent the Indemnifying Party is materially prejudiced thereby.

(b) The Indemnified Party and its Affiliates (which, for the purposes of the Purchaser shall include the Group Companies after the Closing) shall afford to the Indemnifying Party and its Affiliates reasonable access during normal business hours, to all their respective personnel who may have knowledge of the facts and circumstances, and to all their respective properties, books, contracts, commitments and records, relating to any claim by an Indemnified Party pursuant to Section 7.2 or Section 7.3 (as applicable) and otherwise reasonably cooperate with the Indemnifying Party and its Affiliates in investigating any such claim.

(c) In the event the Indemnifying Party does not dispute the claim or only disputes a portion thereof, then the amount of the claim or the portion thereof not disputed shall be deemed to be admitted (an "Admitted Liability"). Upon the occurrence of an Admitted Liability, the Indemnifying Party shall promptly pay to the Indemnified Party an amount equal to the Admitted Liability by wire transfer of immediately available funds.

(d) In the event the Indemnifying Party shall dispute the validity of all or any amount of a claim, the Indemnifying Party shall, within thirty (30) days of its receipt of the claim, execute and deliver to the Indemnified Party a notice setting forth with reasonable particularity the grounds and the basis upon which the claim or any portion thereof is disputed (the "Dispute Statement"). If the Indemnifying Party delivers a Dispute Statement, then the amount of the claim disputed by the Indemnifying Party in such Dispute Statement shall not be payable to the Indemnified Party until either (i) the Purchaser and the Seller agree in writing to the resolution of the amount of the claim disputed by the Indemnifying Party in such Dispute Statement or (ii) an arbitral panel or a court of competent jurisdiction in accordance with Section 10.12 enters a final non-appealable order directing the payment to such Indemnified Party of the amount of the claim disputed by the Indemnifying Party in such Dispute Statement. Upon such written agreement or final order, as the case may be, the Indemnifying Party shall promptly pay to the Indemnified Party an amount equal to the amount of such claim so agreed or ordered to be paid by wire transfer of immediately available funds.

(e) If a claim involves a claim by a third party against the Indemnified Party, the Indemnifying Party may, within ten (10) days after receipt of such notice and upon notice to the Indemnified Party, assume, with counsel reasonably satisfactory to the Indemnified Party, at the sole cost and expense of the Indemnifying Party, the settlement or defense thereof; provided, that the Indemnified Party may participate in such settlement or defense through counsel chosen by it at its sole expense. If the Indemnified Party determines in good faith that representation by the Indemnifying Party's counsel of both the Indemnifying Party and the Indemnified Party may present such counsel with a conflict of interest, then the Indemnifying Party shall pay the reasonable fees and expenses of the Indemnified Party's counsel. Notwithstanding the foregoing, (i) the Indemnified Party may take over the control of the defense or settlement of a third-party claim at any time if it irrevocably waives its right to indemnity under this Article VII with respect to such claim and (ii) the Indemnifying Party may not, without the consent of the Indemnified Party, settle or compromise any action or consent to the entry of any judgment, such consent not to be unreasonably withheld. The Indemnified Party shall not pay or settle any such claim without the Indemnifying Party's consent, such consent not to be unreasonably withheld.

Section 7.6. Character of Indemnity Payments. The parties agree that any indemnification payments made with respect to this Agreement shall be treated for all Tax purposes as an adjustment to the Purchase Price unless otherwise required by applicable Law.

Section 7.7. Exclusive Remedy, etc.

(a) To the fullest extent permitted by applicable Law, the indemnification provided in this Article VII, the Purchase Price adjustment provisions in Section 2.2, specific performance pursuant to Section 10.9 and the remedies available to the Purchaser pursuant to the Special Policy shall be the sole and exclusive remedies available to each of the parties following the Closing for any matters in connection with this Agreement and the Transactions, except in the case of Fraud. No party shall have any obligation to indemnify pursuant to this Article VII to the extent any such claimed Losses were the subject of the Purchase Price adjustment in Section 2.2.

(b) NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, IN NO EVENT SHALL ANY PARTY BE LIABLE UNDER THIS AGREEMENT FOR ANY INCIDENTAL, CONSEQUENTIAL, INDIRECT, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES, REGARDLESS OF THE FORM OF ACTION THROUGH WHICH SUCH DAMAGES ARE SOUGHT; PROVIDED, HOWEVER, THAT NOTHING IN THIS AGREEMENT OR IN ANY TRANSACTION DOCUMENT SHALL LIMIT OR PRECLUDE ANY INDEMNIFICATION OR RECOVERY WITH RESPECT TO: (A) ANY DAMAGES THAT MAY BE AWARDED IN CONNECTION WITH A THIRD-PARTY CLAIM FOR WHICH A PARTY IS ENTITLED TO BE INDEMNIFIED, OR (B) ANY DIRECT DAMAGES (INCLUDING LOSS OF PROFITS TO THE EXTENT CONSTITUTING A DIRECT DAMAGE).

ARTICLE VIII
CONDITIONS PRECEDENT

Section 8.1. Conditions to the Seller and the Purchaser's Obligation to Effect the Transactions. The respective obligations of each of the Seller and the Purchaser to effect the Closing shall be subject to the satisfaction or waiver (to the extent permissible under applicable Law) at or prior to the Closing of the following conditions:

(a) *No Injunctions or Restraints*. No Law, injunction, judgment or ruling enacted, promulgated, issued, entered, amended or enforced by any Governmental Authority (collectively, "Restraints") shall be in effect enjoining, restraining, preventing or prohibiting consummation of the Transactions or making the consummation of the Transactions illegal and no Action shall be pending that, if successful, would result in any such Restraint.

(b) *No Termination Events*. None of the events or conditions entitling a party to terminate this Agreement under Article IX shall have occurred and be continuing.

Section 8.2. Conditions to Obligations of the Purchaser. The obligations of the Purchaser to effect the Closing are further subject to the satisfaction or waiver at or prior to the Closing of the following conditions:

(a) *Representations and Warranties*. Each of (i) the Fundamental Representations made by the Seller in this Agreement shall be true and correct in each case at and as of the Closing (except those representations and warranties that expressly speak as of a specified date or time, provided, however, that such representations and warranties shall have been true and correct as of such date or time), and (ii) the other representations and warranties made by the Seller and the Company in this Agreement (without giving effect to any "Seller Material Adverse Effect", "Business Material Adverse Effect" or similar materiality qualification therein) shall be true and correct in each case at and as of the Closing (except those representations and warranties that expressly speak as of a specified date or time, provided, however, that such representations and warranties shall have been true and correct as of such date or time), except where the failure to be so true and correct would not reasonably be expected to have a Seller Material Adverse Effect or a Business Material Adverse Effect.

(b) *Performance of Obligations of the Seller*. The Seller shall have performed and complied with, in all material respects, the agreements, covenants and all obligations required to be performed by the Seller under this Agreement at or prior to the Closing.

(c) *Seller Certificate*. The Purchaser shall have received a certificate signed on behalf of the Seller by an executive officer of the Seller certifying that the conditions set forth in Section 8.2(a) and Section 8.2(b) and have been satisfied.

(d) *Deliveries*. The Seller shall have caused each of the documents and instruments required by Section 2.5 to have been executed (where applicable) and delivered, and each such document and instrument shall be in full force and effect.

(e) *Termination of Related Person Contracts.* The Seller shall have provided to the Purchaser evidence of termination of each of the Related Person Contracts set forth on Section 8.2(e) of the Seller Disclosure Schedule (including the settlement of all payables and receivables owing to or from any Group Company, on the one hand, from or to any Related Person that is not a Group Company, on the other hand), without additional cost to or liability of the Purchaser or any Group Company (other than the Transition Services Fee and any liabilities included in the calculation of the Adjustment Amount).

Section 8.3. Conditions to Obligations of the Seller. The obligations of the Seller to effect the Closing are further subject to the satisfaction or waiver at or prior to the Closing of the following conditions:

(a) *Representations and Warranties.* Each of the representations and warranties made by the Purchaser in this Agreement (without giving effect to any “Purchaser Material Adverse Effect” or similar materiality qualification therein) shall be true and correct in each case at and as of the Closing (except those representations and warranties that expressly speak as of a specified date or time, provided, however, that such representations and warranties shall have been true and correct as of such date or time), except where the failure to be so true and correct would not reasonably be expected to have a Purchaser Material Adverse Effect.

(b) *Performance of Obligations of the Purchaser.* The Purchaser shall have performed and complied with, in all material respects, the agreements, covenants and all obligations required to be performed by the Purchaser under this Agreement at or prior to the Closing (including all documents and evidence reasonably required by the Seller pursuant to Section 6.12 so as to enable the Seller and the Escrow Agent to carry out and be satisfied with the results of their “know your customer” requirements).

(c) *Purchaser Certificate.* The Seller shall have received a certificate signed on behalf of the Purchaser by an executive officer of the Purchaser certifying that the conditions set forth in Section 8.3(a) and Section 8.3(b) and have been satisfied.

(d) *Deliveries.* The Purchaser shall have caused each of the documents and instruments required by Section 2.4 to have been executed (where applicable) and delivered, and each such document and instrument shall be in full force and effect.

ARTICLE IX TERMINATION

Section 9.1. Termination. This Agreement may be terminated and the Transactions abandoned at any time prior to the Closing by:

(a) the mutual written consent of the Seller and the Purchaser;

(b) the Seller or the Purchaser if the Closing shall not have occurred on or before February 29, 2016 unless the failure to consummate the Closing is due to the failure to act by the terminating party (or its Affiliates);

(c) the Seller or the Purchaser if any Restraint enjoining, restraining, preventing or prohibiting consummation of the Transactions or making the consummation of the Transactions illegal shall be in effect and shall have become final and non-appealable;

(d) the Purchaser, if there has been a violation or breach by the Seller or the Company of any representation, warranty, covenant or agreement of the Seller or the Company contained in this Agreement that would prevent the satisfaction of any condition to the obligations of the Purchaser at the Closing, and such violation or breach has not been waived by the Purchaser, or cured by the Seller or the Company within sixty (60) days after receipt of written notice thereof from the Purchaser; provided, however, that a willful breach or violation shall not be subject to notice or cure hereunder and the Purchaser shall be entitled to terminate this Agreement immediately by providing written notice of such willful violation or breach to the Seller; and

(e) the Seller, if there has been a violation or breach by the Purchaser of any representation, warranty, covenant or agreement of the Purchaser contained in this Agreement that would prevent the satisfaction of any condition to the obligations of the Seller at the Closing, and such violation or breach has not been waived by the Seller, or cured by the Purchaser within sixty (60) days after receipt of written notice thereof from the Seller; provided, however, that a willful breach or violation shall not be subject to notice or cure hereunder and the Seller shall be entitled to terminate this Agreement immediately by providing written notice of such willful violation or breach to the Purchaser.

Section 9.2. Effect of Termination. Any party seeking to terminate this Agreement as provided in Section 9.1 shall send written notice thereof to the other party, specifying the provision hereof pursuant to which such termination is made. In the event of termination of this Agreement, this Agreement shall forthwith become null and void (other than Section 6.1, Section 6.2, Section 6.4 and Article X, which shall survive in accordance with their terms) and there shall be no liability on the part of any party to this Agreement or its Affiliates or its or their directors, officers or employees, except that nothing shall relieve any party from liability for Fraud or any willful breach of this Agreement.

ARTICLE X

MISCELLANEOUS

Section 10.1. No Other Representations or Warranties

(a) NOTWITHSTANDING ANYTHING IN THIS AGREEMENT TO THE CONTRARY, IT IS THE EXPLICIT INTENT OF EACH PARTY, AND THE PARTIES HEREBY AGREE, THAT NONE OF THE PARTIES OR ANY OF THEIR RESPECTIVE AFFILIATES OR REPRESENTATIVES HAS MADE OR IS MAKING, AND THE SELLER (ON BEHALF OF ITSELF, ITS AFFILIATES AND REPRESENTATIVES) HEREBY DISCLAIMS, ANY REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WRITTEN OR ORAL, INCLUDING ANY IMPLIED REPRESENTATION OR WARRANTY AS TO THE CONDITION, MERCHANTABILITY, USAGE, SUITABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE, WITH RESPECT TO THE

MEMBERSHIP INTERESTS OR THE COMPANY, THE GROUP COMPANIES OR THEIR RESPECTIVE ASSETS, PROPERTIES, BUSINESS, CONDITION (FINANCIAL OR OTHERWISE) OR PROSPECTS, EXCEPT THOSE REPRESENTATIONS AND WARRANTIES EXPRESSLY SET FORTH IN THIS AGREEMENT. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, THE SELLER (ON BEHALF OF ITSELF, ITS AFFILIATES AND REPRESENTATIVES) EXPRESSLY DISCLAIMS ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND OR NATURE, EXPRESS OR IMPLIED, AS TO (I) THE OWNERSHIP, MARKETABILITY, CONDITION, VALUE OR QUALITY OF THE MEMBERSHIP INTERESTS OR THE COMPANY, THE GROUP COMPANIES OR THEIR RESPECTIVE ASSETS AND PROPERTIES OR (II) THE PROSPECTS (FINANCIAL OR OTHERWISE) AND RISKS RELATED TO THE MEMBERSHIP INTERESTS OR THE COMPANY, THE GROUP COMPANIES AND THEIR RESPECTIVE ASSETS AND PROPERTIES.

(b) THE PARTIES MAKES NO REPRESENTATION OR WARRANTY TO THE PURCHASER AS TO THE ACCURACY OR REASONABLENESS OF ANY FINANCIAL PROJECTIONS OR FORECASTS RELATING TO THE MEMBERSHIP INTERESTS OR THE COMPANY, THE GROUP COMPANIES OR THEIR RESPECTIVE ASSETS, PROPERTIES, BUSINESS OR PROSPECTS, EXCEPT AS PROVIDED IN THIS AGREEMENT.

(c) NONE OF THE SELLER, ANY OF ITS AFFILIATES, OR ANY OF THEIR RESPECTIVE REPRESENTATIVES MAKES ANY REPRESENTATION AS TO THE ACCURACY OR COMPLETENESS OF, OR WILL HAVE, OR BE SUBJECT TO, ANY LIABILITY TO THE PURCHASER OR ANY OTHER PERSON RESULTING FROM THE DISTRIBUTION TO THE PURCHASER OR ITS AFFILIATES OR REPRESENTATIVES OF, OR THE PURCHASER'S USE OF, ANY INFORMATION RELATING TO THE MEMBERSHIP INTERESTS, THE COMPANY, THE GROUP COMPANIES OR THEIR RESPECTIVE BUSINESS, ASSETS OR LIABILITIES OR ANY OTHER MATTER RELATING TO THE TRANSACTIONS, INCLUDING ANY DESCRIPTIVE MEMORANDA, SUMMARY BUSINESS DESCRIPTIONS OR INFORMATION, DOCUMENTS OR MATERIAL MADE AVAILABLE TO THE PURCHASER OR ITS AFFILIATES OR REPRESENTATIVES, WHETHER ORALLY OR IN WRITING, IN CERTAIN "DATA ROOMS," MANAGEMENT PRESENTATIONS, FUNCTIONAL "BREAK-OUT" DISCUSSIONS, RESPONSES TO QUESTIONS SUBMITTED ON BEHALF OF THE PURCHASER OR ANY OTHER FORM, IN EXPECTATION OF THE TRANSACTIONS, EXCEPT, IN EACH CASE, AS PROVIDED IN THIS AGREEMENT.

(d) EXCEPT AS OTHERWISE EXPRESSLY PROVIDED HEREIN, THE MEMBERSHIP INTERESTS, THE COMPANY, THE GROUP COMPANIES AND THEIR RESPECTIVE ASSETS AND PROPERTIES BEING TRANSFERRED THROUGH THE SALE OF THE MEMBERSHIP INTERESTS ARE BEING TRANSFERRED "AS IS, WHERE IS, WITH ALL FAULTS."

Section 10.2. Notices. All notices, requests and other communications under this Agreement must be in writing and will be deemed to have been duly given upon receipt to the parties at the following addresses (or at such other address for a party as shall be specified by the notice):

If to the Seller:

DEORSA-DEOCSA Holdings Limited
Les Cascades Building
Edith Cavell Street
Port Louis, Mauritius
Attention: Bhavana Banyamandhub

With a copy (which shall not constitute notice) to:

Actis GP LLP
2 More London Riverside
London SE1 2JT United Kingdom
Attention: General Counsel

and

Clifford Chance US LLP
31 West 52nd Street
New York, NY 10019
United States
Attention: David Brinton

If to the Purchaser or the Purchaser Guarantor:

Inkia Energy, Limited
Av. Santo Toribio 115, Piso 7
San Isidro, Lima, Peru
Attention: Daniel Urbina and Javier Garcia-Burgos

With a copy (which shall not constitute notice) to:

Morrison & Foerster LLP
250 West 55th Street
New York, NY 10019
United States
Attention: Jeff Bell

If to the Company:

Estrella Cooperatief BA
De Boelelaan 7
1083 HJ Amsterdam, the Netherlands
Attention: S. Stacie

With a copy (which shall not constitute notice) to:

Actis GP LLP
2 More London Riverside
London SE1 2JT United Kingdom
Attention: General Counsel

and

Clifford Chance US LLP
31 West 52nd Street
New York, NY 10019
United States
Attention: David Brinton

Section 10.3. Entire Agreement. This Agreement and the exhibits and schedules hereto supersede all prior and contemporaneous discussions and agreements, both written and oral, among the parties with respect to the subject matter of this Agreement and constitute the sole and entire agreement among the parties to this Agreement with respect to the subject matter of this Agreement, and supersedes all prior and contemporaneous agreements and understandings, written or oral, with respect to the subject matter hereof.

Section 10.4. Expenses. Except as otherwise expressly provided in this Agreement, whether or not the Transactions are consummated, each party shall pay its own costs and expenses incurred in connection with the negotiation, execution and closing of this Agreement and the Transactions.

Section 10.5. Waiver. Any term or condition of this Agreement may be waived at any time by the party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the party waiving such term or condition. No waiver by any party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion. All remedies, either under this Agreement or by Law or otherwise afforded, will be cumulative and not alternative.

Section 10.6. Amendment. This Agreement may be amended, supplemented or modified only by a written instrument duly executed by or on behalf of each party to this Agreement.

Section 10.7. No Third-Party Beneficiary. The terms and provisions of this Agreement are intended solely for the benefit of each party hereto and their respective successors or permitted assigns, and it is not the intention of the parties to confer third-party beneficiary rights upon any other Person other than any Person entitled to indemnity under Article VII and the Actis Group pursuant to Section 6.1, Section 6.2 and Section 6.5.

Section 10.8. Assignment; Binding Effect. Neither this Agreement nor any right, interest or obligation under this Agreement may be assigned by any party to this Agreement by operation of Law or otherwise without the prior written consent of the other parties to this Agreement and any attempt to do so will be void. Subject to the foregoing, this Agreement is binding upon, inures to the benefit of and is enforceable by the parties to this Agreement and their respective successors and assigns.

Section 10.9. Specific Performance. The parties hereto agree that if any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached, irreparable damage would occur, no adequate remedy at Law would exist and damages would be difficult to determine, and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at Law or equity.

Section 10.10. Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future Law, and if the rights or obligations of any party hereto under this Agreement will not be materially and adversely affected thereby, (a) such provision will be fully severable, (b) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (c) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom and (d) in lieu of such illegal, invalid or unenforceable provision, there will be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

Section 10.11. Governing Law. **THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAWS THEREOF (OTHER THAN SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW).**

Section 10.12. Arbitration.

(a) Any dispute, claim or controversy arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope or applicability of this Agreement to arbitrate, and also including claims sounding in contract, tort, statutory or otherwise (each, a "Dispute") shall be finally resolved and decided by binding arbitration pursuant to the then-applicable Rules of Arbitration (the "Rules") of the International Chamber of Commerce (the "ICC"), which Rules are deemed to be incorporated by reference into this Agreement. Any party shall refer the Dispute to arbitration by sending a written notice of such Dispute to the other parties and shall simultaneously file a Request for Arbitration in accordance with the Rules. The Dispute shall be resolved by three (3) arbitrators to be selected in the following manner. Within thirty (30) days after the date of the notice initiating arbitration, one arbitrator shall be selected by the petitioning party (the "Claimant") and one arbitrator shall be selected by the party defending the arbitration (the "Respondent"), within thirty (30) days thereafter, failing which such arbitrator shall be appointed by the ICC pursuant to the Rules. The third arbitrator shall be selected by the two (2) arbitrators selected by the Claimant and the Respondent, or, if such arbitrators cannot agree within thirty (30) days on the third arbitrator, such arbitrator will be selected by the ICC pursuant to the Rules. The seat of the arbitration proceeding shall be in New York, New York. The official language of arbitration shall be English.

(b) The decision of the arbitral panel shall be in writing and shall set forth in detail the facts of the Dispute and the reasons for the decision. The arbitral panel shall not have the authority to award punitive damages to any injured party. The arbitral award shall be final and binding on the parties from the day it is made. In the event that the losing party fails or refuses to comply with the arbitral award within fourteen (14) days following the date of receipt of notice of the award, then the prevailing party may immediately proceed to request the judicial approval necessary for execution and enforcement of the award before a competent court or before any other court where such party or its assets and properties may be found, and the parties agree not to oppose the immediate domestication and enforcement of the award in any such court, including without limitation the courts of the United States or any other country. For the avoidance of doubt, each party waives in respect of both itself and its property, any defense it may have as to, or based on, lack of jurisdiction, improper venue or inconvenient forum.

(c) Notwithstanding the foregoing, nothing in this Section shall be construed as preventing any party from seeking conservatory or similar interim relief in any court of competent jurisdiction. For purposes of any such application for conservatory or similar interim relief, each of the parties hereby irrevocably submits to the non-exclusive jurisdiction of the Federal or State courts of New York, New York, save that this submission shall not affect the right of any party to make such application in any other court of competent jurisdiction.

(d) All of the expenses that arise from the arbitral proceeding as well as the fees of the arbitrators shall be paid by the losing party, if any, as determined by the arbitrators. Said losing party shall reimburse the prevailing party the amounts deposited by the prevailing party at the commencement of the arbitration or thereafter as required by the arbitrators. The parties shall each bear the costs and fees of their respective counsel, irrespective of the outcome of the arbitration.

Section 10.13. Counterparts. This Agreement may be executed in any number of counterparts, all of which will constitute one and the same instrument.

Section 10.14. Disclosure Schedules. The disclosure of any item or matter in the Seller Disclosure Schedule or the Company Disclosure Schedule shall not be deemed to constitute an admission by the Seller or the Company that such item or matter is material for purposes of this Agreement.

Section 10.15. Non-Recourse. No past, present or future director, officer, employee, incorporator, member, partner, stockholder, Affiliate, agent, attorney or representative of any party shall have any liability for any obligations or liabilities of such party under this Agreement or for any claim based on, in respect of, or by reason of, the Transactions.

Section 10.16. Purchaser Parent Guarantee. In consideration of, and as an inducement to the Seller entering into this Agreement and performing its obligations hereunder, the Purchaser Guarantor hereby irrevocably, absolutely and unconditionally guarantees to the Seller the full performance and payment by the Purchaser and the Nominee Purchaser of the

covenants, obligations, monetary or otherwise, and undertakings of the Purchaser and the Nominee Purchaser pursuant to or otherwise in connection with this Agreement and the Transaction Documents, and the consummation of the Transactions (the “Purchaser Guaranteed Obligations”). Any breach of, or other failure to perform, any representation, warranty, covenant, obligation, agreement or undertaking of the Purchaser and the Nominee Purchaser shall also be deemed to be a breach or failure to perform by the Purchaser Guarantor, and the Seller shall have the right, exercisable in its sole discretion, to pursue any and all available remedies it may have arising out of any such breach or nonperformance directly against either or all of the Purchaser, the Nominee Purchaser and the Purchaser Guarantor in the first instance. In this respect, for the avoidance of doubt, the Purchaser Guarantor confirms that it is bound by the provisions of Section 10.11 and Section 10.12 as if it were a “party” therein, including but not limited to its agreement to have the Purchaser Guaranteed Obligations submitted to arbitration as part of any Dispute between the Seller, the Company and the Purchaser. This guarantee is a guarantee of performance and not exclusively of collection. Without limiting any defenses that would be available to the Purchaser Guarantor if it were a direct obligor hereunder or any defenses that the Purchaser has hereunder, (a) to the fullest extent permitted by Law, the Purchaser Guarantor hereby expressly waives any and all rights or defenses arising by reason of any Law that would otherwise require any election of remedies by the Seller and the Company and (b) except for notices specifically required by the terms of the Transaction Documents, the Purchaser Guarantor waives promptness, diligence, notice of the acceptance of this guaranty and of the Purchaser Guaranteed Obligations, presentment, demand for payment, notice of non-performance, default, dishonor and protest, notice of any Purchaser Guaranteed Obligations incurred and all other notices of any kind, all defenses which may be available by virtue of any valuation, stay, moratorium law or other similar law now or hereafter in effect, any right to require the marshalling of assets of the Purchaser or the Nominee Purchaser, and all suretyship defenses generally. The Purchaser Guarantor acknowledges that it will receive substantial direct and indirect benefits from the Transactions and that the waivers set forth in this Section 10.16 are knowingly made in contemplation of such benefits.

Section 10.17. Conversion of Local Currency Amounts. For purposes of the references to Dollar amounts in the following provisions of this Agreement, to the extent such amounts initially are incurred, determined or otherwise measured in a currency other than Dollars (“Local Currency”), they will be converted into Dollars as follows:

(a) Section 4.8(b) (Undisclosed Liabilities) and Section 4.12 (Contracts). Local Currency amounts will be converted into Dollars at the spot rate of exchange in effect on the date of this Agreement.

(b) Section 6.9 (Conduct of Business). Local Currency amounts will be converted into Dollars at the spot rate of exchange in effect on date of the applicable action or omission that is subject to Section 6.9.

(c) Article VII (Survival; Indemnification). Indemnifiable Losses that are incurred in a Local Currency will be converted into Dollars at the spot rate of exchange in effect on the Business Day prior to the applicable payment.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

DEORSA-DEOCSA HOLDINGS LIMITED

By: /s/ Kishore Sunil Banymandhub

Name: Kishore Sunil Banymandhub

Title: Director

Stock Purchase Agreement

IC POWER DISTRIBUTION HOLDINGS PTE,
LIMITED

By: /s/ Joaquin Coloma

Name: Joaquin Coloma

Title: Authorized Officer

By: /s/ Daniel Urbina

Name: Daniel Urbina

Title: Authorized Officer

Stock Purchase Agreement

ESTRELLA COOPERATIEF BA

By: /s/ Sidney Stacie

Name: Sidney Stacie

Title: Managing Director

Stock Purchase Agreement

INKIA ENERGY, LIMITED

By: /s/ Joaquin Coloma

Name: Joaquin Coloma

Title: Authorized Officer

By: /s/ Daniel Urbina

Name: Daniel Urbina

Title: General Counsel

Stock Purchase Agreement

PLEDGE AGREEMENT

This Pledge Agreement (this “**Agreement**”) is made and entered into as of the 17th day of March, 2016 by **IC Power Pte. Ltd.** (“**ICPS**”) in favor of Israel Corporation Ltd. (“**IC**”). IC and ICPS shall each be referred to as a “**Party**”, and collectively, the “**Parties**”.

