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, 2017

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	**4911**	**Not Applicable**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification No.)**

1 Temasek Avenue #36-01
Millenia Tower
Singapore 039192
+65 6351 1780
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Copies to:
Scott V. Simpson
James A. McDonald
Skadden, Arps, Slate, Meagher and Flom (UK) LLP
40 Bank Street
London E14 5DS
Telephone: +44 20 7519 7000
Facsimile: +44 20 7519 7070

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

Title of Each Class	Name of Each Exchange on Which Registered
Ordinary Shares, no par value	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:

53,807,578 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 has submitted electronically or posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

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

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐	Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards † provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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 ☒

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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. ("ICP"), formerly I.C. Power Ltd., an Israeli holding company, in which Kenon has an indirect 100% interest. ICP holds a 76% direct interest in OPC;
- IC Power Ltd. ("IC Power"), formerly IC Power Pte. Ltd, a Singaporean holding company, in which Kenon has a direct 100% interest. IC Power holds a direct 100% interest in ICP;
- "Inkia" means Inkia Energy Limited, a Bermudian corporation and wholly-owned subsidiary of IC Power. In December 2017, Inkia sold all of its Latin American and Caribbean businesses;
- OPC Energy Ltd. ("OPC"), an owner, developer and operator of power generation facilities in the Israeli power market, in which ICP has a 76% interest;
- Qoros Automotive Co., Ltd. ("Qoros"), a Chinese automotive company based in China, in which Kenon, through its 100%-owned subsidiary Quantum (2007) LLC, has a 24% 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 a developer of an alternative fuel technology, in which Kenon, through IC Green, has a 91% interest.

Additionally, this annual report uses the following conventions:

- "Ansonia" means Ansonia Holdings Singapore B.V., a company organized under the laws of Singapore, which owns approximately 58% of the outstanding shares of Kenon;
- "CDA" means Cerro del Águila S.A., a Peruvian corporation;
- "DEOCSA" means Distribuidora de Electricidad de Occidente, S.A., a Guatemalan corporation, which was owned by Inkia prior to the sale of the Inkia Business in December 2017;
- "DEORSA" means Distribuidora de Electricidad de Oriente, S.A., a Guatemalan corporation, which was owned by Inkia prior to the sale of the Inkia Business in December 2017;
- "Hadera Paper" means Hadera Paper Ltd., an Israeli corporation, which is owned by OPC;
- "HelioFocus" means HelioFocus Ltd., an Israeli corporation, in which Kenon, through IC Green, held a 70% interest, and which was liquidated on July 6, 2017;
- "IC" means Israel Corporation Ltd., an Israeli corporation traded on the Tel Aviv Stock Exchange, or the "TASE," and Kenon's former parent company;
- "IC Green" means IC Green Energy Ltd., an Israeli corporation, which holds Kenon's equity interests in Primus and previously held Kenon's equity interest in HelioFocus;
- IC Power Distribution Holdings Pte. Ltd. ("ICPDH"), a Singaporean corporation;
- "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;

- "Inkia Business" means Inkia's Latin American and Caribbean power generation and distribution businesses, which were sold in December 2017;

- "Kallpa" means Kallpa Generación SA. In August 2017, Kallpa merged with CDA, with the surviving entity renamed Kallpa Generación SA;

- "New Qoros Investor" means the China-based investor related to the Baoneng group that completed a transaction to purchase 51% of Qoros from Kenon and Chery for RMB3.315 billion (approximately $526 million)[1], which is part of an investment structure to invest a total of approximately RMB6.63 billion (approximately $1,052 million) by the New Qoros Investor of which RMB6.5 billion will ultimately be invested in Qoros' equity as Kenon announced in January 2018;

- "OPC-Rotem" means O.P.C. Rotem Ltd., an Israeli corporation, which is owned by OPC;

- "OPC-Hadera" is the trade name of Advanced Integrated Energy Ltd., an Israeli corporation, which is owned by OPC;

- "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 24% interest in Qoros;

- "our businesses" shall refer to each of our subsidiaries and associated companies, collectively, as the context may require;

- "Samay I" means Samay I S.A., a Peruvian corporation;

- "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 the Renewable Energy Group ("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, in which Kenon used to hold an interest.

Additionally, this annual report uses the following conventions for OPC:

- "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);

- "HFO" means heavy fuel oil;

[1] Convenience translations of RMB amounts into US Dollars use a rate of 6.3: 1, unless otherwise indicated.

- "OPC's capacity" or "OPC's installed capacity" means, with respect to each asset, 100% of the capacity of such asset, regardless of OPC'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;

- "kWh" means kilowatts per hour;

- "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; 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.

SALE OF THE INKIA BUSINESS

On December 31, 2017, our subsidiary Inkia completed the sale of substantially all of its businesses, the Inkia Business, consisting of power generation and distribution businesses in Latin America and the Caribbean. The sale is described in more detail under "*Item 4.B. – Business – Discontinued Operations – Inkia Business – Sale of the Inkia Business.*" As a result of this sale, our remaining power generation business consists of our 76% interest in OPC. The results of the Inkia Business are presented as discontinued operations in our audited financial statements for the three years ended December 31, 2017, and prior periods presented herein have been reclassified for comparative purposes.

FINANCIAL INFORMATION

We produce financial statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, or IFRS, 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—OPC.*"

Our consolidated financial statements included in this annual report comprise the consolidated statements of profit and loss, other comprehensive income, changes in equity, and cash flows for the years ended December 31, 2017, 2016 and 2015 and the consolidated statement of financial position as of December 31, 2017 and 2016. We present our consolidated financial statements in U.S. Dollars.

Our financial statements as of and for the year ended December 31, 2013 and 2014 included within selected financial data presented in Item 3.A., 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.

The results of the Inkia Business are presented as discontinued operations in our audited financial statements for the year ended December 31, 2017. Our consolidated financial statements as of and for the years ended December 31, 2016 and 2015 and in our combined carve-out selected data as of and for the two years ended December 31, 2014, have been reclassified for comparative purposes to reflect the Inkia Business as discontinued operations.

In July 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 2013 and the six months ended June 30, 2014 are also presented as discontinued operations.

All references in this annual report to (i) "U.S. Dollars", "$" or "USD" are to the legal currency of the United States of America; (ii) "RMB" are to Yuan, the legal currency of the People's Republic of China, or China; (iii) "NIS" or "New Israeli Shekel" are to the legal currency of the State of Israel, or Israel; and (iv) "S$" are to Singapore Dollars, the legal currency of the Republic of Singapore, or Singapore. 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, 2017, 2016 and 2015, and consolidated statements of financial position as of December 31, 2017 and 2016 for Qoros, pursuant to Rule 3-09 of Regulation S-X.

NON-IFRS FINANCIAL INFORMATION

In this annual report, we disclose non-IFRS financial measures, namely EBITDA and net debt, each as defined under "*Item 3.A Selected Financial Data–Selected Reportable Segment Data" and "Item 3.A Selected Financial Data–Selected Reportable Segment Data–OPC" and "Item 4.B Business Overview—Our Businesses—OPC—OPC'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 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:

	RMB/U.S. Dollar			
Year	**Period end[1]**	**Average rate[2]**	**High**	**Low**
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
2016	6.9430	6.6549	6.9580	6.4480
2017	6.5063	6.7350	6.9575	6.4773

(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.

Month	RMB/U.S. Dollar	
	High	Low
October 2017	6.6533	6.5712
November 2017	6.6385	6.5967
December 2017	6.6210	6.5063
January 2018	6.5263	6.2841
February 2018	6.3471	6.2649
March 2018	6.3565	6.2685

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 OPC 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, OPC's capacity figures provided in this annual report reflect 100% of the capacity of all of OPC's assets, regardless of OPC's ownership interest in the entity that owns each such asset. For information on OPC's ownership interest in each of its operating companies and associated companies, see "*Item 4.B Business Overview—Our Businesses—OPC.*"

DISTRIBUTION OF OUR INTEREST IN TOWER

On July 23, 2015, consistent with our strategy to realize value for our shareholders by, among other things, providing direct access to our businesses via distributions, 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. In 2016, we sold our remaining interest in Tower.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, or 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 capital allocation principles, as set forth in "*Item 4.B Business Overview*";
- the funding requirements, strategies, and business plans of our businesses;
- the potential listing, offering, distribution or monetization of our businesses;
- expected trends in the industries and markets in which each of our businesses operate;
- our expected tax status and treatment;
- statements relating to litigation and/or regulatory proceedings;
- statements relating to the sale of the Inkia Business, including estimated transaction costs, management compensation, advisor fees, other expenses and taxes, receipt of deferred consideration, expectations with respect to further tax liability, risks related to the pledge of OPC's shares, the deferred payment agreement and Kenon's guarantee, and statements with respect to claims relating to the Inkia Business sale retained by Kenon;
- the expected effect of new accounting standards on Kenon;
- *with respect to OPC*:
    - the expected cost and timing of completion and commencement of construction and development projects, as well as the anticipated installed capacities of such projects, including OPC's project Tzomet Energy, including statements with respect to OPC continuing to seek relevant approvals to develop the Tzomet project and the expected payment of the remaining consideration, and the expected financing, total cost of construction, expected capacity and COD date of the OPC-Hadera power plant;
    - the OPC restructuring, including statements with respect to Kenon's expectation in relation to future tax liability;
    - expected macroeconomic trends in Israel, including the expected growth in energy demand;
    - potential expansions;
    - its gas supply agreements;
    - its strategy;

- expected trends in energy consumption;
- regulatory trends;
- its anticipated capital expenditures, including the expected sources of funding for capital expenditures;
- the price and volume of gas available to OPC-Rotem and other IPPs in Israel; and

- *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;
  - Qoros' expectation of growth in the Chinese passenger vehicle market, particularly within the C-segment, C-segment SUV and New Energy Vehicle, or NEV, markets;
  - Qoros' expectation of pricing trends in the Chinese passenger vehicle market;
  - Qoros' liquidity position;
  - Qoros' strategy to develop its dealer network;
  - Qoros' expectation of an increase in environmental regulations and the expected effect of such regulations on Qoros' business;
  - Qoros' ability to increase its production capacity;
  - the investment by the New Qoros Investor into Qoros, including the various elements of the investment and expected timing thereof, including, the commitment by the investor or an affiliate to introduce vehicle purchase orders to Qoros, the requirement that Chery make payments to Kenon in connection with guarantee releases, the repayment or equity conversion of the Qoros shareholder loans, the put option and investor's right to make further investments under the investment agreement, and the commitment in the investment agreement that the New Qoros Investor will assume its proportionate share of Kenon and Chery's guarantee obligations;
  - Qoros' expectation of the development of the NEV market in China, including expected trends regarding government subsidies for the purchase of NEVs and the growth of NEV infrastructure.

- *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, demand trends;
  - ZIM's strategy with respect to its debt obligations;
  - ZIM's expectation of modifications with respect to its and other shipping companies' operating fleet and lines, including the utilization of larger vessels within certain trade zones and modifications made in light of environmental regulations; and

- trends related to the global container shipping industry, including with respect to fluctuations in container supply, industry consolidation, demand, bunker prices and charter/freights rates;

- *with respect to Primus, its*:

  - strategy;

  - plans to raise capital;

  - plans and expectations in relation to Project Marcellus;

  - potential customers;

  - project pipeline; and

  - potential 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 as of and for the years ended December 31, 2014 and 2013 and selected consolidated financial and other data as of and for the years ended December 31, 2017, 2016 and 2015. This selected financial data should be read in conjunction with our audited consolidated financial statements, and the related notes thereto, as of December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015, 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.

Our consolidated financial statements as of and for the year ended December 31, 2017 reflect the Inkia Business as discontinued operations and our consolidated financial statements as of and for the years ended 2016 and 2015 and our selected combined carve-out financials set forth below have been reclassified for comparative purposes to account for the Inkia Business as discontinued operations. ZIM's results of operations for 2013 and the six months ended June 30, 2014 are also presented as discontinued operations for the relevant periods.

Our financial statements presented in this annual report have been prepared in accordance with IFRS.

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.

	Year Ended December 31,				
	2017	**2016[1]**	**2015[1]**	**2014[1]**	**2013[1,2]**
	(in millions of USD, except share data)				
Statements of Profit and Loss Data[3]					
Revenue	$ 366	$ 324	$ 326	$ 413	$ 187
Cost of sales and services (excluding depreciation)	(267)	(251)	(245)	(297)	(139)
Depreciation	(31)	(27)	(25)	(24)	(11)
Gross profit	**$ 68**	**$ 46**	**$ 56**	**$ 92**	**$ 37**
Selling, general and administrative expenses	(56)	(47)	(50)	(86)	(40)
Gain from distribution of dividend in kind	-	-	210	-	-
Gain from disposal of investees	-	-	-	157	-
Gain on bargain purchase	-	-	-	-	1
Impairment of assets and investments	29	(72)	(7)	(48)	-
Dilution gains from reduction in equity interest held in associates	-	-	33	-	-
Other expenses	-	-	(1)	(6)	(5)
Other income	1	1	4	(55)	1
Operating profit / (loss) from continuing operations	**$ 42**	**$ (72)**	**$ 245**	**$ 54**	**$ (6)**
Financing expenses	(70)	(47)	(36)	(49)	(25)
Financing income	3	7	11	14	-
Financing expenses, net	**$ (67)**	**$ (40)**	**$ (25)**	**$ (35)**	**$ (25)**
Provision of financial guarantee	-	(130)	-	-	-
Share in losses of associated companies, net of tax[4]	(111)	(186)	(187)	(185)	(160)
(Loss) / profit from continuing operations before income taxes	**$ (136)**	**$ (428)**	**$ 33**	**$ (166)**	**$ (191)**
Income taxes	(73)	(2)	(9)	(68)	(2)
(Loss) / profit for the year from continuing operations	**$ (209)**	**$ (430)**	**$ 24**	**$ (234)**	**$ (193)**
Profit and gain from sale of discontinued operations (after taxes)[5]	478	36	72	711	(423)
Profit / (loss) for the year	**$ 269**	**$ (394)**	**$ 96**	**$ 477**	**$ (616)**
Attributable to:					
Kenon's shareholders	$ 237	$ (412)	$ 73	$ 459	$ (631)
Non-controlling interests	32	18	23	18	15
Basic/diluted (loss)/profit per share attributable to Kenon's shareholders (in Dollars):					
Basic/diluted profit/(loss) per share	4.40	(7.67)	1.36	8.58	(11.82)
Basic/diluted profit/(loss) per share from continuing operations	(4.00)	(8.08)	0.24	(4.44)	(3.67)
Basic/diluted profit/(loss) per share from discontinued operations	8.40	0.41	1.12	13.02	(8.15)
Statements of Financial Position Data					
Cash and cash equivalents	$ 1,417	$ 327	$ 384	$ 610	$ 671
Short-term investments and deposits	7	90	309	227	30
Trade receivables, net	44	284	123	181	358
Other current assets, including derivatives	36	50	45	59	98
Income tax receivable	-	11	4	3	7
Inventories	-	92	51	56	150
Total current assets	1,504	854	916	1,136	1,314
Total non-current assets[6]	1,022	4,284	3,567	3,184	4,671
Total assets	**$ 2,526**	**$ 5,138**	**$ 4,483**	**$ 4,320**	**$ 5,985**
Total current liabilities	806	1,045	653	497	2,925
Total non-current liabilities	**$ 669**	**$ 3,199**	**$ 2,566**	**$ 2,385**	**$ 2,113**
Equity attributable to the owners of the Company	983	681	1,061	1,230	710
Share capital	**$ 1,267**	**$ 1,267**	**$ 1,267**	**$ -**	**$ -**
Total equity	**$ 1,051**	**$ 894**	**$ 1,264**	**$ 1,438**	**$ 947**

Total liabilities and equity	**$ 2,526**	**$ 5,138**	**$ 4,483**	**$ 4,320**	**$ 5,985**
Basic/Diluted weighted average common shares outstanding used in calculating profit/(loss) per share (thousands)	53,761	53,720	53,649	53,383[7]	53,383[7]
Statements of Cash Flow Data					
Net cash provided by operating activities	$ 392	$ 162	$ 290	$ 410	$ 257
Net cash used in investing activities	585	(400)	(737)	(883)	(278)
Net cash provided by financing activities	97	175	233	430	281
(Decrease) / increase in cash and cash equivalents	1,074	(63)	(214)	(43)	260

(1) Results during these periods have been reclassified to reflect the Inkia Business as discontinued operations. For further information, see Note 29 to our financial statements included in this annual report.

(2) Results during this period have been reclassified to reflect ZIM and Petrotec as discontinued operations.

(3) Consists of the consolidated results of OPC and Primus and, from June 30, 2014, the consolidated results of HelioFocus; prior to this date, Kenon did not consolidate HelioFocus' results of operations.

(4) Includes Kenon's share in ZIM's loss for the six months ended December 31, 2014 and the years ended December 31, 2015, 2016 and 2017. As from July 1, 2014, Kenon accounted for ZIM's results of operations pursuant to the equity method of accounting.

(5) Consists of (i) ZIM's results of operations for 2013 and the six months ended June 30, 2014, (ii) Petrotec's results of operations for 2013 through 2014 and (iii) the results of operations of the Inkia Business for 2013 through 2017.
(6) Includes Kenon's associated companies: (i) Qoros, (ii) Tower (until June 30, 2015), (iii) ZIM (from June 30, 2014); and (iv) HelioFocus (prior to June 30, 2014).
(7) Based on 53,383,015 shares which were issued as of January 7, 2015, the date of our spin-off from IC.

Selected Reportable Segment Data

Kenon is a holding company of (i) a 76% interest in OPC, (ii) a 24% interest in Qoros, (iii) a 32% interest in ZIM, and (iv) a 91% interest in Primus. Kenon used to also hold interests in (i) the Inkia Business, which was sold effective December 31, 2017, (ii) a 22.5% interest in Tower, which was distributed to Kenon shareholders on July 23, 2015 and (iii) HelioFocus, which was liquidated in July 2017.

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 and (iii) Tower until June 30, 2015.

Kenon's segments are OPC, Qoros and Other. Kenon's Other segment includes the results of ZIM, Primus, and from June 30, 2014, the results of HelioFocus and Kenon (Company level).

The following table sets forth selected financial data for Kenon's reportable segments for the periods presented:

	Year Ended December 31, 2017[1]				
	OPC	**Qoros[2]**	**Other[3]**	**Adjustments[4]**	**Consolidated Results**
	(in millions of USD, unless otherwise indicated)				
Sales	$ 365	$ -	$ 1	$ -	$ 366
Depreciation and amortization	(30)	-	(1)	-	(31)
Impairment of assets and investments	-	-	29	-	29
Financing income	1	-	13	(11)	3
Financing expenses	(34)	-	(47)	11	(70)
Share in (losses) income of associated companies	-	(121)	10	-	(111)
Profit / (Loss) before taxes	$ 23	$ (121)	$ (38)	$ -	$ (136)
Income taxes	(9)	-	(64)	-	(73)
Profit / (Loss) from continuing operations	$ 14	$ (121)	$ (102)	$ -	$ (209)
Segment assets[5]	$ 936	$ -	$ 1,468[6]	$ -	$ 2,404
Investments in associated companies	-	2	120	-	122
Segment liabilities	743	-	732[7]	-	1,475
Capital expenditure[8]	109	-	121	-	230

(1) In December 2017, Inkia completed the sale of the Inkia Business. For further information, see Note 29 to our financial statements included in this annual report.
(2) Associated company.
(3) Includes the results of Primus and HelioFocus (which was liquidated in July 2017); the results of ZIM, as an associated company; as well as Kenon's and IC Green's holding company and general and administrative expenses.

(4) "Adjustments" includes inter-segment financing income and expenses.
(5) Excludes investments in associates.
(6) Includes Kenon's, IC Green's and IC Power holding company assets.
(7) Includes Kenon's, IC Green's and IC Power holding company liabilities.
(8) Includes the additions of Property, Plant and Equipment, or PP&E, and intangibles based on an accrual basis.

	Year Ended December 31, 2016[1]				
	OPC	**Qoros[2]**	**Other[3]**	**Adjustments[4]**	**Consolidated Results**
	(in millions of USD, unless otherwise indicated)				
Sales	$ 324	$ —	$ —	$ -	$ 324
Depreciation and amortization	(27)	—	-	-	(27)
Impairment of assets and investments	-	—	(72)	-	(72)
Financing income	3	—	16	(12)	7
Financing expenses	(23)	—	(36)	12	(47)
Share in losses of associated companies	-	(143)	(43)	-	(186)
Provision of financial guarantee	-	—	(130)	-	(130)
Profit/(Loss) before taxes	$ 20	$ (143)	$ (305)	$ -	$ (428)
Income taxes	—	—	(2)	-	(2)
Profit/(Loss) from continuing operations	$ 20	$ (143)	$ (307)	$ -	$ (430)
Segment assets[5]	$ 668	$ —	$ 4,262	$ -	$ 4,930
Investments in associated companies	-	118	90	-	208
Segment liabilities	534	—	3,710	-	4,244
Capital expenditure[8]	73	—	245	-	318

(1) Results during this period have been reclassified to reflect the results of the Inkia Business as discontinued operations. For further information, see Note 29 to our financial statements included in this annual report.
(2) Associated company.
(3) Includes the results of Primus and HelioFocus (which was liquidated in July 2017); the results of ZIM, as an associated company; as well as Kenon's and IC Green's holding company and general and administrative expenses.
(4) "Adjustments" includes inter-segment financing income and expenses.
(5) Excludes investments in associates.
(6) Includes Kenon's, IC Green's and IC Power holding company assets.
(7) Includes Kenon's, IC Green's and IC Power holding company liabilities.
(8) Includes the additions of PP&E and intangibles based on an accrual basis.

	Year Ended December 31, 2015[1]				
	OPC	Qoros[2]	Other[3]	Adjustments[4]	Consolidated Results
	(in millions of USD, unless otherwise indicated)				
Sales	$ 326	$ —	$ —	$ -	$ 326
Depreciation and amortization	(26)	—	1	—	(25)
Asset impairment	-	—	(7)	—	(7)
Financing income	3	—	8	—	11
Financing expenses	(26)	—	(10)	—	(36)
Share in (losses) income of associated companies	-	(196)	9	—	187
Gain from distribution of dividend in kind	-	—	210	—	210
Profit/(Loss) before taxes	$ 30	$ (196)	$ 199	$ —	$ 33
Income taxes	(8)	—	(1)	—	(9)
Profit/(Loss) from continuing operations	**$ 22**	**$ (196)**	**$ 198**	**$ —**	$ 24
Segment assets[5]	$ 811	$ —	$ 3,303[6]	$ —	$ 4,114
Investments in associated companies	-	159	210	—	369
Segment liabilities	677	—	2,542[7]	—	3,219
Capital expenditure[8]	18	—	556	—	574

(1) Results during this period have been reclassified to reflect the results of the Inkia Business as discontinued operations. For further information, see Note 29 to our financial statements included in this annual report.
(2) Associated company.
(3) Includes the results of Primus and HelioFocus (which was liquidated in July 2017); 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.
(4) "Adjustments" includes inter-segment sales.
(5) Excludes investments in associates.
(6) Includes Kenon's, IC Green's and IC Power holding company assets.
(7) Includes Kenon's, IC Green's and IC Power holding company liabilities.
(8) Includes the additions of PP&E and intangibles based on an accrual basis.

OPC

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

	2017	2016	2015
	($ millions, except as otherwise indicated)		
Net income for the period	14	20	22
EBITDA[1]	86	67	79
Net Debt[2]	395	371	289
Net energy generated (GWh)	3,655	3,510	3,736[3]
Energy sales (GWh)	3,988	3.996	3,953[4]

(1) OPC defines "EBITDA" for each period as net income (loss) for the period before depreciation and amortization, financing expenses, net and income tax expense.

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. 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. EBITDA presents limitations that impair its use as a measure of OPC's profitability since it does not take into consideration certain costs and expenses that result from its business that could have a significant effect on OPC's net income, such as finance expenses, taxes and depreciation.