WHEREAS, IC and Kenon Holdings Ltd. (“**Kenon**”) entered into a Loan Agreement dated the 7th day of January, 2015 and which was supplemented on or around the 17th day of March, 2016 (the “**Loan Agreement**”, and such supplement, the “**Supplement**”); and

WHEREAS, as security for its obligations under the Loan Agreement, Kenon pledged by way of a first ranking pledge an aggregate of 6,600,066 ordinary shares of IC Power Ltd. (“**IC Power**”) nominal value NIS 0.01 each (comprising 66% of the issued and outstanding share capital of IC Power) in favor of IC pursuant to Pledge Agreements dated 7 January 2015, 29 January 2015, 4 May 2015 and 7 October 2015 (the “**Existing Pledges**”);

WHEREAS, Kenon wishes to restructure its holdings in IC Power, by introducing ICPS, a newly incorporated wholly-owned subsidiary of Kenon, as a new tier holding company to which all of Kenon’s interests in IC Power are to be transferred and which will seek to launch an initial public offering of its ordinary shares on the New York Stock Exchange;

WHEREAS, pursuant to the Loan Agreement, Kenon is required to cause ICPS, as the recipient of such interests in IC Power, to grant a pledge and security interest over such transferred interests;

WHEREAS, in implementation of the Loan Agreement, as amended and supplemented on or around the 17th of March, 2016, as a condition to IC consenting to the transfer by Kenon of its interests in IC Power to ICPS (subject to the Existing Pledges) and as a condition to the continuation of the Loans in accordance with the Loan Agreement, ICPS, as a wholly owned subsidiary of Kenon, the borrower under the Loan Agreement, and as the holder of 100% of the issued and outstanding share capital of IC Power has undertaken, *inter alia*, to pledge and assign by way of pledge the Pledged Assets in favor of IC in accordance with and subject to the terms of this Agreement as a security for the full and punctual payment of all amounts owing by Kenon to IC under the Loan Agreement and in substitution for the Existing Pledges;

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Interpretation; Definitions**

- 1.1. The preamble to this Agreement forms an integral and a binding part of this Agreement.
- 1.2. All capitalized terms which are not otherwise defined herein, shall have the meaning ascribed to them in the Loan Agreement. In addition to the terms defined elsewhere in this Agreement, for all purposes of this Agreement (including the preamble and any schedules, exhibits or appendices hereto) the following terms shall have the meanings given to them in this Section:
 - 1.2.1. “**Event of Default**” means an event specified as such in the Loan Agreement.

1.2.2. **“Existing Pledge Agreements”** means:

- (a) the pledge agreement dated 7 January 2015 made between the Chargor and the Lender;
- (b) the pledge agreement dated 29 January 2015 made between the Chargor and the Lender;
- (c) the pledge agreement dated 4 May 2015 made between the Chargor and the Lender; and
- (d) the pledge agreement dated 7 October 2015 made between the Chargor and the Lender,

pursuant to which shares in IC Power are charged in favour of IC.

1.2.3. **“Finance Document”** means the Loan Agreement, this Agreement, the Share Transfer Agreement, the Existing Pledge Agreements, the Security over Shares Agreement and any other document designated as a “Finance Document” by IC and ICPS.

1.2.4. **“Pledge”** means the pledge created under this Agreement.

1.2.5. **“Pledge Law”** means the Israeli Pledge Law, 5727-1967, as amended from time to time.

1.2.6. **“Pledged Assets”** means the Pledged Shares, the Related Rights, and to the extent not included in the foregoing, any and all proceeds, products and benefits deriving from such Pledged Assets, including, without limitation, those received upon the sale or other disposition of such Pledged Assets and any property into which such Pledged Assets are converted, whether cash or non-cash.

1.2.7. **“Pledged Shares”** means all of ICPS’s present and future rights, title and interest in such number of shares of IC Power as set forth in **Exhibit A** hereto, along with any other shares in the share capital in IC Power which constitute Related Rights of such shares from time to time.

1.2.8. **“Related Rights”** means any asset or right distributable, accruing, offered, issued or deriving at any time in connection with the Pledged Shares including but not limited to all dividends, interest and other monies payable in respect of the Pledged Shares and all other rights, benefits and proceeds in respect of or derived from the Pledged Shares (whether by way of redemption, bonus, preference, option, substitution, conversion or otherwise).

1.2.9. **“S\$”** mean the lawful currency of Singapore.

1.2.10. **“Secured Obligations”** means all present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever) owing or incurred by Kenon to IC under or in connection with the Loan Agreement or with this Agreement, together with all reasonable costs and expenses (including reasonable legal fees) incurred by IC or payable in accordance with this Agreement.

1.2.11. **“Security Interest”** means any mortgage, charge, pledge, lien, attachment or other security securing any obligation of any person or any other agreement or arrangement having a similar effect.

1.2.12. “**Security over Shares Agreement**” means security over shares agreement between Kenon and IC in relation to the shares in ICPS dated on or around March 17th, 2016.

- 1.3. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.
- 1.4. All references in this Agreement to Sections and annexes or schedules shall, unless otherwise provided, refer to Sections hereof and to annexes or schedules attached hereto. The words “hereof”, “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement.
- 1.5. Unless the context otherwise requires, references to (or to any specified provision of) this Agreement or any other document shall be construed as references to that provision or that document as in force for the time being and as amended, supplemented, modified or replaced in accordance with the terms thereof.
- 1.6. References to a law or to a specific section thereof shall be construed as a reference to such law, including any rules or regulations promulgated thereunder, or section, as the same may have been, or may from time to time be, amended, succeeded or re-enacted.

2. **Security**

2.1. **Creation of Security.**

As a continuing security for the full and punctual payment and performance when due (whether at stated maturity, acceleration or otherwise) of the Secured Obligations, ICPS hereby absolutely and unconditionally pledges in favor of IC by way of first ranking fixed pledge or, as may be applicable, assigns in favor of IC by way of pledge, in each case not limited in amount, the Pledged Assets.

2.2. **Rights of ICPS.**

- 2.2.1. Unless and until an Event of Default has occurred and IC has notified ICPS that it intends to exercise any right afforded to it hereunder, ICPS shall have the right to exercise all of its rights and powers in relation to each of the Pledged Assets (including the right to exercise any and all voting and/or other rights relating to the Pledged Assets).
- 2.2.2. Unless and until a Default has occurred and IC has notified ICPS that it intends to exercise any right afforded to it hereunder, ICPS may receive from IC Power any cash dividends distributed thereby with respect to the Pledged Shares.
- 2.2.3. As of the date on which an Event of Default has occurred and IC has notified ICPS that it intends to exercise any right afforded to it hereunder, and to the extent permitted by applicable law (i) IC shall be entitled (but not obliged) to exercise all (or, in its discretion, any part) of the rights conferred upon ICPS as set forth in Section 2.2.1 above, and such rights may not be exercised by ICPS if IC provides ICPS with a notice to that effect; and (ii) any dividend (whether in cash or in kind) distributed with respect to the Pledged Shares by IC Power shall be treated as shall be instructed by IC at its sole discretion, including (without limitation) deposit of such dividends with a bailee, a trustee, a receiver (if appointed) or with IC itself, the use of such dividend for repayment of

any Secured Obligations, and the investment of such dividend in any manner IC, or such bailee, trustee or receiver (as the case may be) deem fit. For the avoidance of any doubt, such dividend and any interest and other proceeds accrued thereon shall be considered Pledged Assets hereunder.

3. **No Redemption**

Kenon or ICPS shall not be entitled to discharge any or all of the Pledged Assets from the Pledge, except as expressly permitted in the Loan Agreement and under the terms set forth therein. Neither Kenon nor ICPS nor any third party (including a third party having a right which may be affected by the charges hereby created or the realization thereof) shall have any right under Section 13(b) of the Pledge Law or any similar rights under any statutory provisions, in addition to Section 13(b) of the Pledge Law or in substitution therefor.

4. **Preservation of Security**

4.1. **Continuing Security.**

The Pledge shall remain in force as continuing security for the payment and discharge of the Secured Obligations and shall remain in force and subject to Section 4.4 (*Avoidance of Payments*), shall be released and discharged only: (a) in accordance with the provisions of Section 2.4 of the Supplement or (b) upon the execution by IC of a written release of the Pledge created by this Agreement (such release to be provided by IC promptly upon full payment of all the Secured Obligations); and IC will not be bound to enforce any other Security Interests created or any right belonging to it under the Loan Agreement before enforcing this Pledge.

4.2. **Nature of Securities.**

4.2.1. All Pledges created under this Agreement (or any part thereof) and/or any other document shall be independent of one another.

4.2.2. IC may, at its sole discretion, deposit all or any of the Pledged Assets created under this Agreement with a bailee of its own choosing, and may substitute such bailee with another from time to time. IC may instruct ICPS to register all or any of such collateral with any competent authority in accordance with any applicable law and/or in any public register, as permitted by applicable law.

4.3. **Liability of Kenon.**

4.3.1. Kenon will remain liable to observe and perform all of the conditions and obligations relating to or constituting the Secured Obligations or the Pledged Assets and IC will not be under any obligation or liability with respect to the Secured Obligations or the Pledged Assets by reason of, or arising out of, this Agreement. IC will not be required in any manner to perform or fulfil any of the obligations of Kenon in respect of the Secured Obligations or the Pledged Assets, or to make any payment, or to make any enquiry as to the nature or sufficiency of any payment received by it, or to present or file any claim or take any action or to collect any amount or enforce any right or remedy hereunder.

4.3.2. The exercise by IC of any of the rights or remedies hereunder shall not release Kenon from any of its liabilities or obligations under the Loan Agreement, this Agreement or any other agreement or instrument included in the Pledged Assets; for the avoidance of doubt, the application of the Pledged Assets to satisfy part of the Secured Obligations shall not release Kenon from its obligations to pay and perform the Secured Obligations in full.

4.4. Avoidance of Payments.

Where any release, discharge or other arrangement in respect of any Secured Obligation or any Security Interest IC may have for such Secured Obligation is given or made in reliance on any payment or other disposition which is avoided or must be repaid, whether in an insolvency, liquidation or otherwise, and whether or not IC has conceded or compromised any claim that any such payment or other disposition will or should be avoided or repaid, this Pledge shall continue as if such release, discharge or other arrangement had not been given or made.

4.5. Registration Fee

Kenon shall pay, and forthwith on demand indemnify IC against any liability incurred by IC in respect of any stamp, registration and similar tax which is or becomes payable in connection with the entry into, registration, recording, performance or enforcement of this Pledge.

5. **Representations and Warranties**

ICPS represents and warrants to IC (which representations will be deemed to be repeated on each day until the release of the Pledge in accordance with the terms hereof) as follows, and acknowledges that IC is entering into this Agreement in full reliance thereof:

5.1. Status.

It is a company, duly incorporated and validly existing under the law of its jurisdiction of incorporation, and has the power to carry on its business as it is being conducted from time to time.

5.2. Capacity.

It has the right, power, authority and capacity to execute and deliver this Agreement, to consummate the transactions contemplated hereby and to perform its obligations under this Agreement.

5.3. Authorization and binding obligations.

This Agreement has been authorized by all necessary corporate action on its part, has been duly executed and delivered by it through its authorized officers, and it represents valid and binding obligations enforceable against it in accordance with its terms.

5.4. Consents.

No consent, approval or authorization of, exemption by, or filing with, any governmental or regulatory authority or any third party is required in connection with the execution, delivery and performance by ICPS of this Agreement and the consummation of the transactions contemplated herein, including the creation and perfection of the Pledges save for (i) the making of the appropriate registrations of

this Agreement with the Accounting and Corporate Regulatory Authority of Singapore; and (ii) the payment of stamp duty in the amount of S\$500 payable in Singapore in respect of the stamping of this Agreement, (iii) registration of the Pledge with the Israel Pledges Registrar; all of which shall be completed by ICPS within the time periods set forth in this Agreement.

5.5. Non-conflict.

Its entry into, and performance by it of this Agreement does not and will not conflict with, or result in a violation of (i) its or IC Power's or any of its direct or indirect subsidiaries' constitutional documents, (ii) any other agreement to which any of the above is a party, (iii) any order, judgment, award, injunction, decree, ordinance or regulation or any other restriction by which any of the above is bound, (iv) any authorization or consent to which any of the above is subject; or (v) any applicable law.

5.6. No Winding-up.

Neither ICPS nor IC Power or any of their direct or indirect subsidiaries has taken any corporate action, nor have any other steps been taken or legal proceedings been started or (to the best of its knowledge) threatened against either of them, in any jurisdiction, for winding-up, dissolution, judicial management administration or reorganization (by way of voluntary arrangement, scheme of arrangement or otherwise) or for the appointment of a liquidator, receiver, administrator, administrative receiver, judicial manager, compulsory manager, trustee or similar officer of either of them or of any or all of their assets or revenues.

5.7. Title to Assets.

Subject only to the Pledge, ICPS has good, valid and marketable title to the Pledged Assets, no other person has any legal or beneficial interest (or any right to claim any such interest), and there is no competing or adverse right in the Pledged Assets.

5.8. The Pledged Shares.

The Pledged Shares are validly issued, fully paid and are free and clear of any Security Interest (other than pursuant to this Pledge), options, third party rights or any restrictions or limitations on transfer, including pursuant to the articles of association of IC Power and any relevant law or contract.

5.9. Security Interest.

The provisions of this Agreement are effective to create, in favor of IC a legal, valid and binding, not limited in amount, fixed pledge which is not subject to any prior or other security and is not liable to be set aside on the insolvency of ICPS, and an assignment by way of pledge over the Pledged Assets, first ranking, perfected and enforceable in accordance with the terms hereof.

5.10. Taxes.

Full payment of all taxes levied against or with respect to the Pledged Assets and/or the income accruing thereon under any applicable law has been made.

5.11. Solvency.

ICPS does not, at the time of entry into of this Agreement and the transfers herein, and would not at any time resulting from the performance or carrying out of obligations and entry into any of the transactions hereunder, have (a) entered into or

initiated or has initiated against it any process for any scheme of arrangement or compromise, (b) initiated or has initiated against it any corporate voluntary arrangements or entered into any composition agreement with its creditors, (c) been in a position where it is or maybe, unable, or where it has ceased to, pay its debts (including any contingent and prospective debts and liabilities whatsoever), or its assets are less than its debts and liabilities (including any contingent and prospective debts and liabilities whatsoever), (d) been declared insolvent, (e) commenced or been the subject of any winding-up procedure whatsoever, (f) requested or been subject to the appointment of, or any application being made for the appointment of, any receiver (including a receiver and manager), trustee, judicial manager, liquidator, statutory manager, scheme manager or administrator, sequestrator, administrative receiver, administrator or similar officer, (g) been in a position where it is otherwise insolvent or has become insolvent by reason of the entering into or completion of the transactions contemplated by the Finance Documents (the word “insolvent” having the meaning under Section 100 (4) of the Bankruptcy Act, Chapter 20 of Singapore (the “**Bankruptcy Act**”)), (h) been unable to pay its debts or has become unable to pay its debts by reason of the entering into or the completion of the transactions contemplated by the Finance Documents (the phrase “being unable to pay its debts” being within the meaning of sections 254(1)(e) and 254(2) of the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”)), or (i) been subject to any event similar to any of the above under the laws of any jurisdiction.

5.12. Good faith

ICPS (including its respective agents, employees, officers and advisors) in entering into, and carrying out, each transaction and transfer herein, did so, and will do so, on arms-length commercial terms, in good faith, for the purpose of carrying on ICPS’s business and there were reasonable grounds for believing the transaction(s) would benefit ICPS at the time ICPS entered into the transaction(s) and be reasonably be in the best interests of ICPS.

5.13. Non-petition agreements

ICPS shall not institute, or join any other person in instituting, against IC or any of its assets, any winding-up, amalgamation, reconstruction, administration, judicial management, dissolution, liquidation, composition, merger, arrangement, scheme or consolidation or any analogous procedure or step, in any jurisdiction.

5.14. Pledged Shares

The value of the Pledged Shares, taking into account the fact that the Pledged Shares are subject to the Existing Pledges and that ICPS would be undertaking obligations in connection with the transfer of the Pledged Shares pursuant to Clause 2 of the Share Transfer Agreement, is no less than the sum of the aggregate subscription price of the New Shares (as defined in the Share Transfer Agreement) and the obligations undertaken in relation to the loans as stated in Clause 2.2(a) and Clause 2.2(b) of the Share Transfer Agreement respectively.

6. **Undertakings**

6.1. **Undertakings**

ICPS undertakes to IC until the release of the Pledge in accordance with the terms hereof, except as expressly permitted herein:

- 6.1.1. not to create a Security Interest over, or permit the creation of, a Security Interest, in any manner, over the Pledged Assets without the prior written consent of IC;
- 6.1.2. not to sell, assign, transfer or otherwise dispose of any of the Pledged Assets and not to grant any right therein without the prior written consent of IC, except as expressly permitted in Section 7.5.2 of the Loan Agreement and pursuant to its terms;
- 6.1.3. not to enter into any conflicting obligation affecting the Pledged Assets or any part thereof, or create or permit to arise any overriding interest whatsoever without the prior written consent of IC;
- 6.1.4. to defend the Pledged Assets against, and to take, at its expense, any action necessary to remove any Security Interest (other than Security Interests created by or pursuant to the Loan Agreement) over any of the Pledged Assets, and to defend the rights and interest of IC in and to the Pledged Assets against the claims of any other persons;
- 6.1.5. to maintain all Security Interests created or purported to be created hereunder in connection with the Pledged Assets and to effect all registrations relating thereto in accordance with the terms hereof;
- 6.1.6. upon first demand of IC, to promptly do any acts and execute and deliver to IC any document that IC reasonably requires from time to time for the protection of this Pledge or the Pledged Assets;
- 6.1.7. to be liable towards IC for any defect in the title to the Pledged Assets and to bear the responsibility for the authenticity and correctness of all the signatures, endorsements and particulars of any bills, documents, instruments and securities which have been or may be delivered to IC by ICPS in connection with this Agreement;
- 6.1.8. to comply with the provisions of all applicable laws relating to the Pledged Assets or their use;
- 6.1.9. to pay when due all taxes levied against or with respect to the Pledged Assets and/or the income accruing thereon under any applicable law and to furnish IC, at its request, with all the receipts for such payments, provided that ICPS shall be entitled to exercise its legal rights to appeal the levy of such taxes and/or defer payment thereof;
- 6.1.10. not to institute any proceedings whatsoever in respect of the Secured Obligations or with respect to the Pledged Assets which could have an adverse effect on the ability of IC to realize the Pledged Assets or any part thereof without the prior written consent of IC;

6.1.11. as soon as possible after the execution of this Agreement or any amendment thereof under which additional pledges in IC Power are to be pledged (if any), and as a condition to the provision of Loans in accordance with the Loan Agreement:

- (a) to procure that the following annotation in respect of all Pledged Shares be entered on the shareholders' register of IC Power; "[*number of Pledged Shares*] ordinary shares of the Company par value NIS 0.01 each, and registered in the name of IC Power Pte. Ltd. are pledged in favor of Israel Corporation Ltd., pursuant to the Agreement dated [*the date hereof*], as amended from time to time" and to deliver a copy of such register to IC promptly following the execution of this Agreement;
- (b) to procure a statement containing particulars of charge in respect of this Pledge in the form agreed between the Parties (the "**Statement**") to be filed and lodged with the Accounting and Corporate Regulatory Authority of Singapore within three (3) Business Day of this Agreement and deliver a copy of the filed Statement to IC evidencing to the full satisfaction of IC, that the relevant filings, submissions and registrations required under Singapore law have been completed; and
- (c) to procure (i) the filing of a Pledge Notice (*tofes 1*) in the form agreed between the Parties with the Israeli Pledges Registrar within one Business Day as of the date hereof, and (ii) that original certificates of registration of the Pledge and extracts within seven Business Days to be delivered to IC from a search of ICPS at the Israeli Pledges Registry, evidencing to the full satisfaction of IC, that the relevant filings, submissions and registrations required under Israeli law have been completed;

Without derogating from ICPS's undertakings hereunder, concurrently with the execution of this Agreement, ICPS is executing an authorisation letter in the form agreed between the Parties, for the purpose authorising IC's Singapore legal counsel to file such Statement with the Accounting and Corporate Regulatory Authority of Singapore.

6.1.12. not to become a party to any arrangement relating to the Pledged Assets that could reasonably likely adversely affect the Pledged Assets, ICPS's ability to perform its obligations hereunder, or the rights and remedies of IC in relation to the Pledged Assets, including any shareholder agreement or voting agreement, without the prior written consent of IC;

6.1.13. except as expressly consented by IC in advance in writing, not to amend, terminate or breach, or otherwise cause the amendment, termination or breach of any provision of any contract, organizational documents of IC Power, or any other instrument (collectively, the "**Contracts**"), (i) that is related in any way to the Pledged Assets or the rights of ICPS which are pledged under this Agreement, or (ii) in any manner which could reasonably be expected to adversely affect the rights or remedies of IC under this Agreement or contravene the obligations of ICPS hereunder;

- 6.1.14. except as expressly permitted under the Loan Agreement or as consented by IC in advance in writing, ICPS shall not exercise any voting or other rights nor shall it take any other action and will oppose any action which will or may result in: (i) any issuance of any shares, securities, or rights in connection with the share capital of IC Power, or any direct or indirect dilution of the equity interest of ICPS in IC Power, or its economic, voting, or other interests in IC Power (other than to ICPS, and provided that all of ICPS's rights in respect of such shares or other securities shall be fully pledged in favour of IC in accordance with the provisions of this Agreement); (ii) any merger, demerger, consolidation, reorganization, restructuring or any similar transaction, of IC Power; (iii) the liquidation, winding-up, or dissolution of IC Power, or any procedures related thereto; (iv) any of IC Power's shares being repurchased, cancelled, exchanged, replaced, substituted, split, divided, consolidated or converted; or (v) any occurrence or event with similar consequences or results, or otherwise any harm, damage, prejudice, or adverse effect to the rights of IC under this Agreement, the ability of IC to exercise such rights, or to the validity or enforceability of this Agreement or the Security Interests hereunder;
- 6.1.15. forthwith, upon the execution of this Agreement, to deliver to IC: (i) the irrevocable instructions letter from ICPS to IC Power in the form attached hereto as **Exhibit B** duly signed by ICPS; (ii) the acknowledgment and undertaking of IC Power, duly signed by IC Power;
- 6.1.16. obtain, maintain in full force and effect and comply with the terms of, and supply certified copies to the IC of, any authorizations, approvals, permits, licenses and consents required at the relevant time under any law or contract to enable it to perform and comply with its obligations hereunder, or for the validity, legality, perfection or enforceability of the Pledge
- 6.1.17. agree to be bound by the terms of the Existing Pledges as if it were the existing pledgor under each such Existing Pledge, and that the security interests created thereunder remain in full force and effect.

6.2. Notification

ICPS undertakes to notify IC forthwith upon it becoming aware of (i) any adverse claim proceeding or litigation relating to the Pledged Assets, including the imposition of any Security Interest, or an attempt to impose any Security Interest, or any execution proceedings, or of any application for the appointment of a receiver or any other officer of similar role, and shall immediately notify the party which imposed or attempted to impose such Security Interest or issued such execution proceedings or application, of the Pledge, and forthwith take, at the expense of ICPS, all steps necessary for the prompt and final discharge or cancellation of such Security Interest execution proceedings or appointment, as the case may be; and (ii) any other development, event or circumstance of which it becomes aware which could be reasonably expected to materially and adversely affect the Pledged Assets.

6.3. IC's Right to Perform

If ICPS for any reason whatsoever fails to duly and punctually comply with any of its obligations under this Agreement, IC shall have the power, on behalf of or in the name of ICPS or otherwise, to perform the obligation and to take any steps which IC may, in its absolute discretion, consider appropriate with a view to remedying, or mitigating the consequences of the failure, but without in any way becoming liable therefor and provided that the exercise of this power, or the failure to exercise it, shall in no circumstances prejudice IC's rights hereunder.

Nothing in this Section 6 shall derogate from any undertaking of Kenon under the Loan Agreement or otherwise.

7. Enforcement

7.1. IC's Powers

If an Event of Default has occurred, and for so long as it is continuing,:

- 7.1.1. IC shall be entitled to take all steps as it sees fit to realize, at Kenon's expense, any of the Security Interests created under this Agreement by any means allowed by applicable law, including, without limitation, the appointment or application to the competent court or the execution office for appointment of a receiver (as set out in Section 7.2 (*Appointment of Receiver*)) below.
- 7.1.2. To the extent permitted by applicable law, all or any of the powers, authorities and discretions which are conferred by this Agreement (either expressly or implicitly) upon a receiver may be exercised by IC without first appointing a receiver or notwithstanding the appointment of a receiver.
- 7.1.3. IC shall have all powers that it may, in its full discretion, determine to be desirable or necessary to preserve its rights with respect to the Pledged Assets and the Security Interests created hereby and to take all such steps for such purpose at Kenon's expense.

7.2. Appointment of Receiver

- 7.2.1. The appointed receiver shall have all powers conferred by applicable law. Kenon alone shall be responsible for the receiver's remuneration. In no event shall IC be responsible for the acts and omissions of the receiver or for the receiver's remuneration.
- 7.2.2. Should the payment date of the Secured Obligations or any part thereof not yet have fallen due at the time of the sale of the Pledged Assets, or the Secured Obligations be due to IC or receiver on a contingent basis only, then IC or receiver shall be entitled to recover out of the proceeds of the sale an amount sufficient to cover the Secured Obligations (or such part thereof) and the amount so recovered and yet to be appropriated to the discharge of the amounts due shall be charged to IC or receiver as security for, and be held by IC or receiver until the discharge in full of, the Secured Obligations.

8. **Set-Off and Other Rights**

All payments required to be made by Kenon or ICPS under this Agreement shall be calculated without reference to any set-off or counterclaim, and shall be made free and clear of, and without any deduction for, or on account of, any set-off or counterclaim.

9. **Further Action**

Each of ICPS and Kenon further covenants with IC from time to time upon demand, at Kenon's cost to execute any document or do any act or thing which in the reasonable determination of IC is necessary to (i) create, perfect, register or give effect to any Security Interest created or intended to be created by this Agreement over or in connection with the Pledged Assets, (ii) preserve or protect any of the rights of IC under this Agreement, or (iii) facilitate the exercise, or the proposed exercise, of any powers or rights of IC under this Agreement.

10. **Power of Attorney**

ICPS hereby irrevocably for a period of 12 years from the date hereof, but only for as long as the Security Interests under this Agreement are in effect appoints IC as its true and lawful attorney, with full power of substitution, in respect of this Agreement, to act in ICPS's name and at Kenon's expense in order to do any such act, including, without limitation, to sign in the name of ICPS any and all documents, as may in the sole discretion of IC be necessary in order to secure the rights of IC against third parties in respect of the Security Interests contemplated by this Agreement pursuant to the terms hereof (including as set forth in Section 9 above). In addition to, and without derogating from the foregoing, ICPS hereby irrevocably appoints IC as its true and lawful attorney, with full power of substitution, to participate and vote in ICPS's name and on its behalf in all general meetings of IC Power, whether by way of written resolution or by way of meeting, so long as an Event of Default is continuing, or as otherwise set forth in the Loan Agreement.

11. **Protection of IC**

- 11.1. IC, or any of its respective agents, managers, officers, employees, delegates, or advisers shall not be liable for any claim, demand, liability, loss, damage, cost or expense which arises out of the exercise or the attempted or purported exercise or the failure to exercise any of its respective rights, powers and discretions under this Agreement in the absence of gross negligence or willful misconduct.
- 11.2. None of IC, the receiver, or any of their respective agents, managers, officers, employees, delegates, or advisers shall be under any duty to exercise any of their respective rights, powers and discretions under this Agreement.
- 11.3. To the extent permitted by applicable law, ICPS hereby waives any requirements with respect to notice, form or the terms of the exercise by IC, the receiver, or any of their respective agents, managers, officers, employees, delegates, or advisers of their respective rights, powers and discretions under this Agreement, except as expressly provided otherwise herein or in the Loan Agreement.