The following table sets forth a reconciliation of OPC's net income to its EBITDA for the periods presented. Other companies may calculate EBITDA differently, and therefore this presentation of EBITDA may not be comparable to other similarly titled measures used by other companies:

	Year Ended December 31,		
	2017	**2016**	**2015**
	(in millions of USD)		
Net income for the period	$ 14	$ 20	$ 22
Depreciation and amortization	30	27	26
Finance expenses, net	33	20	23
Income tax expense	9	-	8
EBITDA	**$ 86**	**$ 67**	**$ 79**

(2) Net debt is calculated as total debt, minus cash (which includes short term deposits and restricted cash and long-term deposits and restricted cash). Net debt is not a measure recognized under IFRS. The tables below sets forth a reconciliation of OPC's total debt to net debt.

	Year Ended December 31, 2017			
	OPC-Rotem	**OPC-Hadera**	**Energy & Others**	**Total OPC**
	(in millions of USD)			
Total debt[(i)]	383	144	91	618
Cash[(ii)]	86	31	106	223
Net Debt	**$ 297**	**$ 113**	**$ (15)**	**$ 395**

(i) Total debt comprises loans from banks and third parties and debentures, and includes long term and short term debt.
(ii) Includes short-term deposits and restricted cash of $0 million; and includes long-term deposits and restricted cash of $76 million (including $22 million in cash that was deposited into an escrow account in connection with the Tamar gas dispute. For further information, see "*Item 4.B Business Overview—Our Businesses—OPC—Legal Proceedings*."

	Year Ended December 31, 2016			
	OPC-Rotem	**OPC-Hadera**	**Energy & Others**	**Total OPC**
	(in millions of USD)			
Total debt[(i)]	365	—	52	417
Cash[(ii)]	22	1	23	46
Net Debt	**$ 343**	**$ (1)**	**$ 29**	**$ 371**

(i) Total debt comprises loans from banks and third parties and debentures, and includes long term and short term debt.
(ii) Includes short-term deposits and restricted cash of $4 million and long-term deposits and restricted cash of $19 million.

	Year Ended December 31, 2015
	Total OPC
	(in millions of USD)
Total debt[(i)]	473
Cash[(ii)]	184
Net Debt	**$ 289**

(i) Total debt comprises loans from banks and third parties and debentures, and includes long term and short term debt.
(ii) Includes short-term deposits and restricted cash of $50 million and long-term deposits and restricted cash of $17 million.

(3) Includes generation of OPC-Rotem only.

(4) Includes sales of OPC-Rotem only.

Set forth below is a summary of certain OPC key historical financial and other operational information, for the periods set forth below.

	Year Ended December 31,		
	2017	**2016**	**2015**
	($ millions, except as otherwise indicated)		
Sales	365	324	326
Cost of Sales	(266)	(251)	(245)
Operating income (loss)	69	46	57
Operating margins	19%	14%	17%
Financing expenses, net	33	20	23
Net income for the period	14	20	22
Net Energy sales (GWh)	3,988	3.996	3,953[1]

(1) Includes sales of OPC-Rotem only.

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 Strategy and Operations

Some of our businesses have significant capital requirements.

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.

In the event that one or more of our 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 businesses to secure debt of another of our businesses) 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 guarantee, 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.*"

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 markets for various purposes, which may include raising funding for the repayment of indebtedness, acquisitions, capital expenditures and for general corporate purposes. 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. Capital markets have demonstrated significant volatility in recent years. 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.

Our strategy may include sales or distributions of our interests in our businesses. For example, in August 2017, OPC completed an initial public offering, or IPO, in Israel, and a listing on the TASE. Our ability to complete an initial public offering, distribution or listing of one or more of our businesses is heavily dependent upon the public equity markets.

To the extent that the securities of our business are publicly traded, we are exposed to risks of downward movement in market prices. In addition, large holdings of securities can often be disposed only over a substantial length of time. 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. In addition, following OPC's initial public offering in August 2017, our shares in OPC are subject to a lock-up period, which restricts the amount of shares sold each month until 18 months after the IPO, pursuant to TASE regulation.

We have pledged a portion of our shares in OPC to secure obligations to the buyer of the Inkia Businesses under the indemnification obligations in the share purchase agreement for the sale. To the extent that we are required to make payments under the indemnity obligation in the share purchase agreement, we may be required to sell shares in OPC and we would be subject to market conditions at the time of such sale (and the TASE regulations in relation to such sale) which could mean that we are forced to sell our shares for a lower price than we would otherwise be able to do so, particularly if we need to sell a significant amount of shares. If we do not make required payments in the event we are required to make payments under the share purchase agreement, then, in certain circumstances, the pledge can be enforced to satisfy the indemnity obligations, which would result in a loss of some or all of the pledged OPC shares.

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. As a result, we depend on funds from our businesses or external financing to meet our operating expenses and obligations, including our guarantee of the indemnification obligations under the share purchase agreement for the sale of the Inkia Business and our operating expenses and our guarantee obligations in respect of Qoros debt.

Kenon may also seek to raise financing at the Kenon level to meet its obligations. 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, particularly in light the various pledges over the shares and assets of some of Kenon's businesses. Any sales of assets may not be at attractive prices, particularly if such sales must be made quickly to meet Kenon's obligations.

Kenon has provided loans and guarantees in the past to support our businesses, such as Qoros, and may provide additional loans to or make investments in or provide guarantees in support of its businesses. Kenon's liquidity requirements will increase to the extent it makes further loans or grants additional guarantees to support its businesses.

In addition, as Kenon's businesses are legally distinct from it and will generally be required to service their debt obligations before making distributions to Kenon, Kenon'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 subsidiaries and associated companies to make distributions to Kenon, 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 Kenon's businesses are organized may also limit the timing and amount of any dividends, other distributions, loans or loan repayments to Kenon.

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 Kenon's businesses to remit funds 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, some 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 own minority interests in Qoros and ZIM, we are subject to the operating and financial risks of these businesses, the risk that these businesses may make business, operational, financial, legal or regulatory 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 other shareholders. 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 may need or want such distributions.

In January 2018, Kenon announced the New Qoros Investor completed a transaction to purchase 51% of Qoros from Kenon and Chery for RMB3.315 billion (approximately $526 million), which is part of an investment structure to invest a total of approximately RMB6.63 billion (approximately $1,052 million) by the New Qoros Investor of which RMB6.5 billion will ultimately be invested in Qoros' equity. As a result, Kenon and Chery now have 24% and 25% stakes in Qoros, respectively. In addition, Kenon can now appoint two of nine Qoros directors (as opposed to half of the Qoros directors prior to the investment). Although we still actively participate in the management of Qoros through our 24% interest and board representatives, our right to control Qoros decreased with the new investment. For further information, see "*Item 4.B Business Overview—Our Businesses—Qoros —Qoros' Investment Agreement*."

In addition, we rely on the internal controls and financial reporting controls of our businesses and the failure of our 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.

Our businesses are leveraged.

Some of our businesses are significantly leveraged and may incur additional debt financing in the future. As of December 31, 2017, OPC had $618 million of outstanding indebtedness, Qoros had outstanding indebtedness of RMB4.8 billion (excluding shareholder loans), 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, some of our businesses' assets 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. Our businesses use a substantial portion of their consolidated cash flows from operations to make debt service payments, thereby reducing its ability to use their cash flows to fund operations, capital expenditures, or future business opportunities. Additionally, notwithstanding the completion of its restructuring in July 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 of our operating companies contain covenants and limitations, including the following:

- leverage ratio;
- minimum equity;
- debt service coverage ratio;
- 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;
- minimum liquidity and fixed charge cover ratios;
- limits on the ability to pay dividends to shareholders, including us;
- limits on our ability to sell assets; and
- other non-financial covenants and limitations and various reporting obligations.

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 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. A breach of any of our businesses' debt instruments and/or covenants could result in a default under the relevant debt instrument(s), which could lead to an event of default. 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 certain 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. Qoros will generally be required to seek bank approvals to make shareholder loan repayments. Furthermore, changes to the investment structure of the transaction completed by the New Qoros Investor could require Qoros to receive bank consent. Failure to obtain such consent could have an adverse impact.

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

In addition, we have back-to-back guarantee obligations to Chery of RMB320 million, with respect to debt in principal of RMB288 million, and have pledged a substantial portion of our interest in Qoros to support certain Qoros debt, as well as Chery's guarantees of Qoros debt.

We face risks in relation to the New Qoros Investor's investment in Qoros

In January 2018, Kenon announced the New Qoros Investor completed a transaction to purchase 51% of Qoros from Kenon and Chery for RMB3.315 billion (approximately $526 million), which is part of an investment structure to invest a total of approximately RMB6.63 billion (approximately $1,052 million) by the New Qoros Investor of which RMB6.5 billion will ultimately be invested in Qoros' equity. As a result, Kenon

and Chery now have 24% and 25% stakes in Qoros, respectively. The investment was made pursuant to an investment agreement among the New Qoros Investor, Quantum, Wuhu Chery and Qoros. Under the investment agreement, during the three-year period beginning from the closing of the investment, Kenon has the right to cause the New Qoros Investor to purchase up to 50% of its remaining equity interest in Qoros, following the related capital increase, for up to RMB1.56 billion (approximately $248 million), being the price for 50% of Kenon's remaining 24% interest in Qoros, subject to adjustments for inflation. From the third anniversary of the closing until April 2023, Kenon has the right to cause the New Qoros Investor to purchase up to all of its remaining equity interests in Qoros for up to a total of RMB3.12 billion (approximately $495 million) (for Kenon's full 24% interest in Qoros), subject to adjustment for inflation. If the New Qoros Investor (and the other company within the Baoeneng group has effectively guaranteed the New Qoros Investor's obligations under the put right by also serving as a grantor of the put) is unable to purchase Kenon’s equity interest in Qoros upon exercise of the put option, or if any exercise of the put option does not result in a purchase of Kenon's shares in accordance with the terms thereof for any other reason, this could have a material adverse effect on Kenon.The investment agreement also provides for the repayment of existing shareholder loans owing from Qoros, and as a result Kenon is subject to the risk of non-payment.

As part of the investment agreement, the New Qoros Investor will assume its pro rata share (based on its 51% equity ownership) of the guarantees and pledges provided by Quantum and Wuhu Chery in respect of Qoros debt, which will be subject to further adjustment following any future changes in the equity ownership in Qoros (including as a result of the exercise of the put option or investment right by a shareholder under the investment agreement). The New Qoros Investor is still in the process of assuming its proportionate obligations with respect to the RMB1.2 billion loan facility after which Kenon will also be proportionately released from its pledge obligations thereunder, subject to the Qoros bank lender consent. Failure to obtain bank consents could adversely impact Kenon.

Our success will be dependent upon the efforts of our 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.

We have outstanding back-to-back guarantees to Chery of up to RMB320 million, with respect to debt in principal of RMB288 million, plus certain interest and fees, in respect of certain of Qoros' indebtedness. In addition, from time to time, we have held, and may hold, a portion of our available cash in RMB, which 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 (or 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

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 are affected by worldwide economic conditions, particularly conditions in the energy generation, passenger vehicle, and shipping industries our businesses operate in. The operating results and profitability of our businesses may be adversely affected by slower global economic growth, credit market crises, lower levels of consumer and business confidence, downward pressure on prices, high unemployment levels, reduced levels of capital expenditures, fluctuating commodity prices (particularly prices for electricity, natural gas, bunker, gasoline, and crude oil), bankruptcies, government deficit reduction and austerity measures, heightened volatility, uncertainties with respect to the stability of the emerging markets, increased tariffs and other forms of trade protectionism and other challenges affecting the global economy. Volatility in global financial markets and in prices for oil and other commodities could result in a worsening of global economic conditions. As a result of global economic conditions, some of the customers of our businesses have experienced, and may experience, 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 businesses, 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 experience similar conditions, which may impact their ability to fulfill their obligations.

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 for Chinese automobile purchases. Slower growth or deterioration in the global economy (as a result of recent volatility in global markets, trade protectionism and commodity prices, or otherwise) 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 geographic regions around the world which exposes us to risks, 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;
- adverse tax developments;
- changes in the general political, social and/or economic conditions in the countries where we operate; and
- the presence of corruption in certain countries.