12. **Costs and Expenses**

All reasonable out-of-pocket fees, costs and expenses incurred by IC or the receiver appointed in connection with this Pledge in connection with this Agreement, as in force from time to time, including without limitation, in connection with the creation, registration or perfection of this Pledge or any other document relating thereto, any reasonable out-of-pocket costs and expenses incurred in connection with any default or the breach by or failure of ICPS to observe any of the provisions hereof or with the enforcement of, or preservation

of rights under this Agreement (including with respect to the contemplation of any enforcement and preparation therefor), and any reasonable out-of-pocket costs and expenses incurred in the realization of the Pledged Assets and/or institution of proceedings for collection, insurance, safe-keeping, and maintenance of the Pledged Assets (including, without limitation, reasonable fees of legal counsel and other advisors in any jurisdiction) shall be paid by Kenon to IC or the receiver as the case may be following its first demand, together with interest at the Default Rate, as defined in the Loan Agreement from the date on which a demand therefor was first made on Kenon until the date of actual payment. All the above costs, expenses and liabilities together with interest thereon shall constitute part of the Secured Obligations.

13. **Indemnity**

- 13.1. Kenon shall forthwith on demand indemnify IC and the receiver (the “**Indemnified Persons**”) against any reasonable fees, costs and expenses borne as a consequence of:
- 13.1.1. any action done by or on behalf of an Indemnified Person under this Agreement as a result of any failure by Kenon or ICPS to comply with its obligations under this Agreement or otherwise in connection therewith;
 - 13.1.2. any payment in respect of the Secured Obligations made by Kenon or by ICPS being void for any reason whatsoever;
 - 13.1.3. the exercise, or attempted exercise, by or on behalf of an Indemnified Person of any of the rights or powers of an Indemnified Person or any other action taken by or on behalf of an Indemnified Person with a view to or in connection with the recovery by any Indemnified Person, of the Secured Obligations from Kenon or ICPS; or
 - 13.1.4. the carrying out of any other act or matter which IC or the receiver or any other Person acting on their behalf may consider to be necessary for the preservation of the Pledged Assets,
- provided that Kenon shall not be obligated to indemnify an Indemnified Person for any loss or liability incurred solely as a consequence of the willful misconduct or gross negligence of such Indemnified Person.
- 13.2. Any amount payable under Section 13.1 above shall bear interest at the Default Rate in accordance with the provisions of the Loan Agreement, from the date on which a demand therefor was first made on Kenon until the date of actual payment and such amounts and interest shall form part of the Secured Obligations.
- 13.3. All indemnities set forth in this Agreement shall survive the execution and delivery of the Loan Agreement and this Agreement, any cancellation or termination of the Loan Facility, the termination of the Loan Agreement and this Agreement and any transfer of the rights and obligations of IC under the Loan Agreement and this Agreement or any Pledged Asset.

14. **Pledge Securing Third Party’s Debt**

- 14.1. It is hereby agreed that this pledge is without any recourse to ICPS, and that ICPS is in no way required to pay any of the Secured Obligations other than out of the proceeds of realization of the Pledged Assets in accordance with the terms hereunder.

- 14.2. Notwithstanding the foregoing, ICPS irrevocably waives any and all claims and/or rights, of any kind whatsoever, it may have as a guarantor of Kenon pursuant to or in accordance with Sections 1-3, 4(b)-6, 7(b)-13 and/or 15-17 (inclusive) of the Guarantee Law, 5727-1967 (and/or any other provision of law, whether Israeli or foreign, with similar intent or effect) that may discharge ICPS from its liability to pay IC any amount under this Agreement.
- 14.3. Without derogating from Kenon's rights under the Loan Agreement and/or any other agreement between Kenon and IC, IC may at all times as it thinks fit, without prejudice to this Agreement and without discharging or in any way affecting the liability of ICPS hereunder and without the consent of ICPS:
- 14.3.1. Increase, renew, reduce, terminate and/or amend in any other manner, any Loan provided or which shall be provided by IC to Kenon under the Loan Agreement, as shall be amended and/or restated from time to time, in accordance with its terms;
- 14.3.2. Grant extension of time or other indulgence to Kenon in respect thereof;
- 14.3.3. Compromise, waive or settle in any manner whatsoever with Kenon or with any other guarantor of Kenon or other person; and/or
- 14.3.4. Amend or vary, or agree to amend or vary, the conditions of, and exchange, renew, release, modify or abstain from perfecting or enforcing any collateral or guarantees which IC, may now or hereafter hold to secure the repayment of the Secured Obligations.
- ICPS agrees that the doing of any of the above acts or omissions by IC, will not give ICPS any right to vary and/or to cancel this Agreement and/or any of its undertakings hereunder.
- 14.4. The validity of this Agreement shall not be harmed further to or as a result of the fact that IC did not receive or shall not receive any collateral or guarantees whatsoever, or further to or as a result of the invalidity, defect, flaw or deficiency in any of the collateral or guarantees whatsoever as security for the repayment of the Secured Obligations, or any part thereof, (if IC has received or shall receive collateral or guarantees whatsoever) or in any obligation or undertaking whatsoever of Kenon towards IC and/or in any document that was signed or shall be signed by Kenon or by others further to or in relation with the Secured Obligations or any part thereof or further to and/or as a result from a claim of prescription, lack of legal capacity or lack of authority of Kenon.
- 14.5. ICPS shall not be entitled to claim the benefit of or any right or share in any other collateral or guarantees which IC on anyone on its behalf may now or hereafter hold from Kenon or from any other person as collateral for the Secured Obligations or to claim the transfer or assignment of any such other collateral or guarantees except after the Pledged Assets shall have been realised and the proceeds thereof shall have been applied in discharge of the Secured Obligations, and only to the extent any surplus proceeds exist.

14.6. ICPS hereby declares that, prior to the full, final and irrevocable discharge and release of all Secured Obligations, it shall not receive from Kenon any collateral whatsoever providing it with any recourse to Kenon in relation to any of its obligations and liabilities under this Agreement, and hereby undertakes not to receive or accept any such collateral without receiving the prior written consent of IC.

15. **Miscellaneous**

- 15.1. Entire Agreement. This Agreement constitutes the entire agreement between the Parties hereto pertaining to the subject matter hereof, and any and all other written or oral agreements relating to the subject matter hereof existing between the Parties hereto, other than the Loan Agreement and its ancillary documents, are expressly cancelled.
- 15.2. Amendment. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of both Parties.
- 15.3. Assignment. ICPS's rights and obligations under this Agreement shall not be assigned or delegated without IC's prior written consent, except that ICPS may assign its obligations under this Agreement if Kenon has assigned its obligations under the Loan Agreement, and to such assignee, in accordance with the terms therewith. IC may, at any time, and without the consent of Kenon and ICPS, assign or transfer all or any of its rights, benefits and obligations under this Agreement, in accordance with the provisions of Section 9.5 of the Loan Agreement.
- 15.4. Successors and Assigns. Without prejudice to the provisions of Section 15.3 (*Assignment*), this Agreement shall inure to the benefit of, and be binding upon, the successors and assigns of the Parties hereto.
- 15.5. Remedies. No failure to exercise, nor any delay in exercising, on the part of a party hereto, any right or remedy hereunder or under law shall operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise thereof or the exercise of any other right or remedy. The rights and remedies provided under this Agreement are cumulative and not exhaustive or exclusive of any rights or remedies provided under applicable law. Any extension of time or waiver given, or compromise made, with respect to a specific event by IC, shall apply only with respect to such specific event and shall not be interpreted as applying to any other event and shall not derogate from IC's rights under this Agreement or under applicable law (save as expressly stated in such waiver or compromise).
- 15.6. Notices. Any notice, demand or other communication required to be given by one Party to another under this Agreement shall be in writing and shall be deemed to have been served if sent by email to all email addresses set out below together with registered mail or hand delivery as follows: (i) if personally delivered, when actually delivered; or (ii) if sent by facsimile or e-mail, on the day sent (and if such day is not a Business Day, the Business Day immediately following) subject to receipt of confirmation of transmission; (iii) 5 (five) Business Days after being mailed by certified or registered mail, postage prepaid (for the purposes of proving such service, it being sufficient to prove that such notice was properly addressed and posted) to the respective addresses of the Parties set out herein:

if to IC:

Address: Millennium Tower, 23 Aranha Street, P.O.B
20456, Tel Aviv, 61204, Israel

e-mail: mayaak@israelcorp.com
natany@israelcorp.com

Attention: Legal Department; Financial Department

if to ICPS:

Address: IC Power Pte Ltd.,
1 Temasek Avenue, #36-01 Millenia Tower,
Singapore 039192

email: TzahiG@kenon-holdings.com;
RobertR@kenon-holdings.com;
yoavd@kenon-holdings.com

Attention: Tzahi Goshen, Robert Rosen, Yoav Doppelt

Tel: +65 6351-1780

Fax: +65 6351-1798

If to Kenon:

Address: Kenon Holdings Ltd.,
1 Temasek Avenue, #36-01 Millenia Tower, Singapore 039192

e-mail: RobertR@kenon-holdings.com;
TzahiG@kenon-holdings.com;
yoavd@kenon-holdings.com

Attn: Robert Rosen, Tzahi Goshen, Yoav Doppelt

Tel: +65 6351-1780

Fax: +65 6351-1798

or at such other address or email as any Party shall have furnished to the other in writing in accordance with this Section 15.6.

- 15.7. Governing Law; Jurisdiction. The internal laws of the State of Israel, without regard to its conflict of laws rules, shall govern the validity, the construction of its terms and the interpretation of the rights and duties of the Parties hereunder. The appropriate courts in Tel-Aviv-Jaffa, Israel shall have exclusive jurisdiction over any dispute or claim in connection with this Agreement or any of the transactions contemplated hereby, and the Parties hereby irrevocably submit to such jurisdiction.

The parties agree that this Section is made for the benefit of IC only. As a result, IC shall not be prevented from taking proceedings to settle any matter, dispute or relating to this Agreement or to enforce any right or remedy it may have in connection herewith in any courts with jurisdiction in Singapore or in any jurisdiction in which ICPS has assets, as it may deem appropriate and necessary in

its sole discretion. To the extent allowed by law, the taking of proceedings in one jurisdiction shall not limit preclude the taking of proceedings (whether concurrently or not) in any other jurisdiction.

ICPS hereby agrees that the process by which any suit, action or proceedings be initiated or conducted may be served on it by being delivered in connection with any such proceedings in Israel to IC Green Energy Ltd. ("IC Green"). A copy of any documents so served shall be concurrently delivered to ICPS as set out in Section 15.6 above.

A copy of the appointment letter and the consent of the IC Green to act as agent for service is attached hereto as **Exhibit C**. If the appointment of IC Green ceases to be effective, the undersigned shall immediately appoint another person or entity in Israel to accept service of process on its behalf in Israel and, failing such appointment within 21 (twenty one) days, service to the law firm of Meitar Liquornik Geva Leshem Tal Law Offices, to the attention of any two of the following: Advs. Dan Geva, Michael Rimon, Judith Gal-Or, Assaf Oz, Tomer Sela and David Glatt (or, in their absence, to any partner in that law firm) will constitute due service of process to ICPS. Nothing contained herein shall affect the right to serve process in any other manner permitted by applicable law.

- 15.8. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be enforceable against the Parties actually executing such counterparts, and all of which together shall constitute one instrument.

[Signature Page to Follow]

IN WITNESS WHEREOF, the Parties have executed this PLEDGE AGREEMENT as of the date first above written.

ISRAEL CORPORATION LTD.

By: /s/ Maya Alchen Kaplan
Adv. Maya Alchen Kaplan
Title: Executive V.P., General Counsel and Company Secretary

By: /s/ Mr. Sagi Kabla
Mr. Sagi Kabla
Title: CFO

IC POWER PTE. LTD.

By: _____
Title: _____

I, the undersigned, _____, Advocate, acting as the legal advisor of IC Power Pte. Ltd. (the “**Corporation**”), hereby confirm that this Agreement has been duly signed and executed by the Corporation in accordance with its constitutional documents. Furthermore I hereby confirm that this Agreement was signed by the Corporation’s duly authorized signatories and as such binds the Corporation in all respects.

Signature and Seal: _____ Date: _____

IN WITNESS WHEREOF, the Parties have executed this PLEDGE AGREEMENT as of the date first above written.

ISRAEL CORPORATION LTD.

By: _____
Title: _____

IC POWER PTE. LTD.

By: /s/ Tzahi Goshen
Tzahi Goshen
Title: Director

I, the undersigned, CHAN WEI LING, CHRISTINE JESSIE (ZENG WEILING), Advocate, acting as the legal advisor of IC Power Pte. Ltd. (the "**Corporation**"), hereby confirm that this Agreement has been duly signed and executed by the Corporation in accordance with its constitutional documents. Furthermore I hereby confirm that this Agreement was signed by the Corporation's duly authorized signatories and as such binds the Corporation in all respects.

Signature and Seal:

Date: 17 MARCH 2016

CHAN WEI LING, CHRISTINE JESSIE (ZENG WEILING)
Advocate & Solicitor
Singapore

Acceptance and undertaking of Kenon

We, the undersigned, **Kenon Holdings Ltd.**, hereby accept and undertake in favour of IC, without prejudice to the obligations and liabilities of IC Power Pte. Ltd., to comply with and to observe the terms of the Pledge Agreement and represent and warrant, with respect to ourselves, the warranties and representations set out in Sections 5.1, 5.2 and 5.11 thereof. We confirm that this acceptance and undertaking has been duly signed by our authorised signatories, and is binding on us for all intents and purposes in accordance with its terms.

KENON HOLDINGS LTD.

By: /s/ Kenneth Gilbert Cambie
Kenneth Gilbert Cambie
Title: Director

Exhibit A

Number of Pledged Shares

6,600,066 (six million, six hundred thousand, sixty six) Ordinary Shares of IC Power Ltd. par value 0.01 each (and their Related Rights).

Exhibit B

Irrevocable Instructions and Notice to IC Power Ltd.

Date: _____ 2016

To: IC Power Ltd.
23 Aranha St., Tel Aviv

(**"IC Power"**)

Dear Sirs,

1. The undersigned, IC Power Pte. Ltd. (**"ICPS"**), has entered into that certain Pledge Agreement dated as of the date hereof (the **"Pledge Agreement"**), pursuant to which it has created in favor of Israel Corporation Ltd. (including any assignee thereof pursuant to the Loan Agreement, **"IC"**) a first ranking fixed pledge or, as may be applicable, assignment by way of pledge, in each case not limited in amount over the Pledged Assets, as defined therein, which include: (i) all of ICPS's present and future rights, title and interest in 6,600,066 (six million, six hundred thousand, sixty six) ordinary shares par value NIS 0.01 of IC Power Ltd. (**"IC Power"**), along with any other shares in the share capital in IC Power which constitute Related Rights (as defined therein) of such shares from time to time (the **"Pledged Shares"**); and (ii) all Related Rights (as defined therein);
2. We hereby irrevocably instruct you:
 - 2.1 Except with the prior written consent of IC, not to approve or register any sale, lease, assignment, license, transfer or otherwise disposal in any manner of any Pledged Shares or any Related Rights thereto, or any interest therein (a **"Transfer"**), except if the Transfer is expressly permitted in Section 7.5.2 of the Loan Agreement and pursuant to its terms.
 - 2.2 Unless IC informs you, in writing, otherwise, ICPS shall continue to have the right to exercise all of its rights and powers in relation to each of the Pledged Assets (including the right to exercise any and all voting and/or other rights relating to the Pledged Assets).
 - 2.3 Unless IC informs you, in writing, otherwise, to pay all monies, distributions, dividends and any other Related Rights and any and all payments in connection with the Pledged Shares to ICPS, and as of and subject to the IC notice to the contrary - to pay the same to an account the details of which will be provided by IC (and in the absence of such details, not to make any such payments and to immediately notify IC that such details are required), and otherwise treat the same in accordance with IC's written instructions.

3. Each of ICPS and IC shall be entitled from time to time to jointly notify you that additional shares in IC Power have been pledged in favor of IC under the Pledge Agreement, or similar instruments to be entered into from time to time (the “**Additional Shares**”), and upon receipt of such notice by you, these instructions shall apply for all purposes and intents to the Additional Shares and any of the rights referred to in Section 1 above relating to the Additional Shares.
4. This notice is irrevocable and shall not be amended or cancelled without the prior written consent of IC.

Kind regards,

IC Power Pte. Ltd.

To:
Israel Corporation Ltd.
IC Power Pte. Ltd.

Dear Sirs,

1. We hereby acknowledge receipt of the above notice and confirm that we shall comply with the irrevocable instructions thereof.
2. The Board of Directors of IC Power Ltd. has approved the creation of the security over the Pledged Assets, including the Pledged Shares, any Additional Shares and the Related Rights, pursuant to the Pledge Agreement (as these terms are defined in the above notice) or (with respect to the Additional Shares) - similar instruments to be entered into from time to time; upon IC's demand.
3. We shall enter the following annotation in respect of all Pledged Shares on the shareholders' register of IC Power Ltd.;
“6,600,066 (six million, six hundred thousand, sixty six) ordinary shares of the Company par value NIS 0.01 each, registered in the name of IC Power Pte. Ltd. are pledged in favor of Israel Corporation Ltd., pursuant to the Pledge Agreement dated _ March 2016, as may be amended from time to time.
4. We hereby irrevocably waive any lien or set-off right that we may have (if at all) with respect to the Related Rights in relation to the Pledged Shares and any Additional Shares that IC will instruct us not to transfer directly to ICPS in accordance with the above instructions.

Kind regards,

IC Power Ltd.

Date: _____

I, the undersigned, _____, Advocate, acting as the legal advisor of IC Power Ltd. (the “**Corporation**”), hereby confirm that this notice has been duly signed and executed by the Corporation in accordance with its constitutional documents. Furthermore I hereby confirm that this notice was signed by the Corporation’s duly authorized signatories and as such binds the Corporation in all respects.

Signature and Seal: _____ Date: _____

EXHIBIT C

IC Power Pte. Ltd.

1 Temasek Avenue #36-01 Millenia Tower, Singapore 039192

IC Green Energy Ltd.

19 Ha'arba'a St., Hatichon Tower

Tel-Aviv 61204, Israel

Attention: _____

_____, 2015

Dear Sirs,

Re: Appointment of Process Agent

1. We refer to the Pledge Agreement dated ___th day of March, 2016, by and between Israel Corporation Ltd. ("IC") and IC Power Pte. Ltd. ("ICPS"), as may be amended, supplemented, modified or replaced (the "**Pledge Agreement**"). Terms used hereinafter and hereinabove shall have the meanings ascribed to them in the Pledge Agreement (including any Schedules or Exhibits thereto), unless explicitly dictated otherwise herein.
2. We hereby appoint you as our agent for service of process by which any suit, action or proceeding is begun in the courts of the State of Israel arising out of or in connection with the Pledge Agreement, on the terms set out in this letter.
3. Your appointment shall cease only upon receipt of notice of confirmation from IC (or any successor, assignee or representative thereof).

If the Pledge Agreement is extended, amended, restated or otherwise modified, your appointment will, nonetheless, be extended and continued accordingly.
4. On receipt of service of process addressed to us by which any suit, action or proceeding is begun in the courts of the State of Israel arising out of or in connection with the Pledge Agreement, you shall:
 - 4.1 accept service on our behalf;
 - 4.2 notify in writing by email or by fax to the email address or the number stated in this letter, as applicable (or another email address or fax number notified in writing to you by us from time to time), in either case containing the following:
 - (a) the date on which you accepted service of process on our behalf.
 - (b) a request by you for the name of the law firm in the State of Israel to whom the originals of the document(s) served on you should be sent.

but need not contain any other information nor details of the nature or substance of the claim made against us.

- 4.3 You shall also send a copy of the notice referred to in paragraph 4.2 to us by mail or courier to the address stated in this letter (or another address notified in writing to you by us from time to time) with a copy of the process served.
5. Your dispatch of the notice referred to in paragraph 4.2 or paragraph 4.3 is a good discharge of your obligations contained in the relevant paragraph, whether or not we receive the relevant notice and whether or not you are aware that we may not have received a notice previously sent to us by you. If, in your opinion, your dispatch or our receipt of either of the notices to be sent to us pursuant to paragraph 4.2 or paragraph 4.3 might be prevented, hindered or delayed by a cause beyond your control (including, without limitation, interruptions in postal or other communications services) your obligations under those paragraphs are suspended until, in your opinion, dispatch will not be prevented, hindered or delayed in that way. While your obligations are suspended you shall, if the relevant telephone services are operating normally, use reasonable efforts to give us the information referred to in paragraph 4.2 by telephone call to the number stated in this letter (or another number notified in writing to you by us from time to time).
6. You are instructed to notify us and IC of any change in your name or address as well as of any proposed change in your status that could lead to your winding-up or dissolution or of any contemplated cessation in maintaining an office or place of business in Israel.
7. This letter and any obligations arising out of or in connection with it are governed by, and shall be construed in accordance with, Israeli law. The competent courts of Tel-Aviv-Jaffa, Israel shall have exclusive jurisdiction on any matters arising out of or in connection with this letter.
8. Please acknowledge your acceptance of the terms of this letter by signing the acknowledgement below. We shall notify the parties to the Pledge Agreement that you have accepted the terms of this letter and provide them with a copy of this letter and your acceptance.

Yours faithfully

a duly authorized representative of IC Power Pte. Ltd.

We acknowledge receipt of your letter of which this is a true copy. We accept the appointment as agent for service process described in the letter on the terms the letter sets out, and undertake to comply with such terms.

a duly authorized representative of IC Green Energy Ltd.

DATED THIS 17th DAY OF March 2016

Between

KENON HOLDINGS LTD.

(Registration Number: 201406588W)
as Chargor

and

ISRAEL CORPORATION LTD.

(Company Registration Number: 520028010)
as Lender

SECURITY OVER SHARES AGREEMENT



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THIS SECURITY OVER SHARES AGREEMENT (this “Deed”) is made on 17 March 2016

BETWEEN:

- (1) **KENON HOLDINGS LTD.** (Company Registration Number: 201406588W), a company incorporated in Singapore and having its registered office at 80 Raffles Place, #26-01, UOB Plaza, Singapore 048624 (the “**Chargor**”); and
 - (2) **ISRAEL CORPORATION LTD.** (Company Registration Number: 520028010), a company incorporated in the State of Israel and having its registered office at Millennium Tower, 23 Aranha Street, P.O.B 20456, Tel Aviv, 61204, Israel (the “**Lender**”),
- (collectively, the “**Parties**” and each, a “**Party**”)

WHEREAS:

- (A) The Chargor has requested the Lender to provide and the Lender has provided the Chargor with a loan facility in an aggregate amount up to US\$200,000,000, on the terms and subject to the conditions set out in the loan agreement dated 7 January 2015, as amended, (the “**Loan Agreement**”) entered into between the Chargor and the Lender.
- (B) In connection with the Loan Agreement, the Chargor entered into the Pledge Agreements (hereinafter defined) in respect of an aggregate of 6,600,066 shares in I.C. Power Ltd., a company incorporated in the State of Israel with company registration number 51-437498-2 (“**IC Power**”).
- (C) As at the date of this Deed, the Chargor is the legal and beneficial owner of the entire issued and paid-up capital of the Company.
- (D) In connection with a Supplement No. 1 dated 17 March 2016 to the Loan Agreement:
 - (a) the Chargor is required to execute this Deed; and
 - (b) the shares subject to the Pledge Agreements (hereinafter defined) are to be released from the Pledge Agreements and transferred to the Company, which would enter into a substitute pledge agreement,both as continuing security for the full and punctual payment of the Secured Obligations (hereinafter defined).

IT IS AGREED as follows:

1. INTERPRETATION

1.1 Definitions and Constructions

In this Deed, unless a contrary indication appears and except where defined below, capitalised terms used in the Loan Agreement shall have the same meanings and construction and, in addition:

“**Acts**” means the Companies Act and the Property Act.

“**Cash Dividends**” means, in relation to any Share, all present and future Dividends received or receivable in the form of cash in respect of that Share.

Share Charge (IC Power Singapore) (Exe)

“Charged Assets” means the Shares, the Related Rights, and to the extent not included in the foregoing, any and all proceeds, products and benefits deriving from such Charged Assets, including, without limitation, those received upon the sale or other disposition of such Charged Assets and any property into which such Charged Assets are converted, whether cash or non-cash.

“Charges” means the security created or expressed to be created over the Charged Assets by or pursuant to this Deed.

“Company” means IC Power Pte. Ltd. (Company Registration Number: 201511865D), a company incorporated in Singapore and having its registered office at 80 Raffles Place, #26-01, UOB Plaza, Singapore 048624.

“Companies Act” means the Companies Act (Chapter 50 of Singapore).

“Delegate” means a delegate or sub-delegate appointed under Clause 9.2 (*Delegation*).

“Dividends” means, in relation to any Share, all present and future:

- (a) dividends and distributions of any kind and any other sum received or receivable in respect of that Share;
- (b) rights, benefits, proceeds, shares, money or other assets accruing or offered by way of redemption, bonus, preference, option, substitution, conversion or otherwise in respect of that Share;
- (c) allotments, offers and rights accruing or offered in respect of that Share; and
- (d) other rights and assets attaching to, deriving from or exercisable by virtue of the ownership of, that Share.

“Finance Document” means the Loan Agreement and this Deed.

“IC Power” shall have the meaning ascribed to it in Recital (B).

“IPO” means, in respect of the Company, an initial public offering of its ordinary shares and listing on the New York Stock Exchange.

“Loan Agreement” shall have the meaning ascribed to it in Recital (A).

“Pledge Agreements” means:

- (a) the pledge agreement dated 7 January 2015 made between the Chargor and the Lender;
- (b) the pledge agreement dated 29 January 2015 made between the Chargor and the Lender;
- (c) the pledge agreement dated 4 May 2015 made between the Chargor and the Lender; and
- (d) the pledge agreement dated 7 October 2015 made between the Chargor and the Lender, pursuant to which shares in IC Power were charged in favour of the Lender.

“Property Act” means the Conveyancing and Law of Property Act (Chapter 61 of Singapore).

“Receiver” means a receiver and manager or other receiver appointed in respect of the Charged Assets.

“Related Rights” means any asset or right distributable, accruing, offered, issued or deriving at any time in connection with the Shares including but not limited to all Dividends, interest and other monies payable in respect of the Shares and all other rights, benefits and proceeds in respect of or derived from the Shares (whether by way of redemption, bonus, preference, option, substitution, conversion or otherwise).

“Secured Obligations” means all present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever) owing or incurred by the Chargor to the Lender under or in connection with the Finance Documents, together with all reasonable costs and expenses (including reasonable legal fees) incurred by the Lender or payable in accordance with this Deed.

“Security” means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

“Shares” means 369,145 shares in the share capital of the Company legally and beneficially owned by the Chargor, representing 66% of the issued share capital of the Company, as described in Schedule 2 (*Shares*).

1.2 Third Party Rights

- (a) Save for any Receiver, any Delegate or any attorney or nominee of the Lender or any Receiver and any person appointed by any of them under this Deed and unless expressly provided to the contrary in this Deed, a person who is not a Party has no right under the Contracts (Rights of Third Parties) Act (Chapter 53B of Singapore), to enforce or to enjoy the benefit of any term of this Deed.
- (b) Notwithstanding any term of this Deed, the consent of any third party is not required for any variation (including any release or compromise of any liability under) or termination of this Deed.

2. SECURITY

2.1 Charge

The Chargor, as absolute, legal and beneficial owner of the Shares, and as a continuing security for the full and punctual payment and performance of all Secured Obligations, charges and agrees to charge in favour of the Lender by way of first fixed charge, and assigns and agrees to assign absolutely to the Lender, free from all Security, the Charged Assets.