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 for OPC and bunker and containers 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 more information on the risks relating to supplier concentration in relation to OPC, see "*—Risks Related to OPC— Supplier concentration may expose OPC to significant financial credit or performance risk, particularly with respect to those agreements which may expire during the life of its power plants.*"

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.

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

As of December 31, 2017, OPC employed 85 employees, Qoros employed approximately 1,640 employees and ZIM employed approximately 3,600 employees. Our businesses could experience strikes, industrial unrest, or work stoppages. Any disruptions in the operations of any of our businesses as a result of labor stoppages or strikes 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.

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. However, 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.

A number of companies around the world have been the subject of cybersecurity attacks in recent years, including in Israel where we have a large part of our businesses. 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.

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 every part of the world in which our businesses operate. 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.

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. In addition, as we hold minority interests in ZIM and Qoros, we do control them and therefore cannot ensure that they will comply with all applicable laws and 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 may be subject to further government regulation, which may adversely affect our strategy.

The U.S. Investment Company Act of 1940 regulates "investment companies", which includes entities that are, or that hold themselves out as being, primarily engaged in the business of investing, reinvesting and trading in securities or that are engaged, or propose to engage, in the business of investing, reinvesting, owning, holding or trading in securities and own, or propose to acquire, investment securities having a value exceeding 40% of the value of the issuer's total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. Accordingly, we do not believe that we are subject to regulation under the U.S. Investment Company Act of 1940. We are organized as a holding company that conducts its businesses primarily through majority owned and primarily controlled subsidiaries. Maintaining such status may impose limits on our operations and on the assets that we and our subsidiaries may acquire or dispose of. If, at any time, we meet the definition of investment company, we could, among other things, be required either (a) to substantially change the manner in which we conduct our operations to avoid being required to register as an investment company or (b) to register as an investment company under the U.S. Investment Company Act of 1940, either of which could have an adverse effect on us and the market price of our securities. The U.S. Investment Company Act of 1940 generally only allows U.S. entities to register. If we were required to register as an investment company but failed to do so, we could be prohibited from engaging in our business in the United States or offering and selling securities in the United States or to U.S. persons, unable to comply with our reporting obligations in the United States as a foreign private issuer, subject to the delisting of the Kenon shares from the NYSE and subject to criminal and civil actions that could be brought against us, any of which would have a material adverse effect on the liquidity and value of the Kenon shares and 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 the FCPA and other applicable anti-bribery laws. We operate, through our businesses, in some 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. Our internal control policies and procedures may not 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 would 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, reputational harm or other restrictions which could disrupt our business and have a material adverse effect on our business, financial condition, results of operations or liquidity. 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. Furthermore, our post-acquisition integration efforts may not be adequate to ensure our system of internal controls and procedures are fully adopted and adhered to by acquired entities, resulting in increased risks of non-compliance with applicable anti-bribery laws.

We could be adversely affected by international sanctions and trade restrictions

We have geographically diverse businesses, which may expose our business and financial affairs to political and economic risks, including operations in areas subject to international restrictions and sanctions. Legislation and rules governing sanctions and trade restrictions are complex and constantly evolving. Moreover, changes in these laws and regulations can be unpredictable and happen swiftly. Part of 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 policies mandate strict compliance with applicable sanctions laws and trade restrictions. Nonetheless, our policies and procedures may not 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.

Risks Related to OPC

OPC faces risks in connection with the expansion of its business.

OPC is contemplating the construction and development of power generation facilities. Existing regulation, such as antitrust laws, regulation by virtue of the Israeli Concentration Law, or the EA rules with respect to holdings of control in generation licenses, may restrict the expansion of OPC's activity in Israel.

For example, in April 2017, OPC entered into agreements (including an option agreement) for the acquisition of 95% of the shares of Tzomet Energy Ltd., which is developing a natural gas-fired power station in Israel with capacity of approximately 396 MW, for total consideration of $23 million, subject to adjustments. In August 2017, the EA received a letter from the from the Israel Concentration Committee stating that it believed that, for reasons of broad economy concentration (i.e. taking into account businesses owned by related entities of Kenon's controlling shareholder), OPC should not be granted a contingent license for the construction of the planned facility. In March 2018, OPC completed the acquisition of 95% of the shares of Tzomet Energy, although Tzomet Energy still requires (among other requirements) a license from the EA to proceed with construction of the planned facility. The total consideration for the acquisition is estimated at approximately $23 million, subject to certain adjustments, of which $3.65 million was paid in March 2018, an additional $3.65 million is expected to be paid in the second quarter of 2018, and the remaining consideration will be paid at financial closing of the Tzomet project.

According to the Israeli Concentration Law, when allocating certain rights, including a power generation license, and when determining the terms for this right, the regulator must take into account the promotion of competition in the relevant industry and the Israeli economy generally. If the right is on the list of rights that may have a material impact on competition, the regulator must consult with the Israel Antitrust Commissioner. Kenon, OPC, OPC-Rotem and OPC-Hadera are considered concentration entities under the Israel Corporation Group, which may affect OPC's or its subsidiaries' ability to receive a generation license if it involves the construction and operation of power plants exceeding 175 MW. The list of concentration entities also includes Mr. Idan Ofer, who is the beneficiary of entities that indirectly hold a majority of the shares in Kenon, and includes a list of other entities which may be affiliated with Mr. Idan Ofer, including ZIM, in which Kenon holds a 32% interest.

In addition, OPC requires financing in connection with the development of the Hadera Power station. In the case of the Hadera project, OPC's financing for the project is subject to various conditions and restrictions, including OPC-Hadera's maintenance of Hadera Paper as a customer. If OPC is unable to obtain or utilize financing for the Hadera project, this may hinder OPC's ability to complete the Hadera Power station.

OPC's facilities may be affected by disruptions, including technical failures and natural disasters.

OPC's ongoing activities may be affected by technical disruptions and faults to critical equipment. For instance, various natural disasters, such as earthquakes or fires, may harm OPC's facilities and thereby affecting its operations and supply of electricity. Due to the nature of OPC's activities, which, for example, include the use and storage of flammable materials and working with high temperatures and pressures, OPC's facilities are exposed to the risk of fire hazards. Should natural or disasters damage OPC's facilities, restoration may involve the investment of significant resources and time, which would likely lead to full or partial shutdown of the generation facilities that were damaged. Losses that are not fully covered by OPC's insurance policies may have an adverse effect on OPC.

The political and security situation in Israel may affect OPC.

A deterioration of the political and security situation in Israel may adversely affect OPC' s activities and harm its assets. Security and political events such as a war or acts of terrorism may harm the facilities serving OPC (including the power station facilities owned by the Company), the construction of the Hadera Power station and other future projects, computer systems, facilities for transmission of natural gas to the power stations and the electricity transmission grid. In addition, such acts may have an adverse effect on OPC's material suppliers, thereby limiting OPC's ability to supply electricity to its customers reliably. Likewise, a deterioration in the political and security situation in Israel may have a negative effect on OPC's ability to construct new projects, to raise capital for new projects and to initiate new projects in areas exposed to a security risk. Negative developments in the political and security situation in Israel and various security events may cause additional restrictions on OPC, including boycotts by various parties. In addition, in such cases, parties with whom OPC has contracted may claim to terminate their obligations pursuant to the agreements with the OPC due to the occurrence of force majeure events. In addition, some of OPC's employees may be called for reserve military duty and their absence may have an adverse effect on OPC's operations. Although the OPC-Rotem station is classified by the State of Israel as an "essential enterprise" and therefore its key employees are exempt from reserve duty during an emergency, these workers may be called up for reserve duty if the station were to lose its status as an "essential enterprise."

Changes in the EA's electricity rates may reduce OPC's profitability

Changes in the electricity rates published by the EA, including the rate of the electricity generation component, may have a substantial adverse effect on OPC's profits. For example, if the production component tariffs published by the EA change as a result of, among other things, fluctuations in currency exchange rates or IEC fuel costs, OPC's revenues from sales to private customers and cost of sales will be affected. This is the case as the price of electricity for OPC's customers is directly affected by the electricity generation tariff, and this is the basis of linking the price of natural gas pursuant to gas purchase agreements. Furthermore the gas price formula determined in the agreement with the Tamar Group is subject to a minimum price. Therefore, when the price of gas is equal to or lower than the minimum price, reductions in the generation tariff will not lead to a reduction in the cost of natural gas consumed by OPC-Rotem, but rather to a reduction in profit margins. For example, in connection with reductions in the EA generation tariff in 2015, OPC-Rotem and OPC-Hadera began to pay the ultimate floor price in November 2015 and April 2016, respectively. Therefore, declines in the EA generation component tariff may not have a corresponding decline in OPC-Rotem's natural gas expenses, due to the floor price mechanism. and may lead to a decline in OPC-Rotem's margins, which may have a material adverse effect on OPC's business, results of operations and financial condition.

For further information on the EA tariffs, see "*Item 4.B Business Overview—Our Businesses—OPC—Industry Overview— Overview of Israeli Electricity Generation Industry.*" For further information on the effect of EA tariffs on OPC's revenues and margins, see "*Item 5. Operating and Financial Review and Prospects—Material Factors Affecting Results of Operations—OPC— Sales—EA Tariffs.*"

Changes in the Consumer Price Index in Israel or the U.S. Dollar to NIS exchange rate could adversely affect OPC.

If Israel experiences inflation it may affect OPC. For instance, a significant portion of the liabilities of OPC and its subsidiaries is linked to the Consumer Price Index, or CPI, including a substantial part of the OPC-Rotem and OPC-Hadera loans. Therefore, adverse changes to CPI could impact OPC's financing expenses and results of operations. In addition, to the extent that OPC is above the floor price in its gas supply agreement, the price it pays for gas is linked in part to the U.S. Dollar to NIS exchange rate, and accordingly variations in such rate can impact OPC's results.

OPC could face barriers to exit in connection with the disposals or transfers of its businesses or assets.

OPC may face exit barriers, including high exit costs or objections from various parties (whose approval OPC requires), in connection with dispositions 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 Electricity Authority, or the EA. Additionally, there are restrictions on a transfer of control of OPC, OPC-Rotem and OPC-Hadera, pursuant to, among others, OPC-Rotem's PPA with the Israel Electric Corporation, or IEC, the trust deed relating to OPC's bonds, and OPC-Rotem's and OPC-Hadera's credit agreements. Such restrictions may prohibit or make it difficult for OPC to dispose of its interests in its businesses.

OPC, OPC-Rotem and OPC-Hadera are also defined as “significant real corporations.” As a result, OPC, OPC-Rotem and OPC-Hadera are subject to various restrictions, which mainly include restrictions in significant financial entities holding an interest (above a certain percentage) in such companies and restrictions on OPC, OPC-Rotem and OPC-Hadera’s holdings (above a certain percentage) of financial entities. Such restrictions may also limit Kenon's ability to transfer its interests in OPC.

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

OPC requires professional and skilled personnel in order to manage its current activities and the performance of its projects, to service and respond to customers and suppliers. Therefore, OPC must be able to retain employees and professionals with the necessary skills. Furthermore, OPC employs foreign employees. Any unavailability of qualified personnel could negatively impact OPC’s activity and results of operations.

In addition, most of OPC-Rotem’s operations employees are employed through a collective agreement. In March 2018, a collective agreement was signed with the Energy Center, similar to the agreement that is currently in place at the OPC-Rotem plant. The agreement will apply to the Energy Center employees and to the employees that will be hired at the Hadera Power station. The implementation of the collective agreement may reduce managerial flexibility and impose additional costs on OPC. For further information on OPC-Rotem’s collective agreement, see “*Item 4.B Business Overview—Our Businesses—OPC—Employees.*”

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

OPC uses information technology systems, telecommunications and data processing systems to operate its businesses. Damage to such systems may result in service delays or interruptions to OPC’s ability to provide electricity to its customers.

Furthermore, OPC, as an Israeli company, is at risk of cyber-attacks, as a number of Israeli corporations have been the subject of recent cybersecurity attacks. If a cyber-attack occurs, it could have a significant effect on OPC’s operations.

OPC is exposed to litigation and/or administrative proceedings.

OPC is involved in various litigation proceedings, and may be subject to future litigation proceedings, which could have adverse consequences on its business.