2.2 Share Certificates etc.

- (a) The Chargor shall on the date of this Deed deliver to the Lender, or as it directs, all certificates representing such Shares and transfers of such Shares executed in blank and shall promptly deliver to the Lender, or as it directs, any other documents relating to such Shares which the Lender requires.

- (b) The Chargor will at the request of the Lender made after an Event of Default while it is continuing, procure the registration of the transfer forms specified in paragraph (a) above in the books of the Company and the entry of the Lender and/or its nominee in the register of members in the Company as the holder of the Shares.

2.3 Release of Share Certificates

- (a) If, in connection with the IPO, the Chargor is required to deliver any share certificate representing any Shares to any depository or stock exchange or any of their agents or nominees, the Lender shall deliver such certificates then in its possession to the Chargor or as it may direct.
- (b) If, in connection with any sub-division of the Shares, the Chargor is required to cancel existing share certificates representing any Shares in lieu of fresh share certificates being issued, the Lender shall deliver such certificates then in its possession to the Chargor or as it may direct, [provided that against delivery of such certificates the Chargor delivers to the Lender all new certificates representing such Shares to the Lender or as it directs.

3. RESTRICTIONS AND FURTHER ASSURANCE

3.1 Security

The Chargor undertakes to the Lender until the release of the Charges in accordance with the terms hereof, not to create, or permit the creation of Security, in any manner, over the Charged Assets without the prior written consent of the Lender.

3.2 Disposal

The Chargor undertakes to the Lender until the release of the Charges in accordance with the terms hereof, not to sell, lease, license, sub-license, assign, transfer or otherwise dispose of any of the Charged Assets and not to grant any right therein without the prior written consent of the Lender, except as expressly permitted by Section 7.5.2 of the Loan Agreement and pursuant to its terms.

3.3 Calls, etc.

The Chargor shall, duly and promptly pay all calls, subscription moneys and/or other moneys payable on or in respect of the Charged Assets. If the Chargor does not do so, the Lender may do so and, if the Lender does so, the Chargor shall promptly indemnify the Lender against such payment together with interest thereon for the period beginning on the date of such payment and ending on the date on which the Lender has been indemnified in full by the Chargor calculated at the rate of 3% per annum.

3.4 Further Assurance

The Chargor shall at its own cost and expense, upon demand, execute any document or do any act or thing which in the reasonable determination of the Lender is necessary:

- (a) at any time during the continuance of this Deed, to perfect or protect the Charges or the priority of the Charges;
- (b) to preserve or protect any of the rights of the Lender under this Deed; or

- (c) to facilitate the realisation of the Charged Assets or the exercise of any rights vested in the Lender or any Receiver in accordance with the provisions of this Deed,

including executing an authorisation letter in the form agreed between the Chargor and the Lender authorizing the Chargor's legal counsel to file the Statement Containing Particulars of Charge with the Accounting and Corporate Regulatory Authority of Singapore and executing any transfer, conveyance, charge, assignment or assurance of the Charged Assets (whether to the Lender or its nominees or otherwise), making any registration and giving any notice, order or direction.

4. CHARGED ASSETS

4.1 Voting

- (a) Prior to the occurrence of an Event of Default and the Lender notifying the Chargor that the Lender intends to exercise any rights conferred on the Lender hereunder, the Chargor shall be entitled to exercise or direct the exercise of the voting and other rights in respect of any of the Charged Assets provided that, except as expressly permitted under the Loan Agreement, the Chargor shall not exercise any voting or other rights nor shall it take any other action and will oppose any action with respect to the Charged Assets, including such action which will or may result in:
- (i) (save for the purpose of the IPO) any issuance of any shares, securities, or rights in connection with the share capital of the Company, or any direct or indirect dilution of the equity interest of the Chargor in the Company, or its economic, voting, or other interests in the Company (other than to the Chargor, and provided that all of the Chargor's rights in respect of such shares or other securities shall be subject to the Security created hereunder in favour of the Lender in accordance with the provisions of this Deed);
 - (ii) any merger, demerger, consolidation, reorganization, restructuring or any similar transaction, of the Company;
 - (iii) the liquidation, winding-up, or dissolution of the Company, or any procedures related thereto;
 - (iv) (save for in respect of a sub-division of the Shares or in connection with the consummation of the IPO) any of the Company's shares being repurchased, cancelled, exchanged, replaced, substituted, split, divided, consolidated or converted; or
 - (v) any occurrence or event with similar consequences or results, or otherwise any harm, damage, prejudice, or adverse effect to the rights of the Lender under this Deed, the ability of the Lender to exercise such rights, or to the validity or enforceability of this Deed or the Security created hereunder.

- 4.2 Upon the occurrence of an Event of Default and after the Lender has notified the Chargor that it intends to exercise any rights conferred on the Lender hereunder and to the extent permitted by applicable law, the Lender may, without being under any obligations so to do and without prejudice to the provisions of Clause 4.1 exercise or cause to be exercised at the Lender's discretion in the Chargor's name or otherwise at any time whether before or after the power of sale herein has arisen (and without the Chargor's further consent or authority), in respect of any of the Charged Assets hereby charged, the voting rights as if the Lender was

the registered holder and beneficial owner thereof including the power to attend or speak at any general meeting of the company of any of the shares comprised in the Charged Assets from time to time and (where applicable) to appoint a proxy therefor and to exercise all other powers and rights of any nature whatsoever of a shareholder of the Company under its articles of association or at law, and such rights may not be exercised by the Chargor, if the Lender provided the Chargor a notice to that effect.

4.3 Dividends

- (a) Prior to the occurrence of an Event of Default and the Lender having notified the Chargor that it intends to exercise any rights conferred on the Lender hereunder, the Chargor shall be entitled to receive any Cash Dividend.
- (b) Upon the occurrence of an Event of Default and the Lender having notified the Chargor that it intends to exercise any rights conferred on the Lender hereunder, and until the full and final repayment of the Secured Obligations, the Chargor shall hold any Dividend received by it on trust for the Lender and pay the same immediately to:
 - (i) any bailee, trustee or receiver of the Lender as may be instructed by the Lender in its sole discretion; or
 - (ii) the Lender towards the payment of the Secured Obligations.

The Lender shall be entitled to apply the same as it sees fit towards the payment of the Secured Obligations.

5. GENERAL UNDERTAKINGS

5.1 The Chargor undertakes to the Lender until the release of the Charges in accordance with the terms hereof, except as expressly permitted herein.

- (a) not to enter into any conflicting obligation affecting the Charged Assets or any part thereof, or create or permit to arise any overriding interest whatsoever without the prior written consent of the Lender;
- (b) to defend the Charged Assets against, and to take, at its expense, any action necessary to remove any Security (other than Security created by or pursuant to the Loan Agreement) over any of the Charged Assets, and to defend the rights and interest of the Lender in and to the Charged Assets against the claims of any other persons;
- (c) to maintain all Security created or purported to be created hereunder in connection with the Charged Assets and to effect all registrations (including making filings with the Accounting and Corporate Regulatory Authority of Singapore) relating thereto in accordance with the terms hereof;
- (d) upon first demand of the Lender, to promptly do any acts and execute and deliver to the Lender any document that the Lender reasonably requires from time to time for the protection of the Charges or the Charged Assets;
- (e) to be liable towards the Lender for any defect in the title to the Charged Assets and to bear the responsibility for the authenticity and correctness of all the signatures, endorsements and particulars of any bills, documents, instruments and securities which have been or may be delivered to the Lender by the Chargor in connection with this Deed;

- (f) to comply with the provisions of all applicable laws relating to the Charged Assets or their use;
 - (g) to pay when due all taxes levied against or with respect to the Charged Assets and/or the income accruing thereon under any applicable law and to furnish the Lender, at its request, with all the receipts for such payments, provided that the Chargor shall be entitled to exercise its legal rights to appeal the levy of such taxes and/or defer payment thereof;
 - (h) not to institute any proceedings whatsoever in respect of the Secured Obligations or with respect to the Charged Assets which could have an adverse effect on the ability of the Lender to realize the Charged Assets or any part thereof without the prior written consent of the Lender;
 - (i) not to become a party to any arrangement relating to the Charged Assets that could reasonably likely adversely affect the Charged Assets, the Chargor's ability to perform its obligations hereunder, or the rights and remedies of the Lender in relation to the Charged Assets, including any shareholder agreement or voting agreement, without the prior written consent of the Lender;
 - (j) except as expressly consented by the Lender in advance in writing or for the purpose of an IPO, not to amend, terminate or breach, or otherwise cause the amendment, termination or breach of any provision of any contract, organizational documents of the Company, or any other instrument, (i) that is related in any way to the Charged Assets or the rights of the Chargor which are charged under this Deed, or (ii) in any manner which could reasonably be expected to adversely affect the rights or remedies of the Lender under this Deed or contravene the obligations of the Chargor hereunder; and
 - (k) obtain, maintain in full force and effect and comply with the terms of, and supply certified copies to the Lender of, any authorisations, approvals, permits, licenses and consents required at the relevant time under any law or contract to enable it to perform and comply with its obligations hereunder, or for the validity, legality, perfection or enforceability of the Charges.
- 5.2 The Chargor undertakes to notify the Lender forthwith upon it becoming aware of (a) any adverse claim proceeding or litigation relating to the Charged Assets, including the imposition of any Security, or an attempt to impose any Security, or any execution proceedings, or of any application for the appointment of a receiver or any other officer of similar role, and shall immediately notify the party which imposed or attempted to impose such Security or issued such execution proceedings or application, of the Charges, and forthwith take, at the expense of the Chargor, all steps necessary for the prompt and final discharge or cancellation of such Security execution proceedings or appointment, as the case may be; and (b) any other development, event or circumstance of which it becomes aware which could be reasonably expected to materially and adversely affect the Charged Assets.

Nothing in this Section 5 shall derogate from any undertaking of the Chargor under any Finance Document or otherwise.

6. REPRESENTATIONS AND WARRANTIES

Without derogating from any representation or warranty of the Chargor under the Loan Agreement or otherwise, the Chargor represents and warrants to the Lender (which representations will be deemed to be repeated on each day until the release of the Charges in accordance with the terms hereof) as set out in this Clause 6, and acknowledges that the Lender is entering into this Deed in full reliance thereof.

6.1 Status

It is a company, duly incorporated and validly existing under the law of its jurisdiction of incorporation, and has the power to carry on its business as it is being conducted from time to time.

6.2 Capacity

It has the right, power, authority and capacity to execute and deliver this Deed, to consummate the transactions contemplated hereby and to perform its obligations under this Deed.

6.3 Authorisation and binding obligations

This Deed has been authorised by all necessary corporate action on its part, has been duly executed and delivered by it through its authorised officers, and it represents valid and binding obligations enforceable against it in accordance with its terms.

6.4 Consents

No consent, approval or authorisation of, exemption by, or filing with, any governmental or regulatory authority or any third party is required in connection with the execution, delivery and performance by the Chargor of this Deed and the consummation of the transactions contemplated herein, including the creation and perfection of the Charges save for (a) the making of the appropriate registrations of this Deed with the Accounting and Corporate Regulatory Authority of Singapore; and (b) the payment of stamp duty in the amount of S\$500 payable in Singapore in respect of the stamping of this Deed, which shall be completed by the Chargor within the time periods prescribed by law.

6.5 Non-conflict

The Chargor's entry into, and performance by it of this Deed does not and will not conflict with, or result in a violation of (i) its or the Company's or any of its direct or indirect subsidiaries' constitutional documents, (ii) any other agreement to which any of the above is a party, (iii) any order, judgment, award, injunction, decree, ordinance or regulation or any other restriction by which any of the above is bound, (iv) any authorisation or consent to which any of the above is subject; or (v) any applicable law.

6.6 No Winding-up

Neither the Chargor nor the Company or any of its direct or indirect subsidiaries has taken any corporate action, nor have any other steps been taken or legal proceedings been started or (to the best of its knowledge) threatened against either of them, in any jurisdiction, for winding-up, dissolution, judicial management administration or reorganization (by way of voluntary arrangement, scheme of arrangement or otherwise) or for the appointment of a liquidator, receiver, administrator, administrative receiver, judicial manager, compulsory manager, trustee or similar officer of either of them or of any or all of their assets or revenues.

6.7 Title to Assets

The Chargor will be on and from the date of this Deed the sole legal and beneficial owner of the Charged Assets and no other person has any legal or beneficial interest (or any right to claim any such interest), and there is no competing or adverse right in the Charged Assets.

6.8 The Shares

The Shares are duly authorised, validly issued, fully paid, non-assessable and are free and clear of any Security (other than pursuant to the Charges), options, third party rights or any restrictions or limitations on transfer, other than as expressly set out in the articles of association of the Company.

6.9 Security

The provisions of this Deed are effective to create, in favour of the Lender a legal, valid and binding, not limited in amount, fixed charge which is not subject to any prior or other security and is not liable to be set aside on the insolvency of the Chargor, and an assignment by way of charge over the Charged Assets, first ranking, perfected and enforceable in accordance with the terms hereof.

6.10 Taxes

Full payment of all taxes levied against or with respect to the Charged Assets and/or the income accruing thereon under any applicable law has been made.

6.11 Solvency

Neither the Chargor nor the Company has, at the time of entry into of this Deed and the transfers herein, and would not at any time resulting from the performance or carrying out of obligations and entry into any of the transactions hereunder, have (a) entered into or initiated or has initiated against it any process for any scheme of arrangement or compromise, (b) initiated or has initiated against it any corporate voluntary arrangements or entered into any composition agreement with its creditors, (c) been in a position where it is or may be, unable, or where it has ceased to, pay its debts (including any contingent and prospective debts and liabilities whatsoever), or its assets are less than its debts and liabilities (including any contingent and prospective debts and liabilities whatsoever), (d) been declared insolvent, (e) commenced or been the subject of any winding-up procedure whatsoever, (f) requested or been subject to the appointment of, or any application being made for the appointment of, any receiver (including a receiver and manager), trustee, judicial manager, liquidator, statutory manager, scheme manager or administrator, sequestrator, administrative receiver, administrator or similar officer, (g) been in a position where it is otherwise insolvent or has become insolvent by reason of the entering into or completion of the transactions contemplated by the Finance Documents (the word “insolvent” having the meaning under Section 100(4) of the Bankruptcy Act, Chapter 20 of Singapore (the “**Bankruptcy Act**”)), (h) been unable to pay its debts or has become unable to pay its debts by reason of the entering into or the completion of the transactions contemplated by the Finance Documents (the phrase “being unable to pay its debts” being within the meaning of sections 254(1)(e) and 254(2) of the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”)), or (i) been subject to any event similar to any of the above under the laws of any jurisdiction.

6.12 Good faith

The Chargor and the Company in entering into, and carrying out, each transaction and transfer herein, did so, and will do so, on arms-length commercial terms, in good faith, for the purpose of carrying on the Chargor's, or as the case may be, the Company's business and there were reasonable grounds for believing the transaction(s) would benefit the Chargor, or as the case may be, the Company at the time the Chargor, or as the case may be, the Company entered into the transaction(s) and be reasonably be in the best interests of the Chargor, or as the case may be, the Company.

6.13 IC Power shares

The transfer of the Chargor's entire shareholding interests in IC Power (the "**IC Power Shares**") to the Company pursuant to the Share Transfer Agreement is:

- (a) for consideration reflective of market and did not involve any undervaluation by the Chargor, and
- (b) at a value, taking into account the fact that the IC Power Shares are subject to the existing Pledge Agreements and that the Company would be undertaking obligations in connection with the transfer of the IC Power Shares pursuant to Clause 2 of the Share Transfer Agreement, of no less than the sum of the aggregate subscription price of the New Shares (as defined in the Share Transfer Agreement) and the obligations undertaken in relation to the loans as stated in Clause 2.2(a) and Clause 2.2(b) of the Share Transfer Agreement.

6.14 Non-petition agreements

The Chargor shall not institute, or join any other person in instituting, against the Company or any of its assets, any winding-up, amalgamation, reconstruction, administration, judicial management, dissolution, liquidation, composition, merger, arrangement, scheme or consolidation or any analogous procedure or step, in any jurisdiction.]

7. ENFORCEMENT

7.1 Power of Sale

The statutory power of sale, of appointing a receiver and the other statutory powers conferred on mortgagees by Section 24 of the Property Act as varied and extended by this Deed shall arise on the date of this Deed and may be exercised by the Lender free from the restrictions imposed by Section 25 of the Property Act.

7.2 Enforceability of Security

The Charges shall become immediately enforceable, and the power of sale and other powers conferred by Section 24 of the Property Act, to the extent applicable (as varied and extended by this Deed) and all the other powers conferred on the Lender by this Deed shall be immediately exercisable at any time upon the occurrence of an Event of Default.

7.3 Consolidation

Section 21 of the Property Act shall not apply to this Deed.

7.4 Section 25 of the Property Act

Section 25 of the Property Act shall not apply to this Deed.

7.5 No Liability as mortgagee in possession

Nothing done by or on behalf of the Lender pursuant to this Deed shall render it liable to account as a mortgagee in possession for any sums other than actual receipts.

8. APPOINTMENT AND RIGHTS OF RECEIVERS

8.1 Appointment of receivers

If:

- (a) requested by the Chargor;
- (b) any corporate action, legal proceedings or other procedure or step is taken in relation to the administration of the Chargor; or
- (c) at any time after the Charged Assets have become enforceable pursuant to Clause 7.2 (Enforceability of Security) above, without any notice or further notice, the Lender may, by deed, or otherwise in writing signed by any officer or manager of the Lender or any person authorised for this purpose by the Lender, appoint one or more persons to be a Receiver. The Lender may similarly remove any Receiver and appoint any person instead of any Receiver. If the Lender appoints more than one person as Receiver, the Lender may give those persons power to act either jointly or severally.

8.2 Scope of appointment

Any Receiver may be appointed Receiver of all of the Charged Assets or Receiver of a part of the Charged Assets specified in the appointment. In the latter case, the rights conferred on a Receiver as set out in Schedule 1 (*Rights of Receivers*) shall have effect as though every reference in that Schedule to any Charged Assets were a reference to the part of those assets so specified or any part of those assets.

8.3 Rights of Receivers

Any Receiver appointed pursuant to this Clause 8 shall have the rights, powers, privileges and immunities conferred by the Acts on receivers duly appointed under the Acts, and shall also have the rights set out in Schedule 1 (*Rights of Receivers*).

8.4 Agent of Chargor

Any Receiver shall be the agent of the Chargor for all purposes. The Chargor alone shall be responsible for the Receiver's contracts, engagements, acts, omissions, defaults and losses and for liabilities incurred by the Receiver.

8.5 Remuneration

The Lender may determine the remuneration of any Receiver and direct payment of that remuneration out of moneys he receives as Receiver. The Chargor shall be liable for the remuneration and all other costs, losses, liabilities and expenses of the Receiver. In no event shall the Lender be responsible for the acts and omissions of the receiver or for the receiver's remuneration.

8.6 Use of Proceeds

Should the payment date of the Secured Obligations or any part thereof not yet have fallen due at the time of the sale of the Charged Assets, or the Secured Obligations be due to the Lender or the receiver on a contingent basis only, then the Lender or the receiver shall be entitled to recover out of the proceeds of the sale an amount sufficient to cover the Secured Obligations (or such part thereof) and the amount so recovered and yet to be appropriated to the discharge of the amounts due shall be charged to the Lender or the receiver as security for, and be held by the Lender or the receiver until the discharge in full of, the Secured Obligations.

9. **LENDER'S RIGHTS**

9.1 Same rights as Receiver

Any rights conferred by any Finance Document upon a Receiver may be exercised by the Lender after the Charges become enforceable, whether or not the Lender shall have taken possession or appointed a Receiver of the Charged Assets.

9.2 Delegation

The Lender may at any time and from time to time delegate by power of attorney or in any other manner to any person or persons or fluctuating body of persons all or any of the powers, authorities and discretions which are for the time being exercisable by the Lender under this Deed in relation to the Charged Assets and any such delegation may be made upon such terms and conditions (including power to sub-delegate) and subject to such regulations as the Lender may think fit and the Lender shall not be in any way liable or responsible to the Chargor for any loss or damage arising from any act, default, omission or misconduct on the part of any such delegate or sub-delegate in the absence of gross negligence or willful misconduct of the Lender. Any third party referred to in this Clause 9.2 may enjoy the benefit or enforce the terms of this Clause in accordance with the provisions of the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore.

10. **ORDER OF DISTRIBUTIONS**

10.1 Application of proceeds

All amounts received or recovered by the Lender or any Receiver or Delegate in the exercise of their rights under this Deed shall, subject to the rights of any creditors having priority, be applied in the order provided in Clause 10.2 (*Order of distributions*).

10.2 Order of distributions

The order referred to in Clause 10.1 (*Application of proceeds*) is:

- (a) in or towards the payment of all costs, losses, liabilities and expenses incurred by the Lender in enforcement of the Security created pursuant to this Deed, including costs, losses, liabilities and expenses of and incidental to the appointment of any Receiver or Delegate and the exercise of any of his rights, including his remuneration and all outgoings paid by him;

- (b) in or towards the payment of the Secured Obligations; and
- (c) in payment of any surplus to the Chargor or other person entitled to it.

11. LIABILITY OF LENDER, RECEIVERS AND DELEGATES

11.1 Possession

If the Lender, any Receiver or any Delegate takes possession of the Charged Assets, it may at any time relinquish possession.

11.2 Lender's Liability

Neither the Lender nor any Receiver or Delegate shall (either by reason of taking possession of the Charged Assets or for any other reason and whether as mortgagee in possession or otherwise) be liable to the Chargor or any other person for any costs, losses, liabilities or expenses relating to the realisation of any Charged Assets or from any act, default, omission or misconduct of the Lender, any Receiver or Delegate or their respective officers, employees or agents in relation to the Charged Assets or in connection with the Finance Documents except to the extent caused by its or his own gross negligence or wilful misconduct. Any third party referred to in this Clause 11 may enjoy the benefit or enforce the terms of this Clause in accordance with the provisions of the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore.

12. POWER OF ATTORNEY

12.1 Appointment

The Chargor hereby irrevocably, for a period of 12 years from the date hereof but not to exceed the period during which the Security contemplated by this Deed is in effect, appoints the Lender as its true and lawful attorney, with full power of substitution, in respect of this Deed, to act in the Chargor's name and at the Chargor's expense in order to do any such act, including, without limitation, to sign in the name of the Chargor any and all documents, as may in the sole discretion of the Lender be necessary in order to secure the rights of the Lender against third parties in respect of the Security contemplated by this Deed pursuant to the terms hereof (including as set forth in Clause 3.4 above). In addition to, and without derogating from the foregoing, the Chargor hereby irrevocably appoints the Lender as its true and lawful attorney, with full power of substitution, to participate and vote in the Chargor's name and on its behalf in all general meetings of the Company, whether by way of written resolution or by way of meeting, so long as an Event of Default is continuing, or as otherwise set forth in the Loan Agreement.

12.2 Ratification

The Chargor ratifies and confirms and agrees to ratify and confirm whatever any such attorney shall do in the exercise or purported exercise of the power of attorney granted by it in Clause 12.1 (*Appointment*). Any third party referred to in this Clause 12.2 may enjoy the benefit or enforce the terms of this Clause in accordance with the provisions of the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore.

13. PROTECTION OF THIRD PARTIES

13.1 No Duty to Enquire

No person dealing with the Lender, any Receiver or any Delegate shall be concerned to enquire:

- (a) whether the rights conferred by or pursuant to any Finance Document are exercisable;
- (b) whether any consents, regulations, restrictions or directions relating to such rights have been obtained or complied with;
- (c) otherwise as to the propriety or regularity of acts purporting or intended to be in exercise of any such rights (including whether or not any delegation shall have lapsed for any reason or has been revoked); or
- (d) as to the application of any money borrowed or raised.

13.2 Protection to Purchasers

Upon any sale or disposal of the Charged Assets or any part thereof which the Lender, any Receiver or any Delegate shall make or purport to make under the provisions of this Deed, a statement in writing from the Lender, any Receiver or any Delegate that the security created by the Deed has become enforceable and that the power of sale has become exercisable shall be conclusive evidence of the fact in favour of any purchaser or other person to whom any of the Charged Assets may be transferred and such purchaser or other person will take the same free of any rights of the Chargor.

The Chargor undertakes to indemnify the Lender, each Receiver and each Delegate against any claim which may be made against the Lender, that Receiver or that Delegate by such purchaser or any other person by reason of any defect in its title to the Charged Assets. Any Receiver or Delegate referred to in this Clause 13 may enjoy the benefit or enforce the terms of this Clause 13 in accordance with the provisions of the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore.

14. SAVING PROVISIONS

14.1 Continuing Security

Subject to Clause 15 (*Discharge of Security*), the Charges are continuing Security and will extend to the ultimate balance of the Secured Obligations regardless of any intermediate payment or discharge in whole or in part.

14.2 Reinstatement

If any payment by the Chargor or any discharge given by the Lender (whether in respect of the obligations of the Chargor or any security for those obligations or otherwise) is avoided or reduced as a result of insolvency or any similar event:

- (a) the liability of the Chargor and the Charges shall continue as if the payment, discharge, avoidance or reduction had not occurred; and
- (b) the Lender shall be entitled to recover the value or amount of that security or payment from the Chargor, as if the payment, discharge, avoidance or reduction had not occurred.

14.3 Waiver of Defences

Neither the obligations of the Chargor under this Deed nor the Charges will be affected by an act, omission, matter or thing which, but for this Clause, would reduce, release or prejudice any of its obligations under any Finance Document or any of the Charges (without limitation and whether or not known to it or the Lender) including:

- (a) any time, indulgence, waiver or consent granted to, or composition with, the Chargor or other person;
- (b) the release of the Chargor or any other person under the terms of any composition or arrangement with any creditor of the Chargor or such other person;
- (c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, the Chargor or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any Security;
- (d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of the Chargor or any other person;
- (e) any amendment, novation, supplement, extension, restatement (however fundamental and whether or not more onerous) or replacement of a Finance Document or any other document or security including without limitation any change in the purpose of, any extension of or any increase in any facility or the addition of any new facility under the Loan Agreement or other Finance Document;
- (f) any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document or any other document or security;
- (g) any insolvency or similar proceedings;
- (h) any Finance Document or any other document not being executed by or binding against any other person; or
- (i) any postponement, discharge, reduction, non-provability or other similar circumstance affecting any obligation of any other person under any Finance Document resulting from any insolvency, liquidation or dissolution proceedings or from any law, regulation or order.

14.4 Immediate Recourse

The Chargor waives any right it may have of first requiring the Lender (or any trustee or agent on its behalf) to proceed against or enforce any other rights or Security or claim payment from any person before claiming from the Chargor under this Deed. This waiver applies irrespective of any law or any provision of a Finance Document to the contrary.

14.5 Appropriations

Until all the Secured Obligations have been irrevocably paid in full and all facilities which might give rise to Secured Obligations have terminated, the Lender (or any trustee or agent on its behalf) may:

- (a) refrain from applying or enforcing any other moneys, Security or rights held or received by the Lender (or any trustee or agent on its behalf) in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and the Chargor shall not be entitled to the benefit of the same; and
- (b) hold in a suspense account (interest-bearing, if applicable) any moneys received from the Chargor or on account of the Chargor's liability under this Deed, and in particular, if any part of the Secured Obligations are not then finally determined to be actually due and payable, any amount received from the Chargor and yet to be appropriated towards the discharge of the amounts due hereunder may be held in such suspense account by the Lender (or any trustee or agent on its behalf) until the discharge in full of, the Secured Obligations.

Provided that the Lender (or any trustee or agent on its behalf) may only exercise such rights or powers if any moneys received from the Chargor for the full payment of the Secured Obligations then due and payable is insufficient to discharge such Secured Obligations.