For example, in connection with the indexation of their natural gas price formula for OPC-Rotem’s gas supply agreement with the Tamar Group, OPC-Rotem and the Tamar Group disagreed as to which of Israel’s Public Utilities Authority (Electricity) July 2013 tariffs applied to OPC-Rotem’s supply agreement and have a similar disagreement with respect to the tariffs published in January 2015. In February 2017, OPC-Rotem received a letter from the Tamar Group with respect to the dispute. The Tamar Group requested payment by OPC-Rotem of approximately $25 million (including accrued interest) in connection with the dispute, or the deposit of such amount in escrow pursuant to the gas supply agreement. In May 2017, OPC-Rotem deposited $21.75 million in a trust account in respect of the dispute. In June 2017, the Tamar Group submitted a motion to initiate arbitration proceedings at the London Court of International Arbitration, demanding a payment of $33 million plus accrued interest. In its response in July 2017, OPC-Rotem disputed the Tamar Group’s claims. However, there is no certainty that OPC-Rotem’s claims will be accepted in whole or in part.

Litigation and/or regulatory proceedings are inherently unpredictable, and excessive verdicts may occur. Adverse outcomes in lawsuits and investigations could result in significant monetary damages, including indemnification payments, or injunctive relief that could adversely affect OPC’s ability to conduct its business and may have a material adverse effect on OPC’s financial condition and results of operations. In addition, such investigations, claims and lawsuits could involve significant expense and diversion of OPC’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.

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

OPC and its subsidiaries maintain insurance policies intended to reduce various risks, as is customary in the industry. However, the existing insurance policies maintained by OPC and its subsidiaries may not cover certain types of damages or may not cover the entire scope of damage caused. In addition, OPC may not be able to obtain insurance on comparable terms in the future. OPC and its subsidiaries may be adversely affected if they incur losses that are not fully covered by their insurance policies. For further information on OPC's insurance policies, see "*Item 4.B Business Overview—Our Businesses—OPC—Insurance.*"

OPC's operations are significantly influenced by regulations

OPC is subject to significant government regulation. It is therefore exposed to changes in these regulations as well as changes to regulations applicable to sectors that are associated with the company's activities. Regulatory changes may have an adverse effect on OPC's activity and results or on its terms of engagement with third parties, such as its customers and the Tamar Group. In the coming years, OPC expects frequent regulatory changes in the industry, including in relation to the private electricity market in Israel, which is a new and developing market. Regulatory changes may impact the power stations owned by OPC or the power stations that it intends to develop, including the economic feasibility of establishing new power stations.

Furthermore, OPC is subject to environmental laws and regulations, including those that seek to regulate noise pollution and emission of contaminants to treat hazardous materials. If stricter regulatory requirements are imposed on private electricity producers or if OPC does not comply with such requirements, laws and regulations, this could have an adverse effect on OPC's results and activity. Furthermore, stricter regulatory requirements could require material expenditures or investments by OPC.

Additionally, OPC requires certain licenses to produce and sell electricity in Israel, and may need further licenses in the future. For example, in November 2017, for propriety purposes, OPC-Rotem submitted an application to the EA to obtain a supply license which would permit OPC-Rotem to trade electricity with other electricity suppliers in Israel. In February 2018, the EA responded that OPC-Rotem is required to receive a supply license to continue its sale of electricity to consumers, that the license will not change the terms of the agreement between OPC-Rotem and the IEC and will not derogate from OPC-Rotem's rights according to it. If the EA refuses to grant OPC-Rotem a supply license as requested, this may harm OPC-Rotem's ability to trade surplus electricity with other power stations, including related companies.

Construction or development projects may not be completed or, if completed, may not be completed on time or perform as expected.

OPC faces risks in connection with its development projects, including future projects and the development of the Hadera Power station, in particular because it owns this project at a development stage. Developing a power station project entails certain risks, such as:

- risks associated with the construction contractor,
- supply of key equipment,
- performance of works at the required specifications and within the required time,
- receipt of services required from the IEC to establish the station and connect it to the grid (which may be affected by sanctions and IEC strikes),
- applicable regulation, and
- obtaining the required approvals and permits for the development and operation of the station, including obtaining permits required in connection with the environment, including emission permits, and compliance with their terms.

OPC-Hadera is party to on the Hadera Power station maintenance agreement with SerIDOM Servicios Integrados IDOM S.A.U., or IDOM. Breaches by IDOM or General Electric International, Inc. and its affiliates, or GE, including failure to meet certain fixed schedules and supply the primary equipment on time, or in the required quality, are likely to delay or hinder the establishment of the Hadera Power station, and may also hamper the performance of the Hadera Power station once it is built, and as a result cause material harm to OPC. IDOM has agreed to compensate OPC-Hadera in case of a delay or non-compliance with the terms determined in the agreement in connection with the operation of the station. However, the agreed compensation for the underperformance of the Hadera Power station is limited. Additionally, the establishment of part of the infrastructure to connect the Hadera Power station and the Hadera Paper mill is under Hadera Paper's responsibility. If Hadera Paper, which we do not control, does not meet its obligations to establish the infrastructure by the agreed date, this may lead to delays and obstructions in the development and operation of the Hadera Power station, thus adversely affecting OPC's business and results of operation.

In addition, the gas turbines that have been purchased for the Hadera Power station are an upgrade of an existing model manufactured by GE. To the best of OPC's knowledge, such turbines have been commercially operated only recently.

OPC 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 its results of operations.

OPC-Rotem 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. According to the agreement, OPC-Rotem is entitled to operate in one of the following two ways (or a combination of both with certain restrictions set in the agreement): (1) provide the entire net available capacity of its power station to IEC or (2) carve out energy and capacity for direct sales to private consumers, and OPC-Rotem has accordingly allocated the entire capacity of the plant to private consumers since COD. Under the IEC PPA, OPC-Rotem can also elect to revert back to supplying to IEC instead of private customers, subject to twelve months' advance notice. OPC may be unable to enter into new long-term PPAs, renew the existing PPAs at the time they expire, or enter into PPA agreements with terms other than those that have ended due to various reasons, such as market conditions.

OPC is dependent on certain significant customers.

OPC has a small number of customers that purchase a significant portion of OPC's output under PPAs that account for a substantial percentage of the anticipated revenue of its generation companies. OPC's revenues from the generation of electricity are highly sensitive to the consumption by significant customers. Therefore, should there be no demand for electricity from OPC's significant customers or should such customers not fulfill their obligations, including by failing to make payments to OPC, OPC's revenues could be significantly affected.

Furthermore, OPC-Hadera is dependent on Hadera Paper's consumption of steam. If such consumption ceases, it could have a material effect on OPC's operations and OPC-Hadera's classification as a cogeneration electricity producer (which entails certain benefits). For further information on the regulations relating to cogeneration electricity producers, see "*Item 4.B Business Overview—OPC—Regulatory, Environmental and Compliance Matters—Regulatory Framework for Cogeneration IPPs.*"

OPC faces competition from other IPPs.

In recent years, the Israeli government's policy has been to open the electricity market to competition and to encourage the entry of private electricity producers. This policy has increased the number of private electricity producers, increasing the level of competition in the private generation market, which may have an adverse effect on OPC's business.

OPC relies on transmission facilities for the transmission of power and gas.

OPC's businesses depend upon transmission facilities owned and operated by the IEC to deliver the wholesale power it sells from its power generation plants. If transmission is disrupted, or if the transmission capacity infrastructure is inadequate, OPC's ability to sell and deliver wholesale power may be adversely impacted. OPC's businesses may also be affected by IEC strikes and sanctions.

Furthermore, there is currently a single company supplying natural gas to OPC and one company providing it with transmission services Failure to comply with the requirements of these companies or limitations in the supply or transmission of gas by such companies could affect OPC's ability to generate electricity through natural gas, which could have a material adverse effect on OPC's business and results of operations. Finally, OPC's plants require water for their operation. A continued disruption in the water supply could disrupt the operation of such plants.

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

A continued disruption in the supply of gas, which OPC purchases from a single supplier, would require transition to the use of alternative fuel (diesel). In June 2017, the relevant regulation was amended (Covenant 125), permitting dual-fuel producers that use diesel (or liquid gas), which is more expensive than natural gas, to be compensated for the price difference. OPC believes that Covenant 125 applies to OPC-Rotem's operations. If Covenant 125 is not applicable to OPC-Rotem in the future, gas shortages could have a material adverse effect on OPC's profitability.

Furthermore, if there is a continued disruption in the supply of gas to the Energy Center, it may be required to purchase diesel. As Covenant 125 does not apply to the Energy Center, the Energy Center would not be compensated for the price difference between natural gas and diesel oil and, therefore, its profitability could be adversely affected. Moreover, once the Hadera Power station is operational, it could also be potentially adversely affected in a similar manner if faced with a shortage in the supply of gas. OPC is unable to currently estimate the scope of the damage to OPC's profitability as a result thereof.

Finally, OPC-Rotem has a single maintenance agreement with Mitsubishi Heavy Industries Ltd., or Mitsubishi, for the maintenance of its power station. If Mitsubishi is unable to perform its obligations under its contract with OPC-Rotem, this could result in the technical malfunctioning of the power station. This could lead to delays in the supply of electricity, loss of revenues for OPC and a reduction in its profits. It could also have similar adverse effects on other projects once they are completed.

Risks Related to the Sale of the Inkia Business

We have indemnification obligations under the share purchase agreement for the sale of the Inkia Business

In December 2017, our wholly-owned subsidiary Inkia sold its Latin America and Caribbean businesses, or the Inkia Business, to an entity controlled by I Squared Capital, an infrastructure private equity firm. For further information on the sale and share purchase agreement see "*Item 4.B Business Overview—Discontinued Operations—Inkia Business — Sale of the Inkia Business—Share Purchase Agreement.*"

Under the share purchase agreement, our subsidiary Inkia has agreed to indemnify the buyer and its successors, permitted assigns, and affiliates against certain losses arising from a breach of Inkia's representations and warranties and certain tax matters, subject to certain time and monetary limits depending on the particular indemnity obligation. These indemnification obligations are supported by (a) a three-year pledge of shares of OPC which represent 25% of OPC's outstanding shares, (b) a deferral of $175 million of the purchase price in the form of a four-year $175 million Deferred Payment Agreement, accruing interest at 8% per year and payable in-kind, and (c) a three-year corporate guarantee from Kenon for all of the Inkia's indemnification obligations. To the extent that Inkia is required to make indemnification payments under the share purchase agreement (and such payment obligations are agreed between buyer and seller or determined by a court in a non-appealable judgment), the buyer is entitled to seek recourse to the foregoing support arrangements in the following order: first, by exhausting rights under the OPC share pledge, second, by set off against amounts owing by the buyer under the Deferred Payment Agreement and third against the Kenon guarantee.

If Inkia is required to make indemnification payments under the share purchase agreement this could require us to sell OPC shares or result in enforcement of the OPC share pledge, set off against amounts owing to us under the Deferred Payment Agreement and enforcement of the Kenon guarantee, which could impact our liquidity and financial position. Furthermore, any enforcement of the OPC share pledge could result in the buyer acquiring a significant interest in OPC or could result in a sale of a significant amount of OPC shares which could adversely affect the market price of OPC's shares.

If Kenon is required to make payments under the guarantee it may need to use funds from its businesses, or sell assets, including OPC shares. Furthermore, any sales of assets may not be at attractive prices, particularly if such sales must be made quickly to meet the sellers' obligations.