14.6 Deferral of Chargor's Rights

Until all the Secured Obligations have been irrevocably paid in full and all facilities which might give rise to Secured Obligations have terminated and unless the Lender otherwise directs, the Chargor will not exercise any rights which it may have by reason of performance by it of its obligations under the Finance Documents or by reason of any amount being payable, or liability arising, under this Deed:

- (a) to be indemnified by the Company;
- (b) to claim any contribution from any other provider of Security or any guarantor of the Company's obligations under the Finance Documents;
- (c) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Lender under the Finance Documents or of any other guarantee or security taken pursuant to, or in connection with, the Finance Documents by the Lender;
- (d) to bring legal or other proceedings for an order requiring the Company to make any payment, or perform any obligation, in respect of which the Chargor had given a guarantee, an undertaking or indemnity;
- (e) to exercise any right of set-off against the Company; and/or
- (f) to claim or prove as a creditor of the Company in competition with the Lender.

If the Chargor receives any benefit, payment or distribution in relation to such rights it shall hold that benefit, payment or distribution to the extent necessary to enable all amounts which may be or become payable to the Lender by the Company under or in connection with the Finance Documents to be repaid in full on trust for the Lender and shall promptly pay or transfer the same to the Lender or as the Lender may direct for application in accordance with Clause 10 (*Order of distributions*).

14.7 Additional Security

The Charges are in addition to and are not in any way prejudiced by any other guarantees or Security now or subsequently held by the Lender.

15. **DISCHARGE OF SECURITY**

15.1 Final Redemption

Subject to Clause 15.2 (*Retention of Security*), Clause 15.3 (*Discharge*) and without prejudice to paragraph (b) of Clause 21.2 (*the Chargor*), if the Lender is satisfied that all the Secured Obligations have been irrevocably paid in full and that all facilities or other obligations or liabilities which might give rise to Secured Obligations have terminated or discharged, the Lender shall at the request and cost of the Chargor release, reassign or discharge (as appropriate) the Charged Assets from the Charges and effect a complete revocation of the power of attorney contained herein.

15.2 Retention of Security

If any amount paid or credited to the Lender under any Finance Document is capable of being avoided or otherwise set aside, that amount shall not be considered to have been paid for the purposes of determining whether all the Secured Obligations have been irrevocably paid.

15.3 Discharge

Following the consummation of an IPO (as the term is defined in the Loan Agreement and in accordance with its terms), and subject to the provisions of Section 7.3.6 of the Loan Agreement (including any conditions specified thereunder), the Lender shall, within 3 (three) Business Days of the written request by, and at the expense of, the Chargor, release and discharge the Charges on or over all or any part of the Charged Assets and effect a complete revocation of the power of attorney contained herein.

16. **EXPENSES**

16.1 Expenses

The Chargor shall from time to time on demand of the Lender, the Receiver or any Delegate, reimburse the Lender, the Receiver or any Delegate for all reasonable out-of-pocket fees, costs and expenses (including legal fees) and all applicable goods and services tax thereon incurred by the Lender in the preparation, execution, administration and enforcement of this Deed and the transactions herein contemplated. In the event not paid upon first demand, such amount shall be paid by the Chargor together with interest at rate of 3% per annum from the date on which a demand therefor was first made until the date of actual payment. All the above costs, expenses and liabilities together with interest thereon shall constitute part of the Secured Obligations.

16.2 Stamp taxes

The Chargor shall on demand, indemnify the Lender against any cost, loss or liability the Lender incurs in relation to all stamp duty, stamp duty land tax, registration and other similar Taxes payable in respect of this Deed.

17. PAYMENTS

17.1 Demands

Any demand for payment made by the Lender shall be valid and effective even if it contains no statement of the relevant Secured Obligations or an inaccurate or incomplete statement of them.

17.2 Payments

All payments by the Chargor under this Deed (including damages for its breach) shall be made in the US Dollars and to such account, with such financial institution and in such other manner as the Lender may direct.

17.3 Continuation of Accounts

At any time after:

- (a) the receipt by the Lender of notice (either actual or otherwise) of any subsequent Security affecting the Charged Assets of the Chargor; or
- (b) the presentation of a petition or the passing of a resolution in relation to the winding-up of the Chargor,

the Lender may open a new account in the name of the Chargor with the Lender (whether or not it permits any existing account to continue). If the Lender does not open such a new account, it shall nevertheless be treated as if it had done so when the relevant event occurred. No moneys paid into any account, whether new or continuing, after that event shall discharge or reduce the amount recoverable pursuant to any Finance Document to which the Chargor is party.

18. MISCELLANEOUS INDEMNITIES

18.1 Indemnities separate

Each indemnity in each Finance Document shall:

- (a) constitute a separate and independent obligation from the other obligations in that or any other Finance Document;
- (b) give rise to a separate and independent cause of action;
- (c) apply irrespective of any indulgence granted by the Lender;
- (d) continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any Liability or any other judgment or order; and
- (e) apply whether or not any claim under it relates to any matter disclosed by the Chargor or otherwise known to the Lender.

18.2 Other Indemnities

- (a) The Lender, every Receiver and every Delegate shall be indemnified by the Chargor from and against all actions, losses, claims, proceedings, demands, liabilities and reasonable out-of-pocket fees, costs and expenses which may be suffered by the Lender, any Receiver or any Delegate (i) by reason of any failure of the Chargor to perform any of its obligations under this Deed or (ii) (except to the extent caused by the gross negligence or willful default of the Lender, such Receiver or such Delegate) in or by reason of the execution or purported execution of any of the rights, powers, remedies, authorities or discretions vested in, or the carrying out of any act or matter by, the Lender, any Receiver or any Delegate under or pursuant to this Deed or as it may consider to be necessary for the preservation of the Charged Assets; or (iii) due to any payment in respect of the Secured Obligations made by the Chargor being void for any reason whatsoever.
- (b) If the Lender sees fit to implement its rights hereunder or if the Lender makes any payment under or in connection with any of the Charged Assets all moneys so reasonably expended by the Lender for the purposes aforesaid shall be as soon as reasonably practicable repaid by the Chargor to the Lender upon demand together with interest thereon at the rate of 3% per annum for the period beginning on the date of such payment by the Lender and ending on the date on which the Chargor has repaid such amount in full.

19. RIGHTS, AMENDMENTS, WAIVERS AND DETERMINATIONS

19.1 Ambiguity

The powers and protections conferred by this Deed in relation to the Charged Assets or any part thereof on the Lender shall be in addition to and not in substitution for the powers and protections conferred on mortgagees or chargees under the Property Act, which shall apply to the Charges except in so far as they are expressly or impliedly excluded. Where there is any ambiguity or conflict between the rights conferred by law or contained in the Property Act and those conferred by or pursuant to any Finance Document, the terms of that Finance Document shall prevail.

19.2 Exercise of rights

No failure to exercise, nor any delay in exercising, on the part of the Lender, Receiver or Delegate, any right or remedy under any Finance Document shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Deed are cumulative and not exclusive of any rights or remedies provided by law.

19.3 Amendments and waivers

Any term of this Deed may be amended or waived only with the written consent of the Lender and the Chargor and any such amendment or waiver will be binding on both Parties.

19.4 Determinations

Any certification or determination by or certificate of the Lender or any Receiver or Delegate under any Finance Document is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

19.5 Separate and Independent Obligations

The Security created by the Chargor by or in connection with any Finance Document is separate from and independent of the Security created or intended to be created by any other person by or in connection with any Finance Document.

20. PARTIAL INVALIDITY

If, at any time, any provision of this Deed is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

21. BENEFIT OF SECURITY

21.1 Benefit and Burden

This Deed shall be binding upon and enure to the benefit of the Parties, their assignees and their successors. Any reference in this Deed to any party shall be construed accordingly.

21.2 The Chargor

- (a) Subject to paragraph (b) of this Clause, the Chargor shall not (nor shall it purport to) assign, transfer, charge or otherwise deal with all or any of its rights under this Deed nor grant, declare or dispose of any right or interest in it without the prior written consent of the Lender.
- (b) The Chargor may transfer by novation its obligations under this Deed to such party (“**Transferee**”) if the Chargor has assigned its obligations under the Loan Agreement, in accordance with the provisions of the Loan Agreement and the Lender shall upon the written request by, and at the expense of the Chargor, release and discharge the Charges over all of the Charged Assets in exchange for the Transferee executing a security over shares agreement on terms similar to this Deed (only with the necessary modifications which are agreed to between the Transferee and the Lender as being necessary for the legality, validity or enforceability of the Security).

21.3 The Lender

The Lender may assign all or part of its rights under this Deed or transfer all or part of its obligations under this Deed (despite any amalgamation or merger however effected relating to the Lender) to any party in accordance with the provisions of Section 9.5 of the Loan Agreement without the consent of the Chargor. Any such assignee or transferee shall be entitled to the full benefit of this Deed to the same extent as if it were an original party in respect of the rights or obligations assigned or transferred to it.

22. NOTICES

Communications under this Deed shall be made in accordance with Section 9.9 (*Notices*) of the Loan Agreement.

23. COUNTERPARTS

This Deed may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Deed.

24. GOVERNING LAW

This Deed shall be governed by Singapore law.

25. SET-OFF AND OTHER RIGHTS

All payments required to be made by the Chargor under this Agreement shall be calculated without reference to any set-off or counterclaim, and shall be made free and clear of, and without any deduction for, or on account of, any set-off or counterclaim.

26. ENFORCEMENT

26.1 Jurisdiction of Singapore courts

The courts of Singapore have non-exclusive jurisdiction to settle any dispute arising out of or in connection with this Deed (including a dispute relating to the existence, validity or termination of this Deed or any non-contractual obligation arising out of or in connection with this Deed) (a “**Dispute**”).

26.2 Venue

- (a) The Parties agree that the courts of Singapore are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.
- (b) This Clause 25 is for the benefit of the Lender only. As a result, the Lender shall not be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Lender may take concurrent proceedings in any number of jurisdictions.

SCHEDULE 1 RIGHTS OF RECEIVER

Any Receiver appointed pursuant to Clause 8 (*Appointment and rights of Receivers*) shall have the right, either in its own name or in the name of the Chargor or otherwise and in such manner and on such terms and conditions as the Receiver thinks fit, and either alone or jointly with any other person:

1. **Enter into possession**

to take possession of, get in and collect the Charged Assets and to require payment to it of all Dividends;

2. **Deal with Charged Assets**

to sell, transfer, assign, exchange, lend or otherwise dispose of or realise the Charged Assets to any person either by public offer or auction, tender or private contract and for a consideration of any kind (which may be payable or delivered in one amount or by instalments spread over a period or deferred);

3. **Borrow money**

to borrow or raise money either unsecured or on the security of the Charged Assets (either in priority to the Charges or otherwise);

4. **Claims**

to settle, adjust, refer to arbitration, compromise and arrange any claims, accounts, disputes, questions and demands with or by any person who is or claims to be a creditor of the Chargor or relating to the Charged Assets;

5. **Legal actions**

to bring, prosecute, enforce, defend and abandon actions, suits and proceedings in relation to the Charged Assets or any business of the Chargor;

6. **Redemption of Security**

to redeem any Security (whether or not having priority to the Charges) over the Charged Assets and to settle the accounts of any person with an interest in the Charged Assets;

7. **Rights of ownership**

to exercise and do (or permit the Chargor or any nominee of it to exercise and do) all such rights and things as the Lender would be capable of exercising or doing if it were the absolute beneficial owner of the Charged Assets; and

8. **Other powers**

to do anything else it may think fit for the realisation of the Charged Assets or incidental to the exercise of any of the rights conferred on the Receiver under or by virtue of any Finance Document to which the Chargor is party or the Property Act.

SCHEDULE 2
SHARES

369,145 ordinary shares in the Company
as evidenced by Share Certificate number(s) 2

23

Share Charge (IC Power Singapore) (Exe)

IN WITNESS WHEREOF this Deed has been executed by the parties hereto.

The Chargor

The Common Seal of)
KENON HOLDINGS LTD.)
was affixed hereto)
in the presence of:)



/s/ Cyril Ducau
Cyril Ducau
Director

/s/ Kenneth Gilbert Cambie
Kenneth Gilbert Cambie
Director

Share Charge (IC Power Singapore) (Exe)

The Lender

The Common Seal of)
ISRAEL CORPORATION LTD.)
was affixed hereto)
in the presence of:)



/s/ Maya Alchen Kaplan
Adv. Maya Alchen Kaplan,
Director
Executive V. P., General Counsel and Company
Secretary

/s/ Mr. Sagi Kabla
Mr. Sagi Kabla, CFO
Secretary / Authorised Signatory

DATED 22 April 2016

LOAN AGREEMENT

between

QUANTUM (2007) LLC

as Borrower

and

ANSONIA HOLDINGS SINGAPORE B.V.

as Lender

**Skadden, Arps, Slate, Meagher & Flom (UK) LLP
40 Bank Street
Canary Wharf
London E14 5DS**

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THIS AGREEMENT is dated 22 April 2016 and made between:

- (1) **QUANTUM (2007) LLC**, a Delaware limited liability company with file number 4300667 and having its registered office at 16192 Coastal Highway, Lewes, Delaware 19958, United States of America (the “**Borrower**”); and
- (2) **ANSONIA HOLDINGS SINGAPORE B.V.**, incorporated under the laws of the Netherlands (*Besloten vennootschap met beperkte aansprakelijkheid*) and having its registered office at 1 Temasek Avenue #38-01, Millenia Tower, Singapore 039192 (the “**Lender**”).

BACKGROUND:

- (A) The Lender intends to make available to the Borrower the Loans (as defined below) in order to enable the Borrower to make corresponding loans to Qoros pursuant to the Qoros Loan Agreement and on the condition that Wuhu Chery Automobile Investment Co. Ltd. make corresponding loans to Qoros, such that the total amount of loans made available to Qoros, subject to the terms and conditions herein and in the applicable Chery Loan Agreement (defined below), will be up to \$100 million.
- (B) The Lender intends that the Loans (and corresponding loans to Qoros) will enable Qoros to meet its working capital requirements and enable Qoros to seek additional financing, including a Qualified Financing.
- (C) The terms of this Agreement shall enable the Borrower to repay the Loans (as described herein) at par plus accrued interest, including upon any new financing at Qoros that results in a repayment of the corresponding loan under the the Qoros Loan Agreement. In addition, upon any disposition by the Borrower of its interest in Qoros, the net proceeds will be applied to repay amounts outstanding under the Loans (or, if the Loans have been converted into Class A Interests, to redeem such interests).

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

“**Additional Chery Loan Agreement**” means the term loan facility agreement entered into between Wuhu Chery Automobile Investment Co. Ltd. as lender, the Industrial and Commercial Bank of China Limited, Changshu Sub-Branch (中国工商银行股份有限公司常熟支行) as entrusted bank and Qoros as borrower with aggregate commitments of up to an amount equal to the RMB equivalent of USD 24,000,000. for the purposes of Qoros’ ordinary course working capital requirements with terms that are the same as those contained in the Initial Chery Loan Agreement.

“**Available Commitments**” means, in relation to a Facility, the then undrawn amount of the Commitment relating to that Facility minus, in relation to any proposed Loan under that Facility, the amount of any other Loan under that Facility that is due and to be made on or before the proposed Utilisation Date.

“**Assignment Agreement**” means the English law governed assignment agreement granted by the Borrower in favour of the Lender under which the Borrower’s rights under the Qoros Security Agreement and Qoros Loan Agreement are assigned to the Lender.

“**Business Day**” means a day (other than a Saturday or Sunday) on which banks are open for general business in London, Singapore and Beijing and, in respect of any day on which payment is to be made under this Agreement, New York City.

“**Chery Loan Agreement**” means:

- (a) the Initial Chery Loan Agreement; and
- (b) the Additional Chery Loan Agreement.

“**Class A Interests**” means Class A membership interests in the Borrower.

“**Class B Interests**” means Class B membership interests in the Borrower.

“**Commitment**” means:

- (a) with respect to Facility A, \$25,000,000; and
- (b) with respect to Facility B, \$25,000,000.

“**Conversion Date**” means the date on which the Lender’s Class B Interests are converted to Class A Interests pursuant to Clause 7(a).

“**Default**” means an Event of Default or any event or circumstance specified in Clause 13 (*Events of Default*) which would (with the expiry of a grace period or the giving of notice, making of any determination or the satisfaction of any other condition) be an Event of Default.

“**Event of Default**” means any event or circumstance specified as such in Clause 13 (*Events of Default*).

“**EXIM Loan Agreement No. 1**” means the 1,200,000,000 RMB Equivalent Syndicated Loan Agreement concerning the Project of Research and Development of C Platform Derivative Model of Qoros Automotive Co., Ltd. dated 31 July 2014 between, among others, Qoros Automotive Co., Ltd. as Borrower, Export-Import Bank of China, as arranger, and Bank of China Limited Su Zhou Branch, as agent (as amended and/or restated from time to time).

“**EXIM Loan Agreement No. 2**” means the loan agreement expected to be entered into between, among others, Qoros Automotive Co., Ltd. as Borrower, and Export-Import Bank of China, as arranger (as amended and/or restated from time to time) or a similar loan agreement.

“Exim Pledges” means:

- (a) the equity pledge contract dated 31 July 2014 granted by the Borrower in favour of Bank of China Limited Su Zhou Branch, as agent, (as amended and/or restated from time to time, including the amendments approved as set out in the Changshu Economic and Technological Development Zone Management Committee approval dated 13 July 2015) in respect of a portion of the Borrower’s equity interests in Qoros, which equity pledge was granted to secure the obligations owing in respect of EXIM Loan Agreement No. 1; and
- (b) any other pledge granted by the Borrower in favour of the agent or lenders under the EXIM Loan Agreement No. 2, following the date of this Agreement, in respect of a portion of the Borrower’s equity interests in Qoros (as amended and / or restated from time to time), which equity pledge will be granted to secure the obligations owing in respect of EXIM Loan Agreement No. 2.

“Facility” means Facility A or Facility B, as the case may be.

“Facility A” means the term loan facility made available under this Agreement as described in Clause 2.1 (*Facility A*).

“Facility B” means the term loan facility made available under this Agreement as described in Clause 2.2 (*Facility B*).

“Finance Document” means this Agreement, the Assignment Agreement and any other document designated as such by the Lender and the Borrower in writing.

“Financial Indebtedness” means any obligation to pay or repay money, present or future, whether actual or contingent, sole or joint and any guarantee or indemnity of any of those obligations.

“Initial Chery Loan Agreement” means the term loan facility agreement dated on or about the date of this Agreement between Wuhu Chery Automobile Investment Co. Ltd. as lender, the Industrial and Commercial Bank of China Limited, Changshu Sub-Branch(中国工商银行股份有限公司常熟支行) as entrusted bank and Qoros as borrower, with aggregate commitments of up to an amount equal to the RMB equivalent of USD 24,000,000.

“Kenon” means Kenon Holdings Ltd., a company incorporated under the laws of Singapore.

“Legal Reservations” means:

- (a) the principle that equitable remedies may be granted or refused at the discretion of a court and the limitation of enforcement by laws relating to insolvency, reorganisation and other laws generally affecting the rights of creditors;

- (b) the time barring of claims under relevant legislation, the possibility that an undertaking to assume liability for or indemnity a person against non-payment of stamp duty may be void and defences of set-off or counterclaim; and
- (c) similar principles, rights and defences under the laws of any applicable jurisdiction.

“**LLC Agreement**” means the Second Amended and Restated Limited Liability Company Agreement, dated as of the date hereof, between Robert Rosen, as the manager, and Kenon Holdings Ltd. and the Borrower, as the members, as amended and/or restated from time to time.

“**Loan**” means the loan to be made under a Facility or the principal amount outstanding for the time being of such loan.

“**Material Adverse Effect**” means any event or circumstance which, taking into account all relevant circumstances, has a material adverse effect on:

- (a) the business, assets or financial condition of the Borrower; or
- (b) the ability of the Borrower to perform its payment obligations under the Finance Documents; or
- (c) the validity, enforceability or effectiveness or priority or ranking of any Finance Document, the Qoros Loan Agreement or the Qoros Security Agreement.

“**Party**” means a party to this Agreement.

“**People’s Republic of China**” and “**PRC**” means the People’s Republic of China excluding Taiwan, Macau and Hong Kong.

“**Qoros**” means Qoros Automotive Co., Ltd, a company incorporated under the laws of the People’s Republic of China.

“**Qoros Default**” means a “Default” as defined in the Qoros Loan Agreement.

“**Qoros Loan Agreement**” means the term loan facility agreement dated on or about the date of this agreement between the Borrower as lender and Qoros as borrower for the purposes of Qoros’ ordinary course working capital requirements with aggregate commitments of up to an amount equal to the RMB equivalent of USD 48,000,000.

“**Qoros Security Agreement**” means the PRC law governed patent right pledge agreement dated on or about the date of this Agreement between Qoros, the Borrower and Wuhu Chery Automobile Investment Co. Ltd in substantially the form of Exhibit A attached hereto or otherwise in a form acceptable and satisfactory to the Lender.

“**Qualified Financing**” means a financing pursuant to which a third party investor subscribes (or, in the case of a financing by way of instrument that is convertible into equity, will on conversion of such instrument subscribe) for an equity interest in Qoros in an aggregate amount of not less than the Qualified Financing Amount excluding the amount of any conversion of Financial Indebtedness into equity in Qoros undertaken pursuant to the terms of this agreement.

“**Qualified Financing Amount**” has the meaning given to that term in the Qoros Loan Agreement.

“**Security Interest**” means any mortgage, pledge, lien, charge (fixed or floating), assignment, hypothecation, set-off or trust arrangement for the purpose of creating security, reservation of title or security interest or any other agreement or arrangement having a similar effect.

“**Tax**” means any tax, levy, impost, duty or other charge, deduction or withholding of a similar nature to tax (and any related penalty, cost, charge or interest).

“**Termination Date**” means the date falling 9 months after the first Utilisation Date.

“**Total Commitment**” means \$50,000,000 to the extent not cancelled or reduced by the Lender under this Agreement.

“**Trigger Event**” means any event or circumstance specified as such in Clause 14 (*Trigger Events*).

“**Unpaid Sum**” means any sum due and payable but unpaid by the Borrower under the Finance Documents.

“**US Bankruptcy Law**” means the United States Bankruptcy Code of 1978 (Title 11 of the United States Code), any other United States federal or state bankruptcy, insolvency or similar law.

“**Utilisation Date**” means the date on which a Loan is to be made or, as the context requires, was made.

“**Utilisation Request**” means a notice substantially in the form set out in Schedule 2 (*Form of Request*).

1.2 Construction

- (a) Unless a contrary indication appears, any reference in this Agreement to:
- (i) the “**Borrower**” or the “**Lender**” shall be construed so as to include its successors in title, heirs, permitted assigns and permitted transferees;
 - (ii) “**assets**” includes present and future properties, revenues and rights of every description;
 - (iii) a “**Finance Document**” or any other agreement or instrument is a reference to that Finance Document or other agreement or instrument as amended, novated, supplemented, extended or restated;

- (iv) “**indebtedness**” includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
 - (v) a “**person**” includes any person, firm, corporation, government, state or agency of a state or any association, trust or partnership (whether or not having separate legal personality) or two or more of the foregoing;
 - (vi) a “**regulation**” includes any regulation, rule, official directive, request or guideline (whether or not having the force of law, but if not having the force of law being one with which it is the practice of the relevant person to comply) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
 - (vii) a “**Clause**” or a “**Schedule**” is a reference to a clause of, or a schedule to, this Agreement;
 - (viii) “**\$**”, “**USD**” and “**US dollar**” denote the lawful currency of the United States of America;
 - (ix) “**RMB**” denotes the lawful currency of the People’s Republic of China;
 - (x) a provision of law is a reference to that provision as amended or re-enacted; and
 - (xi) a time of day is a reference to London time.
- (b) Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.
 - (c) Clause and Schedule headings are for ease of reference only.
 - (d) A Default or Event of Default is “**continuing**” if it has not been waived in writing.

1.3 Third party rights

- (a) Unless expressly provided to the contrary in this Agreement a person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.
- (b) Notwithstanding any term of this Agreement the consent of any person who is not a Party is not required to rescind or vary this Agreement at any time.

2. THE FACILITY

2.1 Facility A

Subject to the terms of this Agreement, the Lender makes available to the Borrower a US dollar term loan facility in an aggregate amount equal to the Facility A Commitment.

2.2 Facility B

Subject to the terms of this Agreement, the Lender makes available to the Borrower a US dollar term loan facility in an aggregate amount equal to the Facility B Commitment.

3. PURPOSE

- (a) The Borrower shall only apply the amounts borrowed by it under each Facility to finance amounts requested to be borrowed by Qoros pursuant to the terms of the Qoros Loan Agreement; it is understood that such amounts are intended only to be used by Qoros for its ordinary course working capital requirements and not for any other purpose.
- (b) The Lender is not bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

4. DRAWDOWN

4.1 Initial Conditions Precedent

The Lender will only be obliged to advance a Loan to the Borrower if:

- (a) the Lender has received all of the documents and other evidence listed in Schedule 1 (*Conditions Precedent to initial utilisation*) in form and substance satisfactory to the Lender (acting reasonably) save to the extent that the Lender has waived receipt of the same;
- (b) no Default (and no Qoros Default under the Qoros Loan Agreement) is continuing or would result from the proposed Loan; and
- (c) each of the representations and warranties set out in Clause 10 (*Representations and Warranties*) is true and correct on the date of this Agreement and on the Utilisation Date.

4.2 Conditions Precedent to utilisation of a Facility B Loan

In addition to satisfaction of the conditions set out in Clause 4.1 (*Initial Conditions Precedent*) above, the Lender will only be obliged to advance a Loan to the Borrower under Facility B if:

- (a) the proposed Loan is required to fund an amount requested to be borrowed by Qoros pursuant to the Qoros Loan Agreement;

- (b) the Lender has received a copy of the executed Additional Chery Loan Agreement;
- (c) the Lender in its sole discretion has agreed and consented to the advance of such Loan; and
- (d) the Lender has received evidence that the amount requested to be borrowed by Qoros under the Qoros Loan Agreement is equal to the amount to be drawn by Qoros under the Additional Chery Loan Agreement.

4.3 Drawdown

- (a) The Borrower may borrow a Loan by giving the Lender a duly completed Utilisation Request. Unless the Lender otherwise agrees, the latest time for receipt by the Lender of such Utilisation Request is 9.30 a.m. (London time) three Business Days before the proposed Utilisation Date.
- (b) No more than one Loan may be drawn under Facility A.
- (c) No more than 10 Loans may be drawn under Facility B.
- (d) A Utilisation Request for a Loan is irrevocable and will not be regarded as having been duly completed unless:
 - (i) it specifies a Utilisation Date that is a Business Day prior to the Termination Date;
 - (ii) with respect to a Facility A Loan, the amount of the Loan requested is \$25,000,000;
 - (iii) with respect to a Facility B Loan, the amount of the Loan requested is a minimum of \$100,000 or, if less, the Available Commitments; and
 - (iii) the currency of the Loan is USD;
- (e) Subject to satisfaction or waiver of the conditions precedent set out in Clause 4.1 (*Conditions Precedent*) and 4.2 (*Conditions Precedent to utilisation of a Facility B Loan*), the Lender shall advance the Loan to the Borrower.

4.4 Issuance of Class B Interests

On the first Utilisation Date, the Borrower shall issue to the Lender Class B Interests representing all of the Class B Interests in accordance with the LLC Agreement.

5. REPAYMENT AND MANDATORY PREPAYMENT

5.1 Repayment of Loans

Subject to Clause 16 (*Limited Recourse*), unless the Loans have been converted into Class A Interests of the Borrower pursuant to the terms of this Agreement and the LLC Agreement, the Borrower shall repay each Loan in full on the Termination Date.

5.2 No reborrowing

The Borrower may not reborrow any part of any Loan which is repaid or pre-paid.

5.3 Voluntary Prepayment

The Borrower may, by giving not less than 3 Business Days' prior notice to the Lender, prepay the whole or any part of any Loan.

5.4 Mandatory Prepayment – Excess Loan Amount

If the amount of a Loan (the “**Relevant Loan**”) advanced to the Borrower in connection with the Qoros Loan Agreement exceeds the amount advanced by the Borrower to Qoros under the Qoros Loan Agreement (the “**Relevant Qoros Loan**”) (the amount of such excess being the “**Excess Loan Amount**”), the Borrower shall, within 5 Business Days of the drawdown of the Relevant Qoros Loan, apply an amount equal to the Excess Loan Amount in prepayment of the Relevant Loan.

5.5 Mandatory Prepayment – Qoros repayment

- (a) Subject to Clause 16 (*Limited recourse*), if the Borrower receives any amount from Qoros (1) as repayment or prepayment of any amounts owing by Qoros to the Borrower under the Qoros Loan Agreement or (2) in connection with the Borrower's enforcement of its rights under the Qoros Security Agreement, the Borrower shall, as soon as practicable (and in any case, within 3 Business Days of receipt of such amount), apply such amount converted into US dollars (a “**Converted Amount**”) in prepayment of the Loans in the following order:
 - (i) firstly, in prepayment of the Facility A Loan;
 - (ii) secondly, in prepayment of any Facility B Loan (pro-rata); and
 - (iii) thirdly, in prepayment of any other amount outstanding under the Finance Documents.

For the avoidance of doubt, if any Converted Amount is greater than the amount required to prepare the Facilities (or any relevant part thereof), the Borrower shall still be required to pay any such excess amount to the Lender (and the Lender shall be entitled to be paid the same), notwithstanding any provisions to the contrary in the Finance Documents.

- (b) Subject to Clause 16 (*Limited recourse*), if, in any applicable jurisdiction, it becomes unlawful for the Lender to perform any of its obligations under any of the Finance Documents to which it is a party or to fund or maintain any Loan, the Lender shall promptly notify the Borrower on becoming aware of that event and the Borrower shall within 3 Business Days repay such Loan.

5.6 Deemed Repayment

If:

- (a) the Qoros Loan Agreement is (or deemed, pursuant to Clause 7 (*Conversion*)) repaid in full; and
- (b) the Borrower has applied all amounts it has received from Qoros under the Qoros Loan Agreement in the prepayment of the Facilities in accordance with Clause 5.5 (*Mandatory Prepayment*),

then:

- (i) all outstanding Loans shall be deemed to be repaid in full;
- (ii) the Facilities shall be terminated and cancelled in full;
- (iii) all obligations and amounts owing by the Borrower under the Finance Documents shall be deemed satisfied and discharged in full other than the obligations pursuant to Clause 15, which shall survive;
- (iv) the obligations owing by the Borrower under the Assignment Agreement shall be released and discharged in full (and the Lender undertakes to the Borrower that it will execute and deliver any termination, release or other document, and take all other commercially reasonable actions, required by the Borrower to give effect to the release and discharge of the Assignment Agreement); and
- (v) any Class B Interests issued to the Lender pursuant to the terms of this Agreement (including any rights attaching thereto) shall be cancelled in accordance with the LLC Agreement.

6. INTEREST

6.1 Calculation of interest

The rate of interest payable on a Loan is 6.00% per annum.

6.2 Accrued interest

Interest shall accrue daily (calculated on the basis of a 360 day year) and shall be payable on the Termination Date and on any date a Loan is repaid or prepaid (but only in respect of the interest that has accrued on the amount of such Loan paid or repaid).

6.3 Interest Rate Limitation

Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any utilisation, together with all fees, charges and other amounts which are treated as interest on such utilisation under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "**Maximum Rate**") which may be contracted for, charged, taken, received or reserved by the Lender holding such utilisation in accordance with applicable law, the rate of interest payable in

respect of such utilisation, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such utilisation but were not payable as a result of the operation of this Clause 6.3 shall be cumulated and the interest and Charges payable to such Lender in respect of other utilisation or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Maximum Rate (to the extent permitted by applicable law) to the date of repayment, shall have been received by such Lender.

7. **CONVERSION**

- (a) Whilst any amounts owing by the Borrower under this Agreement are outstanding, and subject to paragraph (c) below and the terms of the LLC Agreement, upon completion of a Qualified Financing (other than a Qualified Financing that results in repayment of all of the outstanding Loans), the Class B Interests held by the Lender shall automatically convert into Class A Interests (the “**Class B Conversion**”) with the Lender’s percentage of Class A Interests following the Class B Conversion calculated in accordance with the following formulation:

$$A = (B + C) / D$$

where,

A = the percentage of the Lender’s Class A Interests;

B = the aggregate principal amount of all outstanding Loans as at the Conversion Date;

C = the amount of all accrued and unpaid interest on all outstanding Loans as at the Conversion Date;

D = the implied equity value of the Borrower based upon (i) the ownership interest of the Borrower in Qoros after giving effect to the Qualified Financing and (ii) the implied equity value of Qoros as set out in the Qualified Financing as agreed by the Borrower and the Lender (or, where the Qualified Financing involves an investment or financing by a method or means other than the subscription of equity interests in Qoros, the stated equity value of Qoros as set out in such Qualified Financing as agreed by the Borrower and the Lender), (iii) less a discount of 10%,

with $(B + C) / D$ expressed as a percentage.

- (b) Upon the Class B Conversion pursuant to paragraph (a) above and the LLC Agreement:
- (i) all outstanding Loans shall be deemed to be repaid in full;
 - (ii) the Facilities shall be terminated and cancelled in full;

- (iii) all obligations and amounts owing by the Borrower under the Finance Documents shall be deemed satisfied and discharged in full other than the obligations pursuant to Clause 15, which shall survive;
 - (iv) the obligations owing by the Borrower under the Assignment Agreement shall be released and discharged in full (and the Lender undertakes to the Borrower that it will execute and deliver any termination, release or other document, and take all other commercially reasonable actions, required by the Borrower to give effect to the release and discharge of the Assignment Agreement); and
 - (v) any Class B Interests issued to the Lender pursuant to the terms of this Agreement (including any rights attaching thereto) shall be cancelled.
- (c) If, upon completion of a Qualified Financing, the Qoros Loan Agreement is repaid in full:
- (i) Clause 7(a) shall not apply and there shall be no Class B Conversion;
 - (ii) the amounts received by the Borrower from Qoros as a result of the repayment of the Qoros Loan Agreement shall be applied in accordance with Clause 5.5 (*Mandatory Prepayment*) (and, for the avoidance of doubt, Clause 5.6 (*Deemed Repayment*) shall apply).

8. TAX AND OTHER DEDUCTIONS

Each Party shall pay all its own present and future Tax as may be levied by a respective government or governmental body in relation to the Finance Documents.

9. COSTS AND EXPENSES

Each Party shall pay its own costs and expenses that it incurs in connection with the negotiation, preparation and execution of this agreement and/or the other Finance Documents.

10. REPRESENTATIONS AND WARRANTIES

The Borrower makes the representations and warranties set out in this Clause 10 to the Lender on the date of this Agreement and on each Utilisation Date by reference to the facts and circumstances then existing.

10.1 Status

- (a) It is a limited liability company, duly formed and validly existing under the laws of the State of Delaware.
- (b) It has the power to own its assets and carry on its business as it is being conducted.

10.2 Binding obligations

Subject to the Legal Reservations, the obligations expressed to be assumed by it in each Finance Document, the Qoros Security Agreement and the Qoros Loan Agreement are legal, valid, binding and enforceable obligations.

10.3 Non-conflict with other obligations

The entry into and performance by it of, and the transactions contemplated by, each of the Finance Documents, the Qoros Loan Agreement, the Qoros Security Agreement and any other material contract or agreement to which it is a party do not conflict with:

- (a) any law or regulation applicable to it; or
- (b) the constitutional documents of the Borrower.

10.4 Power and authority

It has the power to enter into, perform and deliver, and has taken all necessary action to authorise the entry into, performance and delivery of:

- (a) each Finance Document to which it is a party and the transactions contemplated by those Finance Documents; and
- (b) the Qoros Loan Agreement and Qoros Security Agreement and the transactions contemplated by the Qoros Loan Agreement and Qoros Security Agreement.

10.5 Approval of this Loan Agreement as a related party transaction

The Loans and other transactions contemplated by this Agreement and related agreements have been approved by Kenon in accordance with (a) all applicable laws and regulations, (b) its policies and procedures applicable to related party transactions, as described in Kenon's annual report on Form 20-F for the fiscal year ended 31 December 2014 filed with the U.S. Securities and Exchange Commission on 31 March 2015 and (c) all applicable stock exchange rules applicable to the approval of related party transactions.

11. INFORMATION UNDERTAKINGS

The undertakings in this Clause 11 remains in force from the date of this Agreement for so long as any amount is outstanding under this Agreement.

11.1 Notification of default

The Borrower shall notify the Lender of:

- (a) any Default (and the steps, if any, being taken to remedy it);
- (b) any Qoros Default under the Qoros Loan Agreement or any default under the Qoros Security Agreement,

in each case, promptly upon becoming aware of its occurrence.

11.2 Information: miscellaneous

The Borrower shall supply to the Lender:

- (a) promptly upon becoming aware of them, the details of any litigation, arbitration or administrative proceedings which are current, threatened or pending against the Borrower or Qoros, and which, if adversely determined, are reasonably likely to have a Material Adverse Effect; and
- (b) promptly on request, such further information regarding the financial condition, assets and operations of the Borrower and, to the extent (i) such information is available to the Borrower and (ii) disclosure of such information would not breach the terms of any agreement or arrangement entered into by the Borrower, Qoros as the Lender may reasonably request.

12. GENERAL UNDERTAKINGS

The undertakings in this Clause 12 remain in force from the date of this Agreement for so long as any amount is outstanding under this Agreement.

12.1 Compliance with laws

The Borrower shall comply in all respects with all laws to which it may be subject, if failure so to comply would impair its ability to perform its obligations under the Finance Documents, the Qoros Security Agreement or the Qoros Loan Agreement.

12.2 Acquisitions

The Borrower shall not, without the prior written consent of the Lender:

- (a) acquire a company or any shares or securities or a business or undertaking (or, in each case, any interest in any of them) (other than shares in Qoros); or
- (b) incorporate a company.

12.3 Disposals

- (a) The Borrower shall not enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to sell, lease, transfer or otherwise dispose of any asset, including all or a portion of its legal or beneficial interests in Qoros.
- (b) Paragraph (a) above does not apply to any sale, lease, transfer or other disposal made by the Borrower pursuant to the terms of the Finance Documents or the LLC Agreement or to the Exim Pledges.

12.4 Holding company status

The Borrower undertakes that:

- (a) it is and will remain a special purpose, holding company; and
- (b) it will not incur any liabilities except (i) as contemplated in the Finance Documents, the LLC Agreement, the Qoros Loan Agreement, the Qoros Security Agreement and any other agreement entered into by the Borrower in connection with the aforementioned documents (including the “finance documents” as defined in the Qoros Loan Agreement) and (ii) for liabilities that arise in the ordinary course of acting as a special purpose, holding company.

12.5 Membership interests

The Borrower shall not issue any membership interests except:

- (a) as permitted pursuant to the terms of a Finance Document; or
- (b) in accordance with the terms of the LLC Agreement.

12.6 Change of business

The Borrower shall ensure that no substantial change is made to the general nature of the business of the Borrower from that carried on at the date of this Agreement.

12.7 Qoros Security Agreement

- (a) The Borrower shall not (and shall not take any action to) enforce, discharge, release or terminate any of its rights under the Qoros Security Agreement except (i) in accordance with and pursuant to Clause 14.3 (*Enforcement under Qoros Security Agreement*) or (ii) with the prior written consent of the Lender.
- (b) The Borrower shall notify the Lender promptly on becoming aware of any request to enforce, discharge, release or terminate any of the Borrower’s rights under the Qoros Security Agreement other than a request to enforce, discharge, release or terminate from the Lender pursuant to Clause 14.3 (*Enforcement under Qoros Security Agreement*).

12.8 Qoros Loan Agreement

The Borrower shall:

- (a) not amend the terms of, or waive any of its rights under, the Qoros Loan Agreement without the prior written consent of the Lender;
- (b) not waive any default or event of default (howsoever described) that has occurred under the Qoros Loan Agreement without the prior written consent of the Lender;

- (c) not take any other action in connection with the Qoros Loan Agreement that may adversely affect the rights and interests of the Lender; and
- (d) use any amounts borrowed by it under each Facility to finance amounts requested to be borrowed by Qoros pursuant to the terms of the Qoros Loan Agreement.

12.9 Conditions Subsequent

The Borrower shall:

- (a) use its best efforts to ensure that within 120 days of the date of this Agreement (the “**CS Period**”), it will provide the Lender with a copy of the duly executed Qoros Security Agreement;
- (b) within 5 days of the date of execution of the Qoros Security Agreement, deliver to the Lender the Assignment Agreement, in a form substantially the same as that agreed to by the Lender and the Borrower pursuant to Paragraph 3 (a) of Schedule 1 (*Conditions precedent to initial utilisation*), duly executed by the Borrower,

except that:

- (i) the period between (1) the date a definitive and binding agreement relating to a Qualified Financing is signed and (2) the date on which such agreement is terminated or it is otherwise apparent that the proposed Qualified Financing will not be consummated (the “**QF Termination Date**”), shall not be accounted for in (and shall be excluded from) the calculation and determination of the CS Period (it being agreed, for the avoidance of doubt, that any time period after such QF Termination Date shall be accounted for in the calculation and determination of the CS Period); and
- (ii) following the completion of a Qualified Financing, the obligations in paragraphs (a) and (b) above shall not apply.

13. EVENTS OF DEFAULT

Each of the events or circumstances set out in Clauses 13.1 (*Non-payment*) to 13.14 (*Assignment Agreement*) (inclusive) is an Event of Default.

13.1 Non-payment

Subject to Clause 5.6 (*Deemed repayment*) and Clause 16 (*Limited recourse*), the Borrower does not pay on the due date any amount payable pursuant to a Finance Document at the place and in the currency in which it is expressed to be payable unless:

- (a) its failure to pay is caused by administrative or technical error; and
- (b) payment is made within 5 Business Days of its due date.

13.2 Other obligations

- (a) The Borrower does not comply with any provision of this Agreement (other than those referred to in Clause 13.1 (*Non-payment*), Clause 13.10 (*Disposals*) and Clause 14.2 (*Assignment Agreement*)).
- (b) No Event of Default under paragraph (a) above will occur if the failure to comply is capable of remedy and is remedied within 15 Business Days of the earlier of (i) the Lender giving notice to the Borrower and (ii) the Borrower becoming aware of the failure to comply.

13.3 Misrepresentation

- (a) Any representation or statement made or deemed to be made by the Borrower in this Agreement is or proves to have been materially incorrect or materially misleading when made or deemed to be made.
- (b) No Event of Default under paragraph (a) above will occur if the circumstances giving rise to the misrepresentation or misstatement are capable of remedy and are remedied within 15 Business Days of the earlier of:
 - (i) the Lender giving written notice of the failure by the Borrower; and
 - (ii) the Borrower becoming aware of the misrepresentation or misstatement.

13.4 Cross default

- (a) Any Financial Indebtedness of the Borrower (other than Financial Indebtedness of the Borrower under this Agreement) is not paid when due nor within any originally applicable grace period.
- (b) Any Financial Indebtedness of the Borrower (other than Financial Indebtedness of the Borrower under this Agreement) is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described).
- (c) No Event of Default will occur under this Clause 13.4 if the aggregate amount of Financial Indebtedness falling within paragraphs (a) or (b) above is less than RMB 50,000,000 (or its equivalent in any other currency or currencies).

13.5 Insolvency

- (a) Subject to Clause 16 (*Limited Recourse*), the Borrower is unable or admits inability to pay its debts as they fall due or is declared to be unable to pay its debts under applicable law or, by reason of actual or anticipated financial difficulties, suspends making payments on any of its debts (for the avoidance of doubt, the application of Clause 16 (*Limited recourse*) shall not constitute a suspension of the payment of the Borrower's debt) or commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness (other than with the Lender).

- (b) A moratorium is declared in respect of any indebtedness of the Borrower.

13.6 Insolvency Proceedings

- (a) The filing of an involuntary proceeding is made in a court of competent jurisdiction in the United States seeking relief under US Bankruptcy Law in respect of the Borrower and either such proceeding shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered or the Borrower shall consent to the institution of, or fail to contest in a timely and appropriate manner, any such involuntary proceeding.
- (b) The filing of a voluntary petition by the Borrower is made under US Bankruptcy Law.

13.7 Unlawfulness

- (a) It is or becomes unlawful for the Borrower to perform any of its material obligations under any Finance Document.
- (b) Subject to the Legal Reservations, any obligation or obligations of the Borrower under any Finance Document are not or cease to be legal, valid, binding or enforceable.
- (c) Any Finance Document ceases to be in full force and effect.

13.8 Repudiation

The Borrower repudiates a Finance Document to which it is a party or evidences an intention to repudiate a Finance Document to which it is a party.

13.9 Expropriation

The authority or ability of the Borrower to conduct its business is limited or wholly or substantially curtailed by any seizure, expropriation, nationalisation, intervention, restriction or other action by or on behalf of any governmental, regulatory or other authority or other person in relation to it or any of its assets which limitation or curtailment (taking into consideration any compensation or payment received in respect thereof) has, or is reasonably expected to have, a Material Adverse Effect.

13.10 Disposals

- (a) The Borrower sells, transfers or otherwise disposes of any portion of its legal or beneficial interests in Qoros in any single transaction or series of related transactions.
- (b) No Event of Default will occur under paragraph (a) above if the sale, transfer or other disposal of the Borrower's legal or beneficial interests in Qoros is made by the Borrower pursuant to the terms of the Finance Documents or the LLC Agreement or to the Exim Pledges.

13.11 Interests in Qoros

The Borrower creates or permits to subsist any Security Interest over its legal or beneficial interests in Qoros except:

- (a) as otherwise permitted under this Agreement, any other Finance Document or the LLC Agreement;
- (b) pursuant to the Exim Pledges; or
- (c) with prior written consent of the Lender.

13.12 Qoros Loan Agreement

The Borrower:

- (a) amends the terms of, or waives any of its rights under, the Qoros Loan Agreement without the prior written consent of the Lender; or
- (b) waives any default or event of default (howsoever described) that has occurred under the Qoros Loan Agreement without the prior written consent of the Lender.

13.13 Material Adverse Effect

Any event or circumstance occurs which has, or is reasonably expected to have, a Material Adverse Effect.

13.14 Assignment Agreement

The Borrower shall not have delivered to the Lender the Assignment Agreement (in a form substantially the same as that agreed to by the Lender and the Borrower pursuant to Paragraph 3(a) of Schedule 1 (*Conditions precedent to initial utilisation*)) duly executed by the Borrower within 5 days of the date of execution of the Qoros Security Agreement.

13.15 Acceleration

- (a) Subject to Clause 16 (*Limited Recourse*), whilst an Event of Default is continuing the Lender may, by written notice to the Borrower:
 - (i) cancel the Facilities whereupon the Facilities shall immediately be cancelled;
 - (ii) declare that all or part of any Loan (to the extent not repaid and to the extent the Class B Conversion has not occurred), together with accrued and unpaid interest, and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, whereupon they shall become immediately due and payable; and/or

- (iii) declare that all or part of any Loan (to the extent not repaid) be payable on demand, whereupon it shall immediately become payable on demand; and/or
 - (iv) exercise any or all of its rights, remedies, powers or discretions under the Finance Documents.
- (b) If an Event of Default occurs under Clause 13.6:
 - (i) the Total Commitments shall immediately be cancelled; and
 - (ii) all of the Loans, together with accrued interest and all other amounts accrued under the Finance Documents, shall be immediately due and payable,in each case automatically and without any direction, notice, declaration or other act.

14. TRIGGER EVENTS

Each of the events or circumstances set out in Clauses 14.1 and 14.2 is a Trigger Event.

14.1 Acceleration of the Qoros Loan Agreement due to certain Events of Default

A Qoros Default pursuant to Section 10.5, 10.6 or 10.7 of the Qoros Loan Agreement has occurred and is continuing.

14.2 Qoros Security Agreement

The Borrower has not delivered to the Lender within 120 days of the date of this Agreement (the “**Relevant Period**”) a copy of the duly executed Qoros Security Agreement, except that:

- (a) the period between (1) the date a definitive and binding agreement relating to a Qualified Financing is signed and (2) the QF Termination Date, shall not be accounted for in (and shall be excluded from) the calculation and determination of the Relevant Period (it being agreed, for the avoidance of doubt, that any time period after such QF Termination Date shall be accounted for in the calculation and determination of the Relevant Period); and
- (b) following the completion of a Qualified Financing, the events and circumstances described in this Clause 14.2 shall no longer constitute a Trigger Event.

14.3 Enforcement under the Qoros Security Agreement

Subject to Clause 16 (*Limited Recourse*), whilst a Trigger Event is continuing, the Lender may, by written notice to the Borrower:

- (a) request that the Borrower:
 - (i) enforce the Qoros Security Agreement in accordance with the terms of the Qoros Security Agreement; and / or
 - (ii) take any action available to the Borrower under and in accordance with the terms of the Qoros Security Agreement and/or the Qoros Loan Agreement; and / or
 - (iii) take any actions to cause the Lender to have, or to direct the exercise of, any voting, consent or other similar rights to which the Borrower has as a creditor of Qoros in respect of the Qoros Loan Agreement,and the Borrower shall comply with such request as soon as reasonably practicable following such written notice (to the extent permitted under, and in accordance with, the terms of the Qoros Security Agreement and the Qoros Loan Agreement).

15. SECONDARY SALE

The Borrower acknowledges and agrees that: (i) pursuant to Clause 12.3 (*Disposals*), the Borrower is restricted from selling, leasing, transferring or otherwise disposing of any asset, including all or a portion of its legal or beneficial interests in Qoros without the prior written consent of the Lender; and (ii) to the extent that the Lender provides its prior written consent for any such sale, lease, transfer or disposal, the Company shall be required to use any such proceeds (the “**Transfer Proceeds**”):

- (a) if prior to the Class B Conversion, for the repayment of the outstanding amount, together with accrued and unpaid interest, under any Loan prior to using the Transfer Proceeds for any other purpose; and
- (b) if following the Class B Conversion, for the redemption of Class A Interests at the then implied value of the Class A Interests in accordance with the LLC Agreement prior to using the Transfer Proceeds for any other purpose.

16. LIMITED RECOURSE

Notwithstanding any other provision of this Agreement or any other Finance Document:

- (a) the Borrower shall only be required to repay or prepay a Loan and pay any other amounts due and payable under the Finance Document from, and only to the extent of, the amounts the Borrower receives from Qoros under the Qoros Loan Agreement;

- (b) any claim by the Lender and any liability and obligation owing by the Borrower under the Finance Documents is limited to the amounts the Borrower receives from Qoros under the Qoros Loan Agreement and the assets the subject of the Assignment Agreement (and the Lender shall have no further rights or remedies against the Borrower, and the Borrower shall have no liability or obligation, for any further sum or amount under, or in connection with, the Finance Documents (a “**Further Sum**”)); and
- (c) the Lender shall not take any steps against the Borrower to recover any Further Sum (in particular, the Lender shall not institute against or join any person in instituting against the Borrower any bankruptcy, reorganisation, arrangement, insolvency, administration, moratorium, liquidation, dissolution or similar proceedings, nor shall any such person be entitled to make any claim in respect of, any Further Sum against the assets of the Borrower).

17. ADMINISTRATION

17.1 Place of payments

All payments to be made by the Borrower under this Agreement shall be made to such account at such office or bank as the Lender may notify to the Borrower for this purpose from time to time.

17.2 Business Days

- (a) Any payment which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same month (if there is one) or the preceding Business Day (if there is not).
- (b) During any extension of the due date for payment of any principal or Unpaid Sum under this Agreement interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.

17.3 Currency of account

- (a) Subject to paragraph (b) below, and save as otherwise agreed by the Lender and the Borrower in relation to any prepayment due under this Agreement, USD is the currency of account and payment for any sum due from the Borrower under any Finance Document.
- (b) Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred.

18. ASSIGNMENT AND TRANSFER

18.1 Lender

The Lender may not assign or transfer any of its rights and obligations under any Finance Document to any person without the prior written consent of the Borrower.

18.2 Borrower

The Borrower may not assign or transfer any of its rights and obligations under any Finance Document to any person without the prior written consent of the Lender.

19. NOTICES

19.1 Communications in writing

Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by fax or international express courier service.

19.2 Addresses

The address (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Finance Documents is that identified with its name in the signature pages of this Agreement or any fax number or substitute address or department or officer as the Party may notify to the other Party by not less than five Business Days' notice.

19.3 Delivery

Any communication or document made or delivered by one person to another under or in connection with the Finance Documents will only be effective:

- (a) if by way of fax or email, when received in legible form;
- (b) if by way of personal delivery or post, when received; or
- (c) if by way of international express courier service, when it has been delivered at the relevant address as evidenced by the courier service records.

19.4 Language

All notices and communications pursuant to the Finance Documents shall be in the English language.

20. CALCULATIONS AND CERTIFICATES

20.1 Accounts

In any litigation or arbitration proceedings arising out of or in connection with the Finance Documents, the entries made in the accounts maintained by the Lender are prima facie evidence of the matters to which they relate.

20.2 Certificates and Determinations

Any certification or determination by the Lender of a rate or amount under the Finance Documents is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

21. PARTIAL INVALIDITY

If, at any time, any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

22. REMEDIES AND WAIVERS

No failure to exercise, nor any delay in exercising, on the part of the Lender, any right or remedy under the Finance Documents shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in the Finance Documents are cumulative and not exclusive of any rights or remedies provided by law.

23. AMENDMENTS AND WAIVERS

Any term of this Agreement may be amended or waived only with the consent of the Lender and the Borrower in writing.

24. COUNTERPARTS

This Agreement may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

25. ENTIRE AGREEMENT

- (a) This Agreement, together with the other Finance Documents, constitutes the entire agreement between the Parties in relation to the obligations of each Party under this Agreement and supersedes any previous agreement, whether express or implied, between the Parties.
- (b) Each Party acknowledges that in agreeing to enter into this Agreement it has not relied on any representation, warranty, collateral contract or other assurance (except those set out in this Agreement and the documents referred to in it) made by or on behalf of any other Party before the signature of this Agreement. Each Party waives all rights and remedies which, but for this Clause, might otherwise be available to that Party in respect of any such representation, warranty, collateral contract or other assurance.
- (c) Nothing in this Clause limits or excludes any liability for fraud.

26. GOVERNING LAW AND ENFORCEMENT

26.1 Governing Law

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by, and shall be construed in accordance with, English law.

26.2 Jurisdiction

- (a) The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including a dispute relating to the existence, validity or termination of this Agreement or any non-contractual obligation arising out of or in connection with this Agreement) (a “**Dispute**”).
- (b) The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.
- (c) This Clause 26.2 is for the benefit of the Lender only. As a result, the Lender shall not be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Lender may take concurrent proceedings in any number of jurisdictions.