We are subject to risk in relations to the $175 million Deferred Payment Agreement

As part of the consideration for the sale of the Inkia Business, $175 million of the purchase price payable to us was deferred in the form of a four-year $175 million Deferred Payment Agreement, accruing interest at 8% per year and payable in-kind. The obligor under the Deferred Payment Agreement is Nautilus Energy TopCo LLC, which is the parent company of the buyer of the Inkia Business. The obligations of Nautilus Energy under this agreement are secured by a pledge over its shares by its direct parent company and a pledge over the shares of the direct subsidiary of Nautilus Energy. The obligations of Nautilus Energy are structurally subordinated to all of the debt and other obligations of the buyer of the Inkia Business and the Inkia Business itself. Accordingly, to the extent that the buyer of the Inkia Business or the Inkia Business itself are required to make payments to their creditors, there could be insufficient funds remaining for Nautilus Energy to meet its obligations under the Deferred Payment Agreement. In addition, debt or other agreements may limit amounts which can be distributed or otherwise transferred to Nautilus Energy to make payments on the Deferred Payment Agreement. Finally Nautilus Energy will depend on cash held or generated by the Inkia Business to be made available to it to meet its obligations under this agreement. ISQ Global Infrastructure Fund II, L.P., an indirect parent of Nautilus Energy, has provided a guarantee of Nautilus Energy's obligations under the deferred payment agreement. However, this guarantee falls away upon a cross-acceleration of Nautilus Energy's obligations under the deferred payment agreement. For further information see "*Item 4.B Business Overview—Discontinued Operations— Inkia Business—Nautilus Energy TopCo LLC Deferred Payment Agreement.*"

We are subject to credit risk relating to this loan, as Nautilus Energy may be unable to make principal and interest payments as they become due and there is no guarantee that any collateral securing such loan will be sufficient to protect us in the event of non-payment by Nautilus Energy.

In addition, we face risks under this loan relating to our indemnification obligations under the share purchase agreement for the sale of the Inkia Business, as to the extent that there are indemnification obligations owing to the buyer (and such payment obligations are agreed between buyer and seller or determined by a court in a non-appealable judgment) which are unpaid and after the buyer has exhausted its rights under the OPC share pledge, the buyer can offset amounts owing under this loan against unpaid indemnification obligations.

The transition services to be provided by the buyer may not be sufficient and be difficult for us to replace upon expiration of the agreement

In connection with the sale of the Inkia Business, we entered into a transition services agreement with the buyer. This agreement outlines the provision of transition services by the Inkia Business throughout a transition period. The transition services covered by this agreement include the preparation of financial statements, assistance with reporting requirements and consulting services with respect to the construction of OPC-Rotem. Any failure by the Inkia Business to perform such services during the transition period, or any failure by us to successfully transition such services away from the Inkia Business upon expiration of the transition services agreement and integrate the new services into our business, could have an adverse effect on our business.

Risks Related to Our Interest in Qoros

Qoros depends on funding 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 has significant obligations. Qoros has historically relied upon capital contributions, loans, guarantees and pledges from its shareholders, and third party loans supported by its shareholders, to fund its development and operations. 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 resources.

In January 2018, Kenon announced the New Qoros Investor completed a transaction to purchase 51% of Qoros from Kenon and Chery for RMB3.315 billion (approximately $526 million), which is part of an investment structure to invest a total of approximately RMB6.63 billion (approximately $1,052 million) by the New Qoros Investor of which RMB6.5 billion will ultimately be invested in Qoros' equity. As a result, Kenon and Chery now have 24% and 25% stakes in Qoros, respectively. This investment has improved Qoros' liquidity, but Qoros may need to continue to secure additional financing to meet its operating expenses, including accounts payable, and debt service requirements until it increases its sales levels.

Qoros' success is dependent upon an increase in sales volumes.

Qoros commenced commercial sales in 2013 and has not yet achieved significant sales levels. Qoros's sales decreased to 15,000 cars in 2017 from 24,000 cars in 2016. Qoros sold approximately 11,400 cars in the first quarter of 2018, a more than 200% increase as compared to approximately 3,700 cars sold in the first quarter of 2017, with a substantial number of such sales in Q1 2018 reflecting purchase orders introduced by the New Qoros Investor. Qoros' success will depend upon Qoros increasing its sales volumes, which will depend on, among others:

- the continued development of the Qoros brand;
- successful development and launch of new vehicle models;
- expansion and enhanced sales capabilities of its dealer network;
- build-up of its aftersales and services infrastructure;
- managing its procurement, manufacturing and supply processes;
- the volume of vehicles acquired by the affiliate to the New Qoros Investor;
- 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 will need to significantly increase its sales to meet its operating expenses and principal payments under its debt facilities. If Qoros is not able to increase its sales, this 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 being required to make payments under its guarantees of Qoros' debt if Qoros is unable to meet its debt obligations.

Qoros is significantly leveraged.

As of December 31, 2017, Qoros had total loans and borrowings (excluding shareholder loans) of RMB4.8 billion. Qoros may require additional financing for its continued development.

Highly leveraged businesses are inherently more sensitive to declines in revenues, increases in expenses and interest rates, and adverse market conditions. This is particularly true for Qoros, as Qoros has yet to generate positive cash flows from its operations. Qoros uses a portion of its liquidity to make debt service payments, thereby reducing its ability to use its cash flows to fund its operations, capital expenditures, or future business opportunities. Qoros is required to make principal payments on its RMB3 billion, RMB1.2 billion and RMB700 million facilities in 2018.

In addition, Qoros' RMB3 billion syndicated credit facility, RMB1.2 billion syndicated credit facility, and RMB700 million syndicated credit facility contain 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.

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 2016, the lenders under Qoros' syndicated credit facility waived Qoros' compliance with the financial covenants under this facility through the first half of 2020. 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 the waiver period, and Qoros' syndicated lenders do not waive such non-compliance or revise such covenants, Qoros' lenders could accelerate the repayment of borrowings due under Qoros' RMB3 billion syndicated credit facility. If Qoros does not maintain a good relationship with its lenders this could impact requests for lender consents, including the consents being sought by New Qoros Investor, Chery and Kenon as pledgors of Qoros shares under the RMB1.2 billion facility in connection with the investment by the New Qoros Investor.

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, or to maintain payments on its remaining credit facilities. Additionally, as Qoros is significantly leveraged and certain of its assets, including its manufacturing facility and significant portion of its intellectual property, secures its syndicated credit facility and other indebtedness, 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.

Kenon has outstanding "back-to-back" guarantee obligations to Chery in respect of guarantees that Chery has given in respect of Qoros' bank debt and has pledged a substantial portion of its interests in Qoros to secure Qoros' bank debt, as well as Chery's guarantees of Qoros' 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. In addition, Kenon may be required to increase the amount of Qoros shares pledged (or Kenon may provide other credit support).

Our interest in Qoros is only 24%.

In January 2018, Kenon announced the New Qoros Investor completed a transaction to purchase 51% of Qoros from Kenon and Chery for RMB3.315 billion (approximately $526 million), which is part of an investment structure to invest a total of approximately RMB6.63 billion (approximately $1,052 million) by the New Qoros Investor of which RMB6.5 billion will ultimately be invested in Qoros' equity. As a result, Kenon and Chery now have 24% and 25% stakes in Qoros, respectively.

Under the investment agreement, the New Qoros Investor also has the right to increase its stake in Qoros to up to 67%, subject to conditions. For further information on this option, see "*Item 4.B Business Overview—Our Businesses—Qoros —Qoros' Investment Agreement—Kenon's Put Option; the New Qoros Investor's Right to make Further Investments in Qoros*." If this right is exercised, Kenon's indirect interest in Qoros will be further diluted, resulting in less control over the Qoros business.

Prior to the New Qoros Investor's investment, Kenon had a 50% interest in Qoros, and the right to appoint three of the six directors on the Qoros board, among various other management rights. As a result of this investment, Kenon's interest in Qoros has been diluted, and it is now entitled to only appoint two of the nine Qoros directors. Qoros' other joint venture partners may have goals, strategies, priorities, or resources that conflict with our goals, strategies, priorities or resources, which may adversely impact our ability to effectively own Qoros, undermine the commitment to Qoros' long-term growth, or adversely impact Qoros' business.

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

Qoros sources its engines and certain spare parts from Chery in the ordinary course of Qoros' business, and has entered into various commercial agreements with respect to the provision of such supplies from Chery. Qoros has amounts payable to Chery in the amount of RMB555 million as of December 31, 2017.

Qoros has also entered into a platform sharing agreement with Chery, pursuant to which Qoros provided Chery with the right to use Qoros' platform in exchange for a fee. Qoros may enter into additional commercial arrangements and agreements with Chery, or parties related to it, in the future.

In addition, Qoros also sells vehicles to entities introduced by the New Qoros Investor.

Accordingly, Qoros enters into transactions with its shareholders and their affiliates and Kenon's ability to control the terms of such transactions may be limited. Such transactions could create potential conflicts of interest, which could impact the terms of such transactions.

Qoros actively manages its trade payables, accrued expenses and other operating expenses in connection with the management of its liquidity requirements and 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.

Qoros' vehicle models and brand are still evolving, and Qoros is still trying to achieve broad base customer acceptance.

Qoros' success depends on its ability to target the appropriate market segment at the optimal price level. Qoros' brand and business are relatively new, and Qoros has not achieved significant sales levels. Qoros' future business and profitability outlook depends, in large part, upon Qoros' ability to sell vehicle models that will be accepted by the targeted consumers, in its targeted price range.

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 a significant percentage 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, establishing and expanding its dealer network, which will require Qoros' dealers to construct their dealerships using their own capital resources, with sales rebates from Qoros (i.e., dealers are entitled to sales rebates from Qoros if they achieve certain purchase targets or meet certain other criteria). As part of its strategy to increase its sales, Qoros intends to create incentives for its high-performing dealers to open additional points of sales. In addition, Qoros directly owns two of its dealers, and may contemplate further direct ownership of its dealers. 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' cost-cutting measures in recent years may impact sales.

In recent years, Qoros has taken steps to reduce its costs and address its low sales and its liquidity situation, including workplace optimization and reduced promotional spending. Such cost-cutting measures may impact Qoros' sales. For instance, Qoros has reduced spending on promotions and other advertising, which could make it difficult for Qoros to maintain or significantly increase sales, as brand awareness is critical to increasing sales in the highly competitive Chinese car industry.

Furthermore, Qoros recently reduced spending on design and research and development costs for new models, as well as updating and adapting its vehicle platform and manufacturing facility. This reduced research and development spending has affected Qoros' ability to introduce newer vehicle models. A slower pace in introducing new models impacts sales and may make it difficult to attract customers.

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. 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 recent years has resulted in increased competition in China's automotive market through price reductions, which has resulted in reduced margins. In response to market conditions, in 2016 and 2017, dealers and OEMs continued to reduce prices and offer further inducements (including non-cash incentives) to purchase vehicles. Qoros expects the downward pressure on vehicle prices to continue for the next few years.

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 at 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. Many of Qoros' competitors in this market continued to upgrade their vehicles and introduced new models in 2017, and a continuation of this trend may affect Qoros' ability to sell its SUVs.

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. 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 sufficiently protective of intellectual property rights, 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. 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 for its 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 affect Qoros' business.

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. 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 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. Any economic slowdown in China could negatively affect 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.

The New Qoros Investor may not satisfy its commitment to introduce vehicle purchase orders to Qoros.

In connection with its January 2018 investment in Qoros, the New Qoros Investor agreed to introduce approximately 100,000 vehicle purchase orders to Qoros each year between 2018 and 2020 following the entry into further agreements with respect to these purchases. Such further agreements, which will need to set out specific details relating to models to be purchased, purchase price and other details, have not yet been agreed in full, so there is no assurance as to the terms of such purchases.

In the event that the New Qoros Investor does not comply with its commitment to introduce the vehicle purchase orders, this could have an adverse effect on Qoros' results.

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, among others. 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, 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. 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 the laws and regulations, including those relating to taxation, environmental regulations, land use rights, property, or the aforementioned corporate matters, of China, Jiangsu, Shanghai or any other jurisdiction in which Qoros may do business. 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.

As Qoros' strategy contemplates the development of an NEV, Qoros will be subject to the laws, licensing requirements, regulations and policies applicable to NEVs in China. For instance, Qoros will need to obtain regulatory approvals and licenses to develop and launch its NEV. In addition, in recent years, the Chinese government has offered large subsidies for purchases of electric vehicles. However, these subsidies are expected to be gradually phased out over the next few years, which may affect the demand for NEVs in China.