SCHEDULE 1
Conditions Precedent to initial utilization

1. The Borrower

- (a) A copy of the constitutional documents of the Borrower, including:
 - (i) its certification of formation, certified as of a recent date by the relevant authority of the jurisdiction of organization of the Borrower; and
 - (ii) a certificate as to its existence and good standing as of a recent date from the relevant authority of the jurisdiction of organization of the Borrower.
- (b) A copy of a resolution of the member of the Borrower:
 - (i) approving the terms of, and the transactions contemplated by, the Finance Documents to which it is a party and resolving that it execute the Finance Documents to which it is a party;
 - (ii) authorising a specified person or persons to execute the Finance Documents to which it is a party on its behalf; and
 - (iii) authorising a specified person or persons, on its behalf, to sign and/or despatch all documents and notices to be signed and/or despatched by it under or in connection with the Finance Documents to which it is a party.
- (c) A specimen of the signature of each person authorised by the resolution referred to in paragraph (b) above.
- (d) A certificate of an authorised signatory of the Borrower certifying that each copy document relating to it specified in this Paragraph 1 of Schedule 1 is correct, complete and in full force and effect as at a date no earlier than 3 Business Days prior to the date of this Agreement.

2. Finance Documents

- (a) This Agreement duly executed by the Borrower.
- (b) The agreed form of the Assignment Agreement, which shall include a completed and final Schedule 1 (as defined in the Assignment Agreement).

3. Other documents and evidence

- (a) A copy of the executed Qoros Loan Agreement and evidence that the proceeds of the initial drawdown under this Agreement will be applied to fund the first drawdown under the Qoros Loan Agreement.

- (b) A copy of the executed Initial Chery Loan Agreement and evidence or confirmation that an amount equal to the first drawdown amount under this Agreement will be made available and paid to Qoros under the Initial Chery Loan Agreement simultaneously with, or prior to, the first drawdown under this Agreement.
- (c) A copy of the executed LLC Agreement.
- (d) A copy of the executed Undertaking Agreement, dated as of the date hereof, between Qoros, the Borrower, Kenon, Wuhu Chery Automobile Investment Co. Ltd., Chery Automobiles Limited and the Lender .
- (e) The Borrower having obtained all required governmental, creditor and partner consents, including appropriate foreign debt quota or other necessary regulatory approvals in connection with the Finance Documents, the Qoros Loan Agreement and the Qoros Security Agreement.

SCHEDULE 2
Form of Utilisation Request

To: **ANSONIA HOLDINGS SINGAPORE B.V.**
as Lender

From: **QUANTUM (2007) LLC**
as Borrower

Date:

Dear Sirs,

Loan Agreement dated 2016 (the “Agreement”)

1. I refer to the Agreement. This is a Utilisation Request. Words and expressions used in this Request shall have the same meaning as are given to them in the Agreement.
2. I wish to borrow the Loan on the following terms:
 - (a) Utilisation Date: [•]
 - (b) Facility: [A] / [B]
 - (b) Amount: USD [•]
3. The proceeds of this Loan should be credited to [*account*].

Yours faithfully

Manager of
QUANTUM (2007) LLC

EXHIBIT A
Form of Qoros Security Agreement

SIGNATURES

ANSONIA HOLDINGS SINGAPORE B.V.
as Lender

By /s/ Cyril Ducau

Name: Cyril Ducau

Title: Director

QUANTUM (2007) LLC
as Borrower

By /s/ Robert L. Rosen
Name: Robert L. Rosen
Title: Manager

DATED 22 APRIL 2016

UNDERTAKING AGREEMENT

**Skadden, Arps, Slate, Meagher & Flom (UK) LLP
40 Bank Street
Canary Wharf
London E14 5DS**

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THIS UNDERTAKING AGREEMENT (the “**Agreement**”) is made on 22 April 2016

BETWEEN:

- (1) **QOROS AUTOMOTIVE CO., LTD.**, a sino-foreign joint equity enterprise established on 24 December 2007 in the People’s Republic of China with address of No.1, Tongda Road, Economic Technology Development Zone, Changshu City, Jiangsu Province, People’s Republic of China (“**Qoros**”);
- (2) **QUANTUM (2007) LLC**, a Delaware limited liability company (file no. 4300667) whose registered office is at 16192 Coastal Highway, Lewes, Delaware 19958, United States of America (“**LLC**”);
- (3) **KENON HOLDINGS LTD.**, a Singapore company with shares listed on the Tel Aviv Stock Exchange and New York Stock Exchange (company registration no. 201406588W) whose registered office is at 1 Temasek Avenue #36-01, Millenia Tower, Singapore 039192 (“**Kenon**”);
- (4) **WUHU CHERY AUTOMOBILE INVESTMENT CO., LTD**, a limited liability company organized and existing under the laws of the People’s Republic of China with its legal address at 8 Chengchun Road, Wuhu Economic and Technological Development Area, Anhui Province, People’s Republic of China (“**Wuhu Chery**”);
- (5) **CHERY AUTOMOBILES LIMITED**, a company limited by shares organized and existing under the laws of the People’s Republic of China with its legal address at 8 Chengchun Road, Wuhu Economic and Technological Development Area, Anhui Province, People’s Republic of China (“**Chery**”); and
- (6) **ANSONIA HOLDINGS SINGAPORE B.V.**, incorporated under the laws of the Netherlands (*Besloten vennootschap met beperkte aansprakelijkheid*) and having its registered office at 1 Temasek Avenue #38-01, Millenia Tower, Singapore 039192 (“**Ansonia**”),

(each a **Party** and together, the **Parties**).

RECITALS:

- (A) The Parties wish to enter into this Agreement to record certain undertakings, as set out below (the “**Undertakings**”) relating to certain transactions contemplated in connection with loans provided by the Parties (the “**Transactions**”), including:
 - (1) the loans provided by Ansonia to LLC pursuant to the LLC Loan Agreement (the “**LLC Loan**”);
 - (2) the loan of the proceeds of the LLC Loan to Qoros pursuant to the LLC-Qoros Loan Agreement (the “**LLC-Qoros Loan**”) at the same time as a corresponding loan is made by Wuhu Chery to Qoros (the “**Wuhu Chery-Qoros Loan**”) (the LLC-Qoros Loan and the Wuhu Chery-Qoros Loan, together the “**Qoros Loans**”).
- (B) The Qoros Loans will be secured by security granted with respect to certain patents held by Qoros.

IT IS AGREED as follows:

1. INTERPRETATION

1.1 Definitions

In this Agreement:

“**Additional Chery Loan Agreement**” has the meaning given to that term in the LLC Loan Agreement.

“**Assignment Agreement**” means the security assignment agreement between LLC as assignor and Ansonia as assignee.

“**Business Day**” means a day (other than a Saturday or Sunday) on which banks are open for general business in London, Singapore and the People’s Republic of China.

“**Class A Interests**” means Class A membership interests in LLC.

“**Class B Interests**” means Class B membership interests in LLC.

“**Initial Wuhu Chery-Qoros Loan Agreement**” means the loan agreement defined in Clause 2.3 (*Wuhu Chery-Qoros Loan Agreement*) of this Agreement.

“**Interests**” means the Class A Interests and the Class B Interests.

“**LLC Loan Agreement**” means the loan agreement defined in Clause 2.1 (*LLC Loan Agreement*) of this Agreement.

“**LLC-Qoros Loan Agreement**” means the loan agreement defined in Clause 2.2 (*LLC-Qoros Loan Agreement*) of this Agreement.

“**Qoros Security Agreement**” means the patent right pledge agreement among Qoros as pledgor and LLC and Wuhu Chery as pledgees securing the obligations owing by Qoros under the Initial Wuhu Chery-Qoros Loan Agreement and LLC-Qoros Loan Agreement.

“**Qualified Financing**” has the meaning given to it in the LLC-Qoros Loan Agreement.

1.2 Construction

In this Agreement, unless the context otherwise requires, a reference to:

- (a) a person includes a person, firm, company, corporation, government, state or agency of state or any association, trust, partnership (whether or not having a separate legal personality) or two or more of the foregoing and includes a reference to that person’s successors and permitted assignees or permitted transferees but does not include that person if it has ceased to be a party under this Agreement;
- (b) unless otherwise specified, clauses are references to clauses to this Agreement;
- (c) any reference to this Agreement shall include its annexures;
- (d) (or to any specified provision of) any agreement is to that agreement (or that provision) as amended from time to time;

- (e) a statute, statutory instrument or provision of law is to that statute, statutory instrument or provision of law, as it may be applied, amended or re-enacted from time to time;
- (f) the index and the headings in this Agreement are for convenience only and are to be ignored in construing this Agreement;
- (g) words imparting the singular include the plural and vice versa; and
- (h) words “best efforts”, in relation to the performance of any act by a party, shall be construed as the standard of endeavours required under English law.

2. UNDERTAKINGS

2.1 LLC Loan Agreement

At the same time as entering into this Agreement, Ansonia and LLC each undertake to the Parties to execute the loan agreement between LLC as borrower and Ansonia as lender in substantially the form annexed to this Agreement as Annexure A (the “**LLC Loan Agreement**”).

2.2 LLC-Qoros Loan Agreement

At the same time as entering into this Agreement, LLC and Qoros each undertake to the Parties to execute the loan agreement between Qoros as borrower and LLC as lender in substantially the form annexed to this Agreement as Annexure B (the “**LLC-Qoros Loan Agreement**”).

2.3 Wuhu Chery-Qoros Loan Agreement

At the same time as entering into this Agreement, Wuhu Chery and Qoros each undertake to the Parties to execute the loan agreement between Qoros as borrower, the Industrial and Commercial Bank of China Limited, Changshu Sub-Branch (中国工商银行股份有限公司常熟支行) as entrusted bank and Wuhu-Chery as lender in substantially the form annexed to this Agreement as Annexure C (the “**Initial Wuhu Chery-Qoros Loan Agreement**”).

2.4 Conversion of Class B Interests into Class A Interests

- (a) In connection with the conversion of the LLC Loan provided by Ansonia into Class A Interests pursuant to the terms of the LLC Loan Agreement (the “**LLC Conversion**”), and to the extent that the LLC Conversion will result in an issuance of Class A Interests to Ansonia in excess of the number of Interests which LLC may issue to a third-party without violating the terms of the existing joint venture agreement of Qoros (the “**Joint Venture Agreement**”), LLC undertakes that it shall convert the maximum number of Class B Interests into Class A Interests permitted by the Joint Venture Agreement and shall use its best efforts (including, but not limited to, assisting with obtaining any required governmental or regulatory approvals, but, for the avoidance of doubt, such efforts shall exclude any requirement to make a repayment or prepayment of any existing indebtedness of Qoros) to make appropriate amendments to the Joint Venture Agreement, such that, following such amendments, LLC may convert Ansonia’s remaining Class B Interests into Class A Interests in compliance with LLC’s contractual obligations under the Joint Venture Agreement.

- (b) For the avoidance of doubt, the LLC Conversion shall be deemed complete only upon the conversion of each of the Class B Interests held by Ansonia into Class A Interests and the cancellation of each of the Class B Interests, with such conversion and cancellation to be reflected in an adjustment to Schedule A of the Second Amended and Restated Limited Liability Company Operating Agreement, dated as of April 22, 2016, by and between Robert Rosen, as manager, and each member party thereto.
- (c) Notwithstanding the forgoing, to the extent LLC is not able to convert all of Ansonia's Class B Interests into Class A Interests pursuant to an LLC Conversion, LLC, Chery, Wuhu Chery and Qoros undertake to enter into good faith negotiations with Ansonia to take necessary steps to put Ansonia in the same economic position it would have been in as if all of its Class B Interests were converted into Class A Interests.

2.5 Conversion of Class A Interests into direct ownership of Qoros

- (a) Following the LLC Conversion and until the third anniversary of the LLC Conversion, Ansonia may, at its discretion, request to LLC in writing that it wishes to convert / exchange its Class A Interests into a direct holding by it of an equity interest in Qoros (the "**Company Conversion**") based on the then value of the indirect beneficial ownership in Qoros of such Class A Interests.
- (b) If Ansonia requests a Company Conversion pursuant to paragraph (a) above:
 - (i) LLC shall notify each other party to this Agreement of Ansonia's request;
 - (ii) LLC undertakes that it will use its best efforts (including, but not limited to, assisting with obtaining any required governmental or regulatory approvals, but, for the avoidance of doubt, such efforts shall exclude any requirement to make a repayment or prepayment of any existing indebtedness of Qoros) to take any and all steps required to effect the Company Conversion based on the then value of the indirect beneficial ownership in Qoros of such Class A Interests;
 - (iii) each of Kenon, Chery, Wuhu Chery and Qoros undertake to enter into good faith negotiations with respect to the Company Conversion and, following the conclusion of such negotiations, to enter into such agreements, and to use best efforts to take all other action, as is required by LLC and / or Ansonia to give effect to the Company Conversion; and
 - (iv) without prejudice to the generality of Clause 2.5(b)(iii), in respect of a Company Conversion, each of Kenon, Chery and Qoros hereby undertake to enter into good faith negotiations to make appropriate amendments to the Joint Venture Agreement such that, following the Company Conversion, each of Wuhu Chery, LLC, Ansonia and any new third party investor is a party to such Joint Venture Agreement and the Joint Venture Agreement is amended to reflect typical rights and protections for minority investors, including, but not limited to, relating to anti-dilution, material corporate actions and board representation.
- (c) The undertakings and obligations of Chery and Wuhu Chery in sub-paragraphs (b)(iii) and (b)(iv) above (and compliance thereto) are subject to Chery and Wuhu Chery obtaining the required:
 - (i) internal corporate and board approval; and

(ii) shareholder approval,

and Chery and Wuhu Chery agree to use best efforts to obtain such approvals at the relevant and appropriate time.

2.6 Qoros Security Agreement and Assignment Agreement

- (a) Within 120 days of entering into this Agreement (the “**Relevant Period**”), LLC and Qoros each undertakes to the Parties to execute the Qoros Security Agreement in substantially the form annexed to this Agreement as Annexure D, except that:
- (i) the period between (1) the date a definitive and binding agreement relating to a Qualified Financing is signed and (2) the date on which such agreement is terminated or it is otherwise apparent that the proposed Qualified Financing will not be consummated (the “**QF Termination Date**”), shall not be accounted for in (and shall be excluded from) the calculation and determination of the Relevant Period (it being agreed, for the avoidance of doubt, that any time period after such QF Termination Date shall be accounted for in the calculation and determination of the Relevant Period); and
 - (ii) following the completion of a Qualified Financing, the obligations under this paragraphs (a) shall not apply.
- (b) Within 5 days of entry into the Qoros Security Agreement between LLC and Qoros, LLC and Ansonia each undertakes to the Parties to execute the Assignment Agreement in substantially the form annexed to this Agreement as Annexure E.
- (c) Qoros undertakes to the Parties that it shall not create or permit to subsist any security over any of the Pledged Property (as defined in the Qoros Security Agreement) save for the security to be created pursuant to the Qoros Security Agreement.

2.7 Additional Chery Loan Agreement:

Prior to a utilisation of Facility B (as defined in the LLC Loan Agreement) of the LLC Loan Agreement, Wuhu Chery and Qoros each undertake to the Parties to execute the Additional Chery Loan Agreement in a form substantially the same as the Initial Chery Loan Agreement or in such other form satisfactory to the Parties.

3. FURTHER ASSURANCE

Each party to this Agreement shall, and shall use reasonable endeavours to procure that any necessary third party shall, at its own expense, do and execute, or arrange for the doing and executing of, each necessary act, document and thing reasonably within its power and as may be reasonably requested of it to implement this Agreement and the transactions contemplated by this Agreement.

4. PARTIAL INVALIDITY

If, at any time, any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of any other provision of this Agreement nor the legality, validity or enforceability under the law of any other jurisdiction shall in any way be affected or impaired.

5. CONSENT OF THIRD PARTIES

Notwithstanding any term of this Agreement, no consent of any third party is required for any amendment (including any release or compromise of any liability) or termination of this Agreement.

6. COUNTERPARTS

This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument.

7. GOVERNING LAW

This Agreement and any dispute or claim arising out of or in connection with it or its subject matter shall be governed by, and construed in accordance with, the laws of the People's Republic of China.

8. DISPUTE RESOLUTION

Any dispute in connection with this Agreement shall be resolved through friendly negotiation between the Parties. If the dispute is not resolved through negotiation within sixty (60) calendar days after one Party has served a written notice on the other Parties requesting the commencement of negotiation, then the Parties shall refer and submit the dispute for final resolution by arbitration to the Hong Kong International Arbitration Center (HKIAC) in accordance with the Arbitration Rules of the United Nations Commission on International Trade Law (the "**UNCITRAL Arbitration Rules**") as at present in force save as the same may be amended by this Agreement and the UNCITRAL Arbitration Rules shall be construed accordingly. The place of arbitration shall be Hong Kong. The arbitration shall be settled by three (3) arbitrators. Ansonia, Kenon and LLC as one side, and Chery, Wuhu Chery as the other side shall separately appoint one arbitrator within the time stipulated in the UNCITRAL Arbitration Rules, failing which the appointment shall be made by HKIAC. The third arbitrator, who will act as the presiding arbitrator, shall be appointed by the HKIAC. The appointing authority shall be the HKIAC. The language of the arbitration proceedings shall be English, provided that either Party may introduce evidence or testimony in languages other than English. The award of the arbitration tribunal will be final and binding on each of the Parties and may be enforced, if necessary, in any court of competent jurisdiction. The costs of arbitration including attorneys' fees shall be borne by the losing Party unless otherwise decided in the arbitral award. In any arbitration proceeding or legal proceeding to enforce an arbitral award, in any other legal action between the Parties relating to this Agreement, each Party waives the defense of sovereign immunity and any other defense solely based upon the fact or allegation that it is a political subdivision, agency or instrumentality of a sovereign state.

IN WITNESS of which the Parties have executed and delivered this document on the date first written above.

ANNEXURE A
Form of LLC Loan Agreement

ANNEXURE B

Form of LLC-Qoros Loan Agreement

ANNEXURE C

Form of Initial Wuhu Chery-Qoros Loan Agreement

ANNEXURE D

Form of Qoros Security Agreement

ANNEXURE E
Form of Assignment Agreement

SIGNATURES

QOROS AUTOMOTIVE CO., LTD.

/s/ _____
Authorized Signatory
Name: _____
Company Seal:

QUANTUM (2007) LLC

By /s/ Robert L. Rosen _____
Name: Robert L. Rosen
Title: Manager

KENON HOLDINGS LTD.

By /s/ Yoav Doppelt _____
Name: Yoav Doppelt
Title: CEO

WUHU CHERY AUTOMOBILE INVESTMENT CO., LTD

/s/ Zhou Biren

Authorized Signatory

Name: Zhou Biren

Company Seal:

CHERY AUTOMOBILE LIMITED

/s/ Yin Tongyue

Authorized Signatory

Name: Yin Tongyue

Company Seal:

ANSONIA HOLDINGS SINGAPORE B.V.

By /s/ Cyril Ducau
Name: Cyril Ducau
Title: Director

SECOND AMENDED AND RESTATED
LIMITED LIABILITY COMPANY AGREEMENT
OF
Quantum (2007) LLC

This Second Amended and Restated Limited Liability Company Agreement (this “**Agreement**”) of Quantum (2007) LLC (the “**Company**”) is entered into this 22nd day of April 2016, by and between Robert Rosen, as the manager (the “**Manager**”), and each member indicated on Schedule A attached hereto and made part hereof (individually, a “**Member**” and collectively, the “**Members**”), pursuant to and in accordance with the Delaware Limited Liability Company Act (6 Del.C. § 18-101, et seq.), as amended from time to time (the “**Act**”), and amends and restates that certain Amended and Restated Limited Liability Company Agreement entered into on January 7, 2015 between Kenon Holdings Ltd. (the “**Class A Member**”), as the member, and Robert Rosen, as the manager (the “**Original LLC Agreement**”).

RECITALS

WHEREAS, the Class A Member desires to admit Ansonia Holdings Singapore B.V. (the “**Class B Member**”) as a Member of the Company, within the meaning of the Act, in connection with, and in consideration for, the Class B Member’s provision of a loan of up to \$50 million to the Company, pursuant to that certain Loan Agreement, dated as of the date hereof, between the Company, as borrower, and the Class B Member, as lender (the “**Loan Agreement**”);

WHEREAS, as set forth in the Loan Agreement, the Class B Member shall receive Class B Interests (as hereinafter defined), which Class B Interests shall have the rights described in this Agreement; and

WHEREAS, in connection with the creation and issuance of the Class B Interests, the Members and the Manager desire to amend and restate the Original LLC Agreement in its entirety.

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Class A Member and the Manager, by execution of this Agreement, hereby agree to amend and restate the Original LLC Agreement in its entirety as follows:

1. Name. The name of the limited liability company governed hereby is Quantum (2007) LLC.
2. Certificates. A certificate of formation for the Company (the “**Certificate of Formation**”) has been filed in the Office of the Secretary of State of the State of Delaware in conformity with the Act. The Manager or an Officer (as hereinafter defined) shall execute, deliver and file any other certificates (and any amendments and/or restatements thereof) necessary for the Company to continue to qualify to do business in a jurisdiction in which the Company may wish to conduct business.

3. Purpose. The Company is formed for the object and purpose of, and the nature of the business to be conducted and promoted by the Company is, engaging in all lawful activities for which limited liability companies may be formed under the Act.

4. Powers. The Company shall have the power to do any and all acts reasonably necessary, appropriate, proper, advisable, incidental or convenient to or for the furtherance of the purpose and business described herein and for the protection and benefit of the Company, and shall have, without limitation, any and all of the powers that may be exercised on behalf of the Company by the Manager pursuant to this Agreement, including Section 18.

5. Principal Business Office. The principal place of business and office of the Company shall be located at, and the Company's business shall be conducted from, such place or places as may hereafter be determined by the Manager.

6. Registered Office. The address of the registered office of the Company in the State of Delaware is 16192 Coastal Highway, Lewes, Delaware 19958, in the county of Sussex.

7. Registered Agent. The names and addresses of the registered agents of the Company for service of process on the Company in the State of Delaware are Harvard Business Services Inc., 16192 Coastal Highway, Lewes, Delaware 19958, in the county of Sussex and National Corporate Research, Ltd., 615 South DuPont Highway, County of Kent, Dover, Delaware 19901.

8. Members. The names and the mailing addresses of the Members are as follows:

<u>Name</u>	<u>Address</u>
<u>Kenon Holdings Ltd.</u>	<u>1 Temasek Avenue #36-01</u> <u>Millenia Tower</u> <u>Singapore 039192</u>
<u>Ansonia Holdings Singapore B.V.</u>	<u>1 Temasek Avenue #38-01</u> <u>Millenia Tower</u> <u>Singapore 039192</u>

9. Term. The term of the Company commenced on the date of filing of the Certificate of Formation of the Company in accordance with the Act and shall continue until dissolution of the Company in accordance with Section 24 of this Agreement.

10. Limited Liability. Except as otherwise provided by the Act, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and none of the Members, the Manager, any Officer, employee or agent of the Company (including a person having more than one such capacity) shall be obligated personally for any such debt, obligation or liability of the Company solely by reason of acting in such capacity.

11. Capital Structure.

a. Interests. The capital structure of the Company shall consist of two classes of interests, the Class A Interests and the Class B Interests (collectively, the “**Interests**”). The Class A Member shall own all of the Class A Interests issued and outstanding and the Class B Member shall own all of the Class B Interests issued and outstanding; provided that, in accordance with Schedule B:

- (i) following the Repayment Time (as defined in Schedule B), all Class B Interests then held by the Class B Member (including any rights attaching thereto) shall, by virtue of the provisions of this Agreement, without any action on the part of the holders thereof, be deemed cancelled;
- (ii) following the Class B Conversion Time (as defined in Schedule B), all Class B Interests then held by the Class B Member (including any rights attaching thereto) shall, by virtue of the provisions of this Agreement, without any action on the part of the holders thereof, be automatically converted into Class A Interests; and
- (iii) following the Qoros Conversion Time (as defined in Schedule B), all Class A Interests then held by the Class B Member (including any rights attaching thereto) shall, by virtue of the provisions of this Agreement, without any action on the part of the holders thereof, be deemed cancelled.

b. Prior Interests. At the time at which this Agreement becomes effective (the “**Effective Time**”), all “limited liability company interests” and/or “Interests” of the Company in existence immediately prior to the Effective Time shall, by virtue of the provisions of this Agreement, without any action on the part of the holders thereof, be automatically converted into an aggregate of 100% of the Class A Interests.

c. Rights. Each class of Interests shall have the rights and privileges accorded such class as are set forth in this Agreement.

12. Rights and Duties Attached to the Interests.

a. Class A Interest Rights. Each Class A Interest shall rank pari passu with every other Class A Interest and shall entitle its owner to one vote at any meeting of the Members.

b. Class B Interest Rights. Each Class B Interest shall rank pari passu with every other Class B Interest and shall entitle its owner to the rights, powers and duties set forth in Schedule B, attached hereto and made part hereof, until the Class B Interests have been converted and /or cancelled in accordance with the terms set forth in Schedule B.

13. Additional Capital Contributions. The Members are not required to make additional capital contributions to the Company.

14. Capital Accounts. Separate capital accounts shall be maintained for each Member on the books of the Company. Each capital account shall be adjusted to reflect such Member's shares of allocations and distributions as provided in Section 15 of this Agreement, and any additional capital contributions to the Company or withdrawals of capital from the Company. Such capital accounts shall further be adjusted to conform to the Treasury Regulations under Section 704(b) of the Internal Revenue Code of 1986, as amended (the "**Code**"), as interpreted in good faith by the Manager.

15. Allocations and Distributions.

a. Allocations of Profit and Loss. Subject to Section 16 of this Agreement, all items of income, gain, loss, deduction and credit shall be allocated to the Class A Member; provided that, following the Class B Conversion Time and the automatic conversion of all Class B Interests then held by the Class B Member into Class A Interests, and until the Qoros Conversion Time or the Repayment Time, all items of income, gain, loss, deduction and credit shall be allocated among the Members in accordance with their Percentage Interests (as indicated on Schedule A attached hereto, which schedule shall be adjusted from time to time in accordance with Clause 7 of the Loan Agreement).

b. Distributions. Subject to Section 16 of this Agreement, distributions shall be made to the Class A Member at such times and in such amounts as may be determined in the sole discretion of the Manager; provided that, following the Class B Conversion Time and the automatic conversion of all Class B Interests then held by the Class B Member into Class A Interests, and until the Qoros Conversion Time or the Repayment Time, all distributions shall be shared among the Members in accordance with their Percentage Interests (as indicated on Schedule A attached hereto, which schedule shall be adjusted from time to time in accordance with Clause 7 of the Loan Agreement). Notwithstanding any provision to the contrary contained in this Agreement, the Company shall not make a distribution to any Member on account of their interest in the Company if such distribution would violate Section 18-607 of the Act or other applicable law.

16. Secondary Sale. The Class A Member and the Manager acknowledge and agree that on any sale, lease, transfer or other disposal by the Company of any asset, including all or a portion of its legal or beneficial interests in Qoros Automotive Co., Ltd. ("**Qoros**"), the Company shall be required to use any net proceeds from such sale, lease, transfer or disposal (the "**Transfer Proceeds**") as follows:

a. if prior to the Class B Conversion (as defined in Schedule B), for the repayment of the outstanding amount, together with accrued and unpaid interest, under the Loan Agreement prior to using the Transfer Proceeds for any other purpose; and

b. if following the Class B Conversion, but prior to the Qoros Conversion (as defined in Schedule B), for the redemption of Class A Interests, at the then implied value of the Class A Interests (based upon the implied value of the Company's interest in Qoros), prior to using the Transfer Proceeds for any other purpose, with such redemption to be reflected in an adjustment to Schedule A and the number of Class A Interests, if any, then held by the Class B Member after such redemption.

17. Management. In accordance with Section 18-402 of the Act, and subject to the rights, powers and duties set forth in Schedule B:

a. management of the Company shall be vested in the Manager. The Manager shall have the power to do any and all acts necessary, convenient or incidental to or for the furtherance of the purposes described herein, including all powers, statutory or otherwise, possessed by managers of a limited liability company under the laws of the State of Delaware and including all things necessary to carry out the terms and provisions of this Agreement. The Manager has the authority to bind the Company;

b. subject to the rights and powers of the Manager and the limitations thereon contained herein, the Manager may delegate to any person any or all of his powers, rights and obligations under this Agreement and may appoint, contract or otherwise deal with any person to perform any acts or services for the Company as the Manager may reasonably determine;

c. no Member shall participate in the management or control of the business of, or shall have any rights or powers with respect to, the Company except those expressly granted to it by the terms of this Agreement, or those conferred on it by law;

d. the Manager shall hold office until the earliest to occur of its resignation, termination, dissolution or other inability to act in such capacity, at which time the Members shall appoint a new manager; and

e. the Manager shall not be compensated for its services as the manager of the Company without the consent of the Members.

18. Officers. The Manager may, from time to time as it deems advisable, appoint officers of the Company (the “**Officers**”) and assign in writing titles (including, without limitation, President, Vice President, Secretary and Treasurer) to any such person. Unless the Manager decides otherwise, if the title is one commonly used for officers of a business corporation formed under the Delaware General Corporation Law, the assignment of such title shall constitute the delegation to such person of the authorities and duties that are normally associated with that office. Any delegation pursuant to this Section 18 may be revoked at any time by the Manager.

19. Other Business. The Manager and the Members may engage in or possess an interest in other business ventures (unconnected with the Company) of every kind and description, independently or with others. The Company shall not have any rights in or to such independent ventures or the income or profits therefrom by virtue of this Agreement.

20. Exculpation and Indemnification. None of the Members, the Manager or Officers (each an “**Indemnified Party**”) shall be liable to the Company or any other person or entity who has an interest in the Company for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Indemnified Party in good faith on behalf of the Company and in a manner reasonably believed to be within the scope of the authority conferred on such Indemnified Party by this Agreement, except that an Indemnified Party shall be liable for any such loss, damage or claim incurred by reason of such Indemnified Party’s gross negligence or willful misconduct. To the full extent permitted by applicable law, an Indemnified Party shall be entitled to indemnification from the Company for any loss, damage or claim incurred by such Indemnified Party by reason of any

act or omission performed or omitted by such Indemnified Party in good faith on behalf of the Company and in a manner reasonably believed to be within the scope of the authority conferred on such Indemnified Party by this Agreement, except that no Indemnified Party shall be entitled to be indemnified in respect of any loss, damage or claim incurred by such Indemnified Party by reason of gross negligence or willful misconduct with respect to such acts or omissions; provided, however, that any indemnity under this Section 20 shall be provided out of and to the extent of Company assets only, and neither the Manager nor any Member shall have personal liability on account thereof.

21. Admission of Additional Members. One (1) or more additional members of the Company may be admitted to the Company with the prior written consent of the Members.

22. Termination of Membership. Subject to Section 24, the termination, dissolution, death, bankruptcy or adjudicated incompetency of a Member shall not cause a dissolution of the Company, but the rights of such Member to share in the allocations and distributions, to assign its Interests in the Company pursuant to Section 23 and to vote on any matter on which the Members have the right to vote shall, on the happening of such an event, devolve on its legal representative for the purpose of settling its estate or administering its property.

23. Assignments. A Member may not transfer, assign, pledge or hypothecate, in whole or in part, its Interests without the prior written consent of the Manager which shall not be unreasonably withheld.

24. Dissolution and Winding Up.

a. Dissolution. The Company shall dissolve, and its affairs shall be wound up upon the first to occur of the following: (i) the written consent of the Members and the Manager, (ii) the death, disability, bankruptcy or withdrawal of the last remaining Member and (iii) the entry of a decree of judicial dissolution under Section 18-802 of the Act.

b. Winding Up. In the event of dissolution, the Company shall conduct only such activities as are necessary to wind up its affairs (including the sale of the assets of the Company in an orderly manner).

25. Elections. The Manager shall determine the accounting methods and conventions under the tax laws of any and all applicable jurisdictions as to the treatment of income, gain, loss, deduction and credit of the Company or any other method or procedure related to the preparation of such tax returns. The Manager may cause the Company to make or refrain from making any and all elections permitted by such tax laws, and the Manager shall not be liable for any consequences to any previously admitted or subsequently admitted Members resulting from their making or failing to make any such elections.

26. Separability of Provisions. Each provision of this Agreement shall be considered separable and if for any reason any provision or provisions herein are determined to be invalid, unenforceable or illegal under any existing or future law, such invalidity, unenforceability or illegality shall not impair the operation of or affect those portions of this Agreement which are valid, enforceable and legal.

27. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original of this Agreement.

28. Entire Agreement. This Agreement constitutes the entire agreement of the Members and the Manager with respect to the subject matter hereof.

29. Governing Law. This Agreement shall be governed by, and construed under, the laws of the State of Delaware (without regard to conflict of laws principles thereof), and all rights and remedies shall be governed by such laws.

30. Amendments. This Agreement may not be modified, altered, supplemented or amended except pursuant to a written agreement executed and delivered by the Members and the Manager.

IN WITNESS WHEREOF, the undersigned, intending to be legally bound hereby, have duly executed this Agreement as of the date first written above

MANAGER: Robert Rosen

By: /s/ Robert Rosen
Name: Robert Rosen

CLASS A MEMBER: Kenon Holdings Ltd.

By: /s/ Robert Rosen
Name: Robert Rosen
Title: General Counsel

CLASS B MEMBER: Ansonia Holdings Singapore B.V.

By: /s/ Cyril Ducau
Name: Cyril Ducau
Title: Director

SCHEDULE A

(as of April 22, 2016)

<u>Name</u>	<u>Capital Contribution</u>	<u>Interest</u>	<u>Percentage Interest</u>
Kenon Holdings Ltd.	\$ 100	1,000 Class A Interests	100% of Class A Interests
Ansonia Holdings Singapore B.V.	N/A	10 Class B Interests	100% of Class B Interests

SCHEDULE B

Terms of Class B Interests

(as of April 22, 2016)

Capitalized terms used in this Schedule B and not otherwise defined herein shall have the meanings assigned in the Agreement.

A. The approval of holders of a majority of the outstanding Class B Interests shall be required for the Company to:

(i) enter into any agreements or consummate any transaction or series of related transactions that would change the Company's business or result in the acquisition or disposition of investments by the Company;

(ii) amend the terms of, or provide waivers or consents in respect of, the Loan Agreement, dated as of the date hereof, between the Company and Qoros (the "**Qoros Loan**");

(iii) utilize the proceeds derived from the Loan Agreement for purposes other than the funding of the Qoros Loan; it being understood that the Qoros Loan is intended to be used by Qoros for its ordinary course working capital;

(iv) sell, transfer, otherwise dispose of, or enforce the Company's rights relating to security interests held by the Company, including the Company's security interest in certain assets of Qoros, as reflected in the Qoros Security Agreement (as defined in the Loan Agreement);

(v) enter into any agreements, consummate any transaction or series of related transactions, or take any action in connection with the approval of any indebtedness or liability at Qoros, the Qoros Loan, or the Company, including amending the terms of the Class B Interests or the Agreement, that may materially and adversely affect the rights or interests of the Class B Member; and

(vi) issue any class of Interests, or securities convertible into a class of Interests, that ranks senior or pari passu to the Class B Interests with respect to receipt of distributions or upon liquidation. For the avoidance of doubt, the Percentage Interests of the Class B Member set forth in Schedule A shall not be diluted without the Class B Member's consent, provided such Percentage Interests shall be adjusted, as applicable, in accordance with the redemption provisions set forth in Section 16 of this Agreement and the conversion formulation set forth in Clause 7 of the Loan Agreement at the Class B Conversion Time (as defined below).

B. Repayment Cancellation. Following the repayment (or deemed repayment) of all amounts owed by the Company under the Loan Agreement in accordance with Clause 5.6 of the Loan Agreement (the "**Repayment Time**"), the Class B Interests held by the Class B Member immediately prior to the Repayment Time (including any rights attaching thereto) shall, by virtue of the provisions of this Agreement, without any action on the part of the holders thereof, be deemed cancelled and Schedule A shall be adjusted to reflect the cancellation of the Class B Member's Class B Interests.

C. Class B Conversion. Upon completion of an equity financing (or financing by way of instrument that is convertible into equity) pursuant to which a third party investor subscribes (or, in the case of a financing by way of instrument that is convertible into equity, will on conversion of such instrument subscribe) for an equity interest in Qoros in an aggregate amount not less than the Qualified Financing Amount (as defined in the Qoros Loan), excluding any amount attributable to the issuance of Class A Interests in connection with the Class B Conversion (as defined below), and other than a transaction pursuant to which all amounts owed by the Company under the Loan Agreement are (or are deemed to be) repaid (a “**Qualified Financing**”), the Class B Interests shall automatically convert into Class A Interests (the “**Class B Conversion**”), based on the principal, together with all accrued but unpaid interest, under the Loan Agreement, in accordance with the conversion formulation set forth in Clause 7 of the Loan Agreement, and Schedule A shall be adjusted to reflect the Class B Member’s percentage of Class A Interests.

At the time at which a conversion of Class B Interests into Class A Interests becomes effective (the “**Class B Conversion Time**”), all Class B Interests which are the subject of such conversion (including any rights attaching thereto) shall, by virtue of the provisions of this Agreement, without any action on the part of the holders thereof, be deemed cancelled and be automatically converted into Class A Interests, which Class A Interests shall be deemed to be issued by the Company as of the Class B Conversion Time.

Notwithstanding the aforementioned if, upon completion of a Qualified Financing, the outstanding amount owed under the Loan Agreement is repaid in full, there shall be no Class B Conversion and the Class B Interests held by the Class B Member immediately prior to the Qualified Financing (including any rights attaching thereto) shall, by virtue of the provisions of this Agreement, without any action on the part of the holders thereof, be deemed cancelled.

D. Qoros Conversion. Following the completion of the Class B Conversion, and until the third anniversary of the Class B Conversion, the Company has undertaken that, on request from the Lender, it will use its best efforts (including, but not limited to, assisting with obtaining any required governmental or regulatory approvals, but, for the avoidance of doubt, such efforts shall exclude any requirement to make a repayment or prepayment of any existing indebtedness of Qoros) to take any and all steps required to convert and/or exchange the Class A Interests held by the Class B Member as a result of the Class B Conversion, into a direct holding by the Class B Member of an equity interest in Qoros in compliance with contractual obligations (the “**Qoros Conversion**”), based upon the then value of the indirect beneficial ownership in Qoros represented by the Class A Interests held by the Class B Member at the Qoros Conversion Time (as defined below). For the avoidance of doubt, the Class B Conversion shall be deemed complete only upon the conversion of each of the Class B Interests held by the Class B Member into Class A Interests and the cancellation of each of the Class B Interests, with such conversion and cancellation to be reflected in an adjustment to Schedule A.

At the time at which the conversion of the Qoros Conversion becomes effective (the “**Qoros Conversion Time**”), all Class A Interests held by the Class B Member immediately prior to the Qoros Conversion Time (including any rights attaching thereto) shall, by virtue of the provisions of this Agreement, without any action on the part of the holders thereof, be deemed cancelled and Schedule A shall be adjusted to reflect the cancellation of the Class B Member’s Class A Interests.

Exhibit 8.1

Entity Name	Jurisdiction of Incorporation	Name(s) Under Which it Does Business
I.C. Power Asia Development Ltd.	Israel	IC Power Asia Development Ltd.
IC Power Pte. Ltd.	Singapore	IC Power Pte. Ltd.
IC Power Distribution Holdings Pte. Ltd.	Singapore	IC Power Distribution Holdings Pte. Ltd.
Compania Boliviana de Energia Electrica S.A.—Bolivian Power Company Limited	Canada	Compania Boliviana de Energia Electrica S.A. – Bolivian Power Company Limited
Kallpa Generación S.A.	Peru	Kallpa Generación S.A.
Cerro del Aguila S.A.	Peru	Cerro del Aguila S.A.
Hidro Chilia S.A.C.	Peru	Hidro Chilia S.A.C.
Pacahuasi Energía S.A.	Peru	Pacahuasi Energía S.A.
IC Power Southern Terminals S.A.	Peru	IC Power Southern Terminals S.A.
Nejapa Power Company S.A.	Panama	Nejapa Power Company S.A.
Samay III S.A.	Peru	Samay III
Overseas Investments Peru S.A.	Peru	Overseas Investments Peru S.A.
Surpetroil SAC	Peru	Surpetroil SAC
Samay I S.A.	Peru	Puerto Bravo
PanaGen, Limited	Bermuda	PanaGen, Limited
Verde Securities Limited	Bermuda	Verde Securities Limited
Compañía de Electricidad Puerto Plata S.A.	Dominican Republic	Compañía de Electricidad Puerto Plata S.A.
Compañía de Energía de Centroamérica, S.A. de C. V. (Cenergica)	El Salvador	Compañía de Energía de Centroamérica, S.A. de C. V. (Cenergica)
IC Power DR Operations S.A.S.	Dominican Republic	IC Power DR Operations
Central Cardones S.A.	Chile	Central Cardones S.A.
Lihuen S.A.	Chile	Lihuen S.A.
Cerro El Plomo S.A.	Chile	Cerro El Plomo S.A.
Termoeléctrica Colmito S.A.	Chile	Termoeléctrica Colmito S.A.
OPC Rotem Ltd.	Israel	OPC Rotem Ltd.
Jamaica Private Power Company Ltd.	Jamaica	Jamaica Private Power Company
Consorcio Eólico Amayo (Fase II) S.A.	Panama	Consorcio Eolico Amayo (Fase II) S.A.
Empresa Energética Corinto Ltd.	Cayman Islands	Empresa Energética Corinto Ltd.
Tipitapa Power Company Ltd.	Cayman Islands	Tipitapa Power Company Ltd.
Surpetroil S.A.S.	Colombia	Surpetroil S.A.S.
IC Power Trading S.A.S ESP	Colombia	IC Power Trading SAS
Surenergy S.A.S ESP	Colombia	Surenergy S.A.S ESP
IC Power Development Colombia SAS	Colombia	IC Power Development Colombia SAS
Inkia Energy Ltd.	Bermuda	Inkia Energy Ltd.
Inkia Americas Ltd.	Bermuda	Inkia Americas Ltd.
Inkia Americas Holdings Ltd.	Bermuda	Inkia Americas Holdings Ltd.
IC Power Holdings (Kallpa) Limited	Bermuda	IC Power Holdings (Kallpa) Limited
Inkia Holdings (Cobee) Ltd.	Bermuda	Inkia Holdings (Cobee) Ltd.
IC Power Holdings (CEPP) Limited	Bermuda	IC Power Holdings (CEPP) Limited
IC Power Holdings (Panama Generation) Limited	Cayman Islands	IC Power Holdings (Panama Generation) Limited
Inkia Holdings (JPPC) Limited	Barbados	Inkia Holding (JPPC) Limited
IC Power Panama Management S.de R.L.	Panama	IC Power Panama Management S.de R.L.
Inkia Salvadorian Power Ltd.	Cayman Islands	Inkia Salvadorian Power Ltd.
IC Power Holdings (Nejapa) Limited	Cayman Islands	IC Power Holdings (Nejapa) Limited
Nejapa Holdings Company Ltd.	Cayman Islands	Nejapa Holdings Company Ltd.
IC Power Holdings (Cepp—Cayman) Limited	Cayman Islands	IC Power Holdings (Cepp—Cayman) Limited
West Indies Development Corporation Ltd.	Jamaica	West Indies Development Corporation Ltd.
IC Power Chile Inversiones Ltd.	Chile	IC Power Chile Inversiones Ltd.
IC Power Chile SPA	Chile	IC Power Chile SPA
IC Power Holdings (Chile) Limited	Bermuda	IC Power Holding (Chile) Limited
Kanan Overseas I Inc.	Panamá	Kanan Overseas I Inc.
Kanan Overseas II Inc.	Panamá	Kanan Overseas II Inc.
Kanan Overseas III Inc.	Panamá	Kanan Overseas III Inc.
Kanan Overseas IV Inc.	Panamá	Kanan Overseas IV Inc.

Entity Name	Jurisdiction of Incorporation	Name(s) Under Which it Does Business
Cenέργica Panamá Holdings II, S.A.	Panamá	Cenέργica Panamá Holdings II, S.A.
Cenέργica Panamá Holdings I, S.A.	Panamá	Cenέργica Panamá Holdings I, S.A.
PE Panama Energy S.A.	Panamá	PE Panama Energy S.A.
IC Power Holdings (Colombia) Trading Limited	Bermuda	IC Power Holdings (Colombia) Trading Limited
IC Power Israel Ltd.	Israel	IC Power Israel Ltd.
IC Power Nicaragua Holdings	Cayman Islands	IC Power Nicaragua Holdings
IC Power Nicaragua S.A	Nicaragua	IC Power Nicaragua S.A
IC Power Jamaica Holdings Ltd.	Cayman Islands	IC Power Jamaica Holdings Ltd.
IC Power Jamaica I Ltd.	Saint Lucia	IC Power Jamaica I Ltd.
IC Power Jamaica II Ltd.	Saint Lucia	IC Power Jamaica II Ltd.
IC Power Jamaica Inc.	United States	IC Power Jamaica Inc.
Private Power Operators Ltd	Jamaica	Private Power Operators Ltd.
IC Power Jamaica III Ltd	Saint Lucia	IC Power Jamaica III Ltd
Inversiones Waxere S.A	Guatemala	Inversiones Waxere S.A
Amayo O&M Services S.A	Nicaragua	Amayo O&M Services S.A
Nicaragua Energy Holdings Ltd.	Cayman Islands	Nicaragua Energy Holdings Ltd.
Centrans Energy Holdings (Amayo) S.A	Panama	Centrans Energy Holdings (Amayo) S.A
Consorcio Eólico Amayo S.A	Panama	Consorcio Eólico Amayo S.A
Arctas Amayo (Fase II) S.A	Panama	Arctas Amayo (Fase II) S.A
IC Power Guatemala Limitada	Guatemala	IC Power Guatemala Limitada
Poliwatt Limitada	Guatemala	Poliwatt Limitada
IC Power Guatemala Holdings Limited	Cayman Islands	IC Power Guatemala Holdings Limited
AGS Rotem Ltd.	Israel	AGS Rotem Ltd.
Puerto Quetzal Power LLC	United States	Puerto Quetzal Power (PQP) Company
IC Power USA Services Corp.	United States	IC Power USA Services Corp.
Las Codornices S.A.	Chile	Las Codornices S.A.
Inkia Energy Guatemala Ltd.	Guatemala	Inkia Energy Guatemala Ltd.
Estrella Cooperatief B.A.	The Netherlands	Estrella Cooperatief B.A.
Recsal B.V.	The Netherlands	Recsal B.V.
Guatemel B.V.	The Netherlands	Guatemel B.V.
Deorsa B.V.	The Netherlands	Deorsa B.V.
Deocsa B.V.	The Netherlands	Deocsa B.V.
Distribuidora de Electricidad Oriente S.A.	Guatemala	Distribuidora de Electricidad Oriente S.A.
Redes Eléctricas de Centro América S.A.	Guatemala	Redes Eléctricas de Centro América S.A.
Comercializadora Guatemalteca Mayorista de Electricidad S.A.	Guatemala	Comercializadora Guatemalteca Mayorista de Electricidad S.A.
Distribuidora de Electricidad Occidente S.A.	Guatemala	Distribuidora de Electricidad Occidente S.A.
Advanced Integrated Energy Ltd.	Guatemala	Advanced Integrated Energy Ltd.
Quantum (2007) LLC	Israel	Quantum (2007) LLC
I.C. Green Energy Ltd.	USA	IC Green Energy Ltd.
Primus Green Energy, Inc.	Israel	Primus Green Energy, Inc.
HelioFocus Ltd.	USA	HelioFocus Ltd.
Heliofocus Technologies INC.	Israel	Heliofocus Technologies INC.
Heliofocus Hong-Kong Ltd.	USA	Heliofocus Hong-Kong Ltd.
Heliofocus Solar Power (Alxa) Co., Ltd	China	Heliofocus Solar Power (Alxa) Co., Ltd
I.C.G. Fuel U.S.A. Inc.	China	I.C.G. Fuel U.S.A. Inc.
ICG Solar 3 Ltd.*	USA	ICG Solar 3 Ltd.
ICG Solar 4 Ltd.*	Israel	ICG Solar 4 Ltd.
ICG Solar 5 Ltd.*	Israel	ICG Solar 5 Ltd.
Kenon TJ Holdings Pte. Ltd.	Israel	Kenon TJ Holdings Pte. Ltd.
	Singapore	

* In voluntary liquidation.

Certification of the Chief Executive Officer

I, Yoav Doppelt, certify that:

1. I have reviewed this annual report on Form 20-F of Kenon Holdings Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

- (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 22, 2016

By: /s/ Yoav Doppelt

Name: Yoav Doppelt

Title: Chief Executive Officer

Certification of the Chief Financial Officer

I, Tzahi Goshen, certify that:

1. I have reviewed this annual report on Form 20-F of Kenon Holdings Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

- (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
- 5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 22, 2016

By: /s/ Tzahi Goshen

Name: Tzahi Goshen

Title: Chief Financial Officer

Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 20-F (the “Report”) of Kenon Holdings Ltd. (the “Company”) for the fiscal year ended December 31, 2015 as filed with the U.S. Securities and Exchange Commission (the “SEC”) on the date hereof, Yoav Doppelt, as Chief Executive Officer of the Company, and Tzahi Goshen, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Yoav Doppelt

Name: Yoav Doppelt
Title: Chief Executive Officer
Date: April 22, 2016

/s/ Tzahi Goshen

Name: Tzahi Goshen
Title: Chief Financial Officer
Date: April 22, 2016

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934.



CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Kenon Holdings Ltd.:

We consent to the incorporation by reference in the registration statement (No. 333-201716) on Form S-8 of Kenon Holdings Ltd. of our reports dated April 8, 2016, with respect to the consolidated statement of financial position of Kenon Holdings Ltd. as of December 31, 2015, and the related consolidated statements of profit and loss, other comprehensive loss, changes in equity, and cash flows for the year then ended, and the effectiveness of internal control over financial reporting as of December 31, 2015, which reports appear in the December 31, 2015 annual report on Form 20-F of Kenon Holdings Ltd.

KPMG LLP

KPMG LLP
Singapore
April 21, 2016



Somekh Chaikin
KPMG Millennium Tower
17 Ha'arba'a Street, PO Box 609
Tel Aviv 61006, Israel
+972 3 684 8000

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Kenon Holdings Ltd.:

We consent to the incorporation by reference in the registration statement (No. 333-201716) on Form S-8 of Kenon Holdings Ltd. (hereinafter - "Kenon") of our report dated March 31, 2015, with respect to the combined carve-out statements of financial position as of December 31, 2014 and the related combined carve-out statements of income, other comprehensive income, changes in parent company investment and cash flows for each of the years in the two-year period ended December 31, 2014, which report appears in the December 31, 2015 annual report on Form 20-F of Kenon.

A handwritten signature in blue ink that reads "Somekh Chaikin".

/s/ Somekh Chaikin
Certified Public Accountants (Israel)
A Member firm of KPMG International

Tel Aviv, Israel
April 20, 2016

Somekh Chaikin, an Israeli partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



KPMG Huazhen LLP
 50th Floor, Plaza 66
 1266 Nanjing West Road
 Shanghai 200040
 China

毕马威华振
 会计师事务所
 (特殊普通合伙)
 中国上海
 南京西路1266号
 恒隆广场50楼
 邮政编码: 200040

Telephone	电话	+86 (21) 2212 2888
Fax	传真	+86 (21) 6288 1889
Internet	网址	kpmg.com/cn

Consent of Independent Registered Public Accounting Firm

The Board of Directors
 Qoros Automotive Co., Ltd.:

We consent to the incorporation by reference in the registration statement (No.333-201716) on Form S-8 of Kenon Holdings Ltd. of our report dated 29 March 2016, with respect to the consolidated statements of financial position of Qoros Automotive Co., Ltd. as of 31 December 2015 and 2014, and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended 31 December 2015, which report appears in the 31 December 2015 annual report on Form 20-F of Kenon Holdings Ltd..

Shanghai, China

21 April 2016

KPMG Huazhen LLP, a People's Republic of China partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

毕马威华振会计师事务所(特殊普通合伙) - 中国合伙制会计师事务所, 是与瑞士实体 - 毕马威国际合作组织("毕马威国际")相关联的独立成员所网络中的成员。

We are authorized to practise under the name of KPMG Huazhen LLP.

本分所已获毕马威华振会计师事务所(特殊普通合伙)总所授权执行业务。



KPMG en Peru
Torre KPMG. Av. Javier Prado Oeste 203
San Isidro. Lima 27, Peru

Teléfono 51 111611 3000
Fax 51 (1) 421 6943
Internet www.kpmg.com/pe

Consent of Independent Auditors

The Board of Directors

Generandes Peru S.A:

We consent to the incorporation by reference in the December 31, 2015 annual report on Form 20-F of Kenon Holdings Ltd. of our report dated July 4, 2014, with respect to the consolidated statements of financial position of Generandes Peru S.A. and subsidiaries as of December 31, 2013, 2012 and 2011, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012 not included herein, which report appears in the registration statement (No. 33-206667) on Form F-1 of IC Power Pte. Ltd.

A handwritten signature in dark ink, appearing to read "Juan José Córdova", written over a light gray circular background.

Juan José Córdova

Partner

Caipo y Asociados S. Civil de R. L.

Lima, Peru

April 21, 2016

Caipo y Asociados S. Civil de F.L.L., sociedad civil
paruana de rasponsabilidad limitada y firma membro de la
rad de firmas miembro independientes de KPMG aliadas
a KPMG International Cooperative l“KPMG
International”). una antldad suiza.

Inscrita an la partida
N° 01681796 del Registro de
Parsonas Jurldicas de Lima.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the annual report on Form 20-F and the registration statement on form S-8 (No. 333-201716) of Kenon Holdings Ltd. of our report dated February 29, 2016 with respect to the consolidated financial statements of Tower Semiconductor Ltd. and subsidiaries for the years ended December 31, 2015, 2014 and 2013.

Sincerely,

A handwritten signature in blue ink, appearing to read "Brightman Almagor Zohar".

Brightman Almagor Zohar & Co.

Certified Public Accountants
A Member of Deloitte Touche Tohmatsu Limited
Tel Aviv, Israel
April 21, 2016



Somekh Chaikin
KPMG Millennium Tower
17 Ha'arba'a Street, PO Box 609
Tel Aviv 61006, Israel
+972 3 684 8000

Securities and Exchange Commission
Washington, D.C. 20549

Ladies and Gentlemen:

We were previously principal accountants for Kenon Holdings Ltd. and, under the date of March 31, 2015, we reported on the combined carve-out financial statements of the carved-out operations of certain holdings of Israel Corporation Ltd. ("Kenon Holdings, Carve-out") as of December 31, 2014 and 2013 and for each of the years in the three-year period ended December 31, 2014.

On May 19, 2015, we were dismissed. We have read Kenon Holdings Ltd.'s statements included under Item 16F of Kenon Holdings Ltd.'s Annual Report on Form 20-F for the year ended December 31, 2015, and we agree with such statements, except that we are not in a position to agree or disagree with Kenon Holdings Ltd.'s statement that, on May 29, 2014, KPMG Singapore had been engaged to serve as Kenon Holdings Ltd.'s statutory auditor or with the statement that KPMG Singapore was not engaged regarding the application of accounting principles to a specified transaction or the type of audit opinion that might be rendered on Kenon Holdings Ltd.'s financial statements.

Very truly yours,
/s/ Somekh Chaikin
A member firm of KPMG International

Tel Aviv, Israel
April 20, 2016