Furthermore, China has recently published a set of fuel consumption credit management rules to promote the growth of the NEV market and reduce reliance on internal combustion vehicles. Under the regulations, automakers must obtain a certain NEV score by 2019, which score is related to the number of NEVs the automaker produces (approximately 10% of the automaker's production in 2019). If the automaker is unable to obtain the score, it is required to purchase credits from other automakers whose NEV score is above the required amount or will be subject to penalties. If Qoros is unable to receive positive Corporate Average Fuel Consumption, or CAFC, credits commencing in 2018 and produce enough NEVs to satisfy the credit deficits, Qoros may be required to purchase NEV credits, which may be costly, or be subject to penalties, including the disqualification of new product registration.

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, train and retain skilled employees, including employees with the capacity to operate Qoros' production line as well as employees possessing core competencies in vehicle design and engineering. In recent years, Qoros has made a number of personnel changes at the executive management level and in the senior management structure, including after the investment in Qoros in 2018. Such management changes have affected and any future changes may affect, Qoros' ability to execute its business plan.

In addition, Qoros must continue to develop talent and leadership capabilities in China, where the availability 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. In particular, Qoros intends to expand the size of its research and development team, but may be unable to hire a sufficient number of qualified personnel in line with its strategy.

In connection with cost-cutting measures implemented in recent years, Qoros decreased the size of its workforce. Furthermore, in light of the high demand for skilled employees in the Chinese automotive industry, certain Qoros employees have left, and may continue to leave, Qoros to join Qoros' competitors. To the extent Qoros significantly increases its sales volumes, it may not hire or retain sufficient personnel necessary to meet the increased demand. If Qoros fails to hire, train and retain the required number of qualified personnel to operate its business, 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, 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. As Qoros continues to actively manage its trade payables, 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.

In addition, to the extent Qoros significantly increases its sales, it may be unable to procure the supplies necessary to meet such sales volumes. If Qoros is unable to pay its suppliers on a timely basis, it may be unable to procure on favorable terms 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.

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

Qoros' business plan contemplates the introduction of new vehicle models (including an NEV model), as well as enhanced versions of existing vehicle models, over the short- and long-term. In light of technological developments, Qoros will need to continually upgrade and adapt its vehicle models, vehicle platform and manufacturing facility in Changshu, as automobile customers generally expect new or enhanced vehicle models to be introduced frequently. Upgrading and adapting Qoros' vehicle models and manufacturing facility and developing and launching an NEV will require significant investments, whereas in recent years, Qoros has undertaken cost-cutting measures. Further, there can be no assurance that Qoros will be able to secure the necessary financing to fund the continued introduction and manufacturing 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. Should Qoros be unable to invest in developing and upgrading its vehicle models and manufacturing facility, Qoros may experience difficulties in introducing and developing new vehicles, including NEVs, with the latest automobile technology which meets consumer standards. In addition, 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.

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 Public Company Accounting Oversight Board, or PCAOB, are required to undergo regular 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.

In January 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 global economic conditions 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, including the imposition of tariffs and other trade protectionism;
- currency exchange rates;
- prices of energy resources;
- environmental and other regulatory developments;
- changes in seaborne and other transportation patterns;
- changes in the shipping industry, including mergers and acquisitions, bankruptcies, restructurings and alliances;
- changes in the infrastructure and capabilities of ports and terminals;
- weather conditions; and
- development of digital platforms to manage operations.

These factors also significantly affect ZIM's freight rates. 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 December 31, 2017, global container ship capacity was approximately 21 million 20-foot equivalent units, or TEUs, spread across approximately 5,200 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 new vessels. Many of these orders are for vessels with carrying capacities of 18,000 TEUs and above, which may increase capacity for each shipping voyage. Additionally, responses to changes in market conditions may be slow 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, dry-docked, 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.

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 experienced a reduction in the number of major carriers, as well as a continuation of the trends of 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, in recent years, COSCO and China Shipping Container Lines merged into COSCO Shipping, Hanjin Shipping filed for bankruptcy and APL Shipping was acquired by CMA CGM Shipping. In 2017, there were announcements of further consolidation in the shipping industry, including the merger of United Arab Shipping Company and Hapag-Lloyd, the acquisition of Hamburg Sud by Maersk and the merger of three large Japanese carriers.

The recent consolidation in the industry has affected the existing strategic alliances between shipping companies. For example, the Ocean Three alliance, which consisted of CMA CGM Shipping, United Arab Shipping Company and China Shipping Container Lines, was terminated and replaced by the Ocean Alliance, consisting of COSCO Shipping, CMA CGM Shipping, Evergreen Marine and Orient Overseas Container Line.

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 some 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.

Declines in freight rates or other market conditions and other factors, could negatively affect ZIM's business, financial condition, or results of operations and could thereby result in ZIM or Kenon incurring 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. Should freight rates decline significantly or ZIM or the shipping industry experience adverse conditions, this may have a material adverse effect on ZIM's business, results of operation and financial condition, which may result in ZIM or Kenon recording an impairment charge.

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 11% and 13% of the income from voyages and related services for the years ended December 31, 2016 and 2017, 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, environmental regulations, fracking, and the long-term increase in global demand for oil.

Increases 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, from time to time ZIM has imposed 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, pro forma speed, vessel efficiency, the weight of the cargo being transported, port efficiency and sea conditions. ZIM has 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. 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.

In addition, in connection with IMO sulfur emissions regulations expected to come into effect in 2020, ZIM may be required to use fuel oil which is more costly than that which it currently uses to comply with the regulations.

ZIM is highly leveraged and may be unable to comply with its financial covenants or meet its debt service or other obligations.

As of December 31, 2017, ZIM had approximately $1.5 billion of outstanding loans and liabilities to be repaid between 2018 through 2030, of which $313 million of principal is scheduled to be repaid during 2018. 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; and
- Other non-financial covenants and limitations such as restrictions on dividend distribution, asset sales, investments and incurrence of debt, as well as various reporting obligations.

In 2016, ZIM agreed with its creditors a rescheduling of principal payments of $116 million originally scheduled for payment in the 12 months from September 30, 2016, as well as to waive and revise certain covenants to which ZIM was subject. The covenants which had been waived for 2017 are applicable beginning in March 2018.

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 is unable to comply with its covenants or meet debt service obligations or does not 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, a default or 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 to 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 sell assets, 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. If ZIM does not 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 or other governments. In recent years, China has experienced slower GDP growth rates than in previous years, 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.

Furthermore, China's import and export of goods may also be affected by trade protectionism and local production over foreign trade, which may affect the demand for maritime shipping, particularly between the United States and China. For instance, in March 2018, the U.S. President directed the U.S. trade representative to impose tariffs of approximately $50 billion of products originating in China, file a case against China with the World Trade Organization and also proposed to limit Chinese inbound investment into the United States. The Chinese government has announced that it intends to retaliate against the imposition of these sanctions through imposition of its own tariffs on certain imports from the United States. Such policies, if implemented, may affect the global demand for ZIM's services.

In addition, in 2017, China implemented an environmental plan applicable to scrap imports. This plan materially decreased U.S. exports of scrap paper, plastics and textiles during 2017. Should this environmental plan be broadened, this may have a material adverse effect on global shipping demand.

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

ZIM charters a substantial portion of its fleet. As of December 31, 2017, of the 81 vessels through which ZIM provides transport services globally, 74 are chartered, 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, 2017, approximately 34% of ZIM's chartered vessels (in terms of capacity) 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.

The trend towards increasing vessel sizes may adversely affect ZIM.

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 18,000 TEUs represented approximately 47% of the current global order book based on TEU capacity as of December 2017. 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 lager 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.

In June 2016, the Panama Canal expansion project was completed. As a result of the expansion, the canal can 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 has required 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 with capacities of 13,000-14,000 TEUs. As large container vessels continue to be delivered into the shipping industry, ZIM's competitors are expected to further upgrade their fleet to capacities of 13,000-14,000 TEUs in the trans-Pacific trade. As a result, a significant portion of ZIM's vessels may become increasingly less efficient to operate via the Panama Canal.

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.

In addition, ZIM may be required to incur significant costs in connection with modifications to environmental regulations applicable to shipping companies. For example, ZIM will be required to comply with IMO regulations relating to sulfur emissions which are expected to come into effect in 2020. In order to comply with these regulations, ZIM will be required to either use fuel oil which is more costly than that which it currently uses or modify its vessels by installing scrubbers, either of which may entail significant costs.

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. 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 exempted 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. 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.

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 containers, 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.

Risks Related to Primus

Primus requires additional financing for 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 us either through capital contributions or shareholder loans, or to the extent Primus pursues projects, through contributions from strategic partners or debt financing. There is no certainty that additional financing will be provided to Primus. Any lack of, or delay in securing, such financing may delay, or prevent completely, Primus' ability to continue to develop its commercial operations, which may result in Primus' ultimate sale, 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:

- retain and recruit key personnel;
- adequately protect its intellectual property;
- secure necessary capital;
- successfully negotiate with government agencies, vendors, customers, feedstock suppliers or other third parties;
- successfully manage its existing, or enter into new, strategic relationships and partnerships;
- commence projects on the current, or any revised, schedule in compliance with the budget;
- effectively manage rapid growth in personnel or operations; 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 methanol or fuel that satisfies required specifications.

The commercialization of Primus' technology contemplates the production of liquids that satisfy certain specifications. If any of the liquids produced by Primus' STG+ process are unable to satisfy required specifications, Primus may be unable to market and commercialize its proprietary liquids 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 liquids that Primus produces using its STG+ process (gasoline, methanol and stream miscible with crude) will compete in markets with refined petroleum products. 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-á-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. 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 liquids 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.

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.

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 also 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 Ansonia, which holds approximately 58% of our shares. If Ansonia sells, or indicates 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 Ansonia 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 owns approximately 58% of our outstanding ordinary shares and voting power. 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.

We may not have sufficient distributable profits to pay dividends or make other distributions.

Under Singapore law and our constitution, dividends, whether in cash or in specie, must be paid out of our profits available for distribution. 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 may 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, if 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. 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). We have completed capital reduction exercises in connection with the distribution of our Tower shares and the cash distribution in March 2018, but there is no assurance that we will be able to complete further capital reductions in the future.

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. For example, in March 2018, we distributed a cash dividend of $665 million, representing approximately $12.35 per share, to our shareholders. Although a significant percentage of our shareholders hold their shares through the TASE, the dividend was 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.

Furthermore, in December 2017, Kenon's shareholders authorized a capital reduction to enable a potential distribution of a portion of the proceeds received from the sale of the Inkia Business. The Singapore courts approved the capital reduction in February 2018 and Kenon distributed $665 million in March 2018.

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 have followed certain, and may follow, 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.

In addition, we are not required to maintain a board comprised of a majority of independent directors and a fully independent nominating and corporate governance committee. We generally seek to apply the corporate governance rules of the NYSE that are applicable to U.S. domestic registrants that are not "controlled" companies. However, we do not fully comply such rules; for example, we do not have a fully independent nominating and corporate governance committee. We may, in the future, decide to rely on other 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 delay, deter or prevent a takeover of our company by a third-party, and as a result of a waiver from application of the Code, our shareholders may not have the benefit of the application of the Singapore Code on Take-Overs and Mergers, 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 $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 to the extent that this waiver is available.

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 2017, or the 2017 AGM, our shareholders granted the board of directors authority (effective until the conclusion of the annual general meeting of shareholders to be held in 2018, or the 2018 AGM, or the expiration of the period by which the 2018 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 2017 AGM and shareholders will be asked to renew this authority at the 2018 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, 2017. However, the application of the PFIC rules is subject to uncertainty in several respects and 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) 75% or more of its gross income for such year is passive income or (ii) 50% or more 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, 25% or more (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. For instance, the sale of the Inkia Business and the investment in Qoros by the New Qoros Investor (which reduced our equity interest in Qoros to 24%) each may increase the value of our assets that produce, or are held for the production of, passive income and/or our passive income and result in us becoming a PFIC for our current, and any future, taxable year. 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 (including any sales or distributions), tax position, deductions, exemptions, where we or our 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 unable to proceed with certain transactions, 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

We were formed in 2014 to be the holding company of certain companies that were 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 76% interest in ***OPC***, an owner, developer and operator of power generation facilities in the Israeli power market;
- a 24% interest in ***Qoros***, a China-based automotive company;
- 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-liquids 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. In 2016, we sold our remaining interest in Tower.

In December 2017, our wholly-owned subsidiary Inkia sold its power generation and distribution businesses in Latin America and the Caribbean, or the Inkia Business, to an entity controlled by I Squared Capital, an infrastructure private equity firm. For further information on the sale, see "*Item 4.B Business Overview—Discontinued Operations—Inkia Business — Sale of the Inkia Business.*" As a result of this sale, our remaining power generation business consists of its 76% interest in OPC.

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 pursuant to Israeli Securities regulations 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 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) OPC, an owner, developer and operator of power generation facilities in Israel, in which we have a 76% equity interest, and (ii) Qoros, a China-based automotive company in which we have a 24% equity interest following the completion of the New Qoros Investor investment.

Our strategy is to realize the value of our businesses for our shareholders. In connection with this strategy, we will support the development of our business and we may provide our shareholders with direct access to our businesses, which may include spin-offs, listings, offerings, distributions or monetization of our businesses. To the extent we monetize our businesses (i.e., through offerings or sales), we may distribute the proceeds derived from such transactions to our shareholders.

We have implemented a number of steps in furtherance of our strategy in 2017 and early 2018 for our primary businesses, including:

- ***IC Power:*** we completed an IPO and listing of our OPC business in Israel and sold our businesses in Latin America and the Caribbean:

    - OPC IPO: In August 2017, OPC completed an initial public offering in Israel, and a listing on the TASE, resulting in net proceeds to OPC of approximately $100 million and Kenon retaining a 76% stake; and

    - Sale of IC Power's Inkia Businesses: In December 2017, we sold IC Power's power distribution and generation businesses in Latin America and the Caribbean for consideration of $1,332 million (subject to final closing adjustments), of which $175 million was deferred. The proceeds were used to repay debt and pay taxes and other expenses, and to fund a distribution to Kenon shareholders of $665 million.

- ***Qoros:*** In 2017, we reduced our guarantee exposure to Qoros and in early 2018 we announced the completion of a transaction to facilitate a new investment in Qoros:

    - Reduction of Guarantees: In addition to the reduction in our proportionate guarantees resulting from the new investment in January 2018 described below, we also entered into a series of transactions in 2017 with our joint venture partner, Chery, which reduced the maximum amount of our guarantee obligations in respect of Qoros debt from RMB850 million as of December 31, 2017 to RMB320 million, with respect to debt in principal of RMB288 million; and

    - New Investor in Qoros: In January 2018, Kenon announced the New Qoros Investor completed a transaction to purchase 51% of Qoros from Kenon and Chery for RMB3.315 billion (approximately $526 million), which is part of an investment structure to invest a total of approximately RMB6.63 billion (approximately $1,052 million) by the New Qoros Investor of which RMB6.5 billion will ultimately be invested in Qoros' equity. As a result, Kenon and Chery now have 24% and 25% stakes in Qoros, respectively; the transaction provides significant liquidity to Qoros and contemplates the repayment of existing shareholder loans owing from Qoros to Kenon. The agreement also gives Kenon a put option to sell some or all of its remaining interest in Qoros to the New Qoros Investor for consideration of up to $495 million (subject to adjustments).

We also hold interests in:

- ***ZIM***, a large provider of global container shipping services, which, as of December 31, 2017 operated 81 (owned and chartered) vessels with a total container capacity of 385,974 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 which we have a 91% equity interest.

We continue to assess our options with respect to ZIM and Primus. We do not intend to make further investments in ZIM. Nevertheless, if a strategic opportunity arises that would require an investment to facilitate a transaction that will benefit Kenon shareholders, we may consider such a transaction.

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 or sales of our interests in any of our businesses, among our other businesses.

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. 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 (Continuing Operations)

Set forth below is a description of our businesses (continuing operations).

OPC

OPC, which accounted for 100% of our revenues in the year ended December 31, 2017, is an owner, developer and operator of power generation facilities located in Israel.

OPC-Rotem, in which OPC has an 80% equity interest, operates a conventional combined cycle power plant in Mishor Rotem, Israel, with an installed capacity of 466 MW (based on OPC-Rotem's generation license). The power plant utilizes natural gas, with diesel oil as backup.

OPC-Hadera, a wholly-owned subsidiary of OPC, operates steam boilers and turbines with an installed capacity of up to 18 MW in Hadera. In June 2016, OPC-Hadera commenced construction of the OPC-Hadera plant, a cogeneration power station in Israel, which is expected to have a capacity of up to 148 MW, and is expected to reach its COD by first half of 2019. OPC expects that the total cost of completing the OPC-Hadera plant (including the consideration for the original acquisition of OPC-Hadera) will be approximately NIS 1 billion (approximately $288 million). As of December 31, 2017, OPC-Hadera had completed approximately 83% of the project and invested approximately NIS 562 million (approximately $162 million) in the project.

In April 2017, OPC entered into agreements (including an option agreement) for the acquisition of 95% of the shares of Tzomet Energy Ltd., which is developing a natural gas-fired power station in Israel with capacity of approximately 396 MW, for total consideration of $23 million, subject to adjustment. In August 2017, the EA received a letter from the from the Israel Concentration Committee stating that it believed that, for reasons of broad economy concentration (i.e. taking into account businesses owned by related entities of Kenon's controlling shareholder), OPC should not be granted a contingent license for the construction of the planned facility. In March 2018, OPC completed the acquisition of 95% of the shares of Tzomet Energy, although Tzomet still requires (among other requirements) a license from the EA to proceed with construction of the planned facility. The total consideration for the acquisition is estimated at approximately $23 million, subject to certain adjustments, of which $3.65 million was paid in March 2018, an additional $3.65 million is expected to be paid in the second quarter of 2018, and the remaining consideration will be paid at financial closing of the Tzomet project.

For risks related to OPC's expansion, see "*Item 3.D Risk Factors—Risks Related to OPC—OPC faces risks in connection with the expansion of its business.*"

In August 2017, OPC completed an initial public offering in Israel, and a listing on the TASE, resulting in net proceeds to OPC of approximately $100 million and Kenon retaining 76% stake. The OPC shares owned by Kenon are subject to an 18-month lock up from the IPO date in August 2017 in accordance with regulations of the Tel Aviv Stock Exchange. The lock up permits sales of up to 2.5% of the OPC shares held by Kenon for each month starting the fourth month after the IPO; starting the seventh month after the IPO, sales are permitted to a person who becomes subject to the lock-up restriction. Shares released from the lock-up restricted are deposited into the pledge account in respect of the sale of the Inkia Business until the full amount of shares is deposited into that account. For further information on Kenon's pledge of OPC shares, see "*Item 3.B Business Overview—Discontinued Operations—Inkia Business—Sale of the Inkia Business—Pledge Agreement with respect to OPC Shares.*".

OPC has recently begun initiating projects in the field of power generation using photovoltaic technology, through OPC Solar, a wholly-owned subsidiary of OPC. These ventures are in a preliminary stage, and OPC does not currently have active projects for the generation of electricity with photovoltaic technology.

The following table sets forth summary operational information regarding each of OPC's operating companies as of December 31, 2017:

Country	Entity	Ownership Percentage (Rounded)	Fuel	Installed Capacity (MW)	Type of Asset
Israel	OPC-Rotem	80%	Natural Gas and Diesel	466	Greenfield
Israel	OPC-Hadera	100%	Natural Gas and Diesel	18	Acquired
		Total Operating Capacity		**484**	

The weighted average remaining life of OPC's PPAs based on firm capacity, as of December 31, 2017, is approximately seven years**.** For OPC-Rotem, this reflects the weighted average remaining life of its PPAs with end users based on OPC's firm capacity. The IEC PPA (as defined below), which extends for a 20-year term, provides OPC-Rotem with the option to allocate and sell the generated electricity of the power station directly to end users. OPC-Rotem has exercised this option and sells all of its energy and capacity directly to 23 end users, as of the date of this report. For further information on the IEC PPA, see "*—Regulatory, Environmental and Compliance Matters.*"

Industry Overview

Overview of Israeli Electricity Generation Industry

According to the Israel Central Bureau of Statistics, Israel had a population of approximately 8.8 million as of December 31, 2017. Israeli GDP grew by 3%, 4% and 2.6% in 2017, 2016 and 2015, respectively.

Israel's power generation units primarily utilize fossil fuels. Most of the activity of power generation in Israel is carried out by the state-owned IEC. However, in recent years the market share of private producers has been increasing in light of the Israeli government policy to allow competition in the electricity market.

The following tables feature data on the share of private electricity producers and the IEC in the electricity market in 2015 and 2016, as published by the EA[1]:

	December 31, 2016		December 31, 2015	
	Installed Capacity (MW)	**% of Total Installed Capacity in the Market**	**Installed Capacity (MW)**	**% of Total Installed Capacity in the Market**
IEC	13,617	77%	13,617	78%
Private electricity producers (without renewable energy)	3,077	17%	3,065	18%
Renewable energy (private electricity producers)	971	6%	679	4%
Private electricity producers (including renewable energy)	4,048	23%	3,743	22%
Total in the market	**17,665**	**100%**	**17,360**	**100%**
	Energy generated (thousands of MWh)	**% of total generated in the market**	**Energy generated (thousands of MWh)**	**% of total energy generated in the market**
IEC	45,544	68%	50,641	77%
Private electricity producers (without renewable energy)	20,102	30%	13,496	21%
Renewable energy (private electricity producers)	1,745	2%	1,276	2%
Private electricity producers (including renewable energy)	21,847	32%	14,772	23%
Total in the market	**67,391**	**100%**	**65,413**	**100%**

1. Based on the Report on Electricity Market 2016 and the database for assessment, as published by 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 NIS. 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).

The following tables set forth the consumption blocks for each of the seasons set forth below, as of January 1, 2018:

	Hours per Consumption Block[1]		
	Winter	Transition	Summer
		(Hours)	
Peak	410	1,932	315
Shoulder	206	946	315
Off-Peak	1,544	2,234	858

(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 OPC— Changes in the EA's electricity rates may reduce OPC's profitability.*"

As of December 31, 2016, the installed capacity of the Israeli market (IEC and IPPs, excluding renewable technologies) was 16,694 MW, and 17,665 MW, including renewable technologies. According to Bank of Israel's and IEC projections, the demand for electricity in Israel is expected to grow at an annual rate of 2.3%-2.8% in coming years.

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. IEC also transmits all of the electricity in Israel.

For further information on Israel's regulatory environment, see "*—OPC's Description of Operations—Regulatory, Environmental and Compliance Matters*." For information on the risks related to changes in Israel's regulatory environment, see "*Item 3.D Risk Factors—Risks Related to OPC— Changes in the EA's electricity rates may reduce OPC's profitability.*"

OPC's Description of Operations

OPC's portfolio includes power generation plants that operate on natural gas and diesel. As of December 31, 2017, OPC's installed capacity was up to 484 MW.

OPC's first power plant, OPC-Rotem, a combined cycle power plant with an installed capacity of 466 MW (based on OPC-Rotem's generation license), commenced commercial operations in Mishor Rotem, Israel in July 2013. The power plant utilizes natural gas, with diesel oil as backup. OPC has an 80% equity interest in OPC-Rotem.

OPC-Hadera, a wholly-owned subsidiary of OPC, operates steam boilers and turbine with an installed capacity of 18 MW in Hadera. In June 2016, OPC-Hadera commenced construction of a cogeneration power station in Israel, which is expected to have a capacity of up to 148 MW, and is expected to reach its COD in the first half of 2019. OPC expects that the total cost of completing the OPC-Hadera plant (including the consideration for the original acquisition of OPC-Hadera) will be approximately NIS 1 billion (approximately $288 million) (including the consideration for the original acquisition of OPC-Hadera). As of December 31, 2017, OPC-Hadera had completed approximately 83% of the project and invested approximately NIS 562 million (approximately $162 million) in the project.

In April 2017, OPC entered into agreements (including an option agreement) for the acquisition of 95% of the shares of Tzomet Energy Ltd., which is developing a natural gas-fired power station in Israel with capacity of approximately 396 MW, for total consideration of $23 million, subject to adjustment. In August 2017, the EA received a letter from the from the Israel Concentration Committee stating that it believed that, for reasons of broad economy concentration (i.e. taking into account businesses owned by related entities of Kenon's controlling shareholder), OPC should not be granted a contingent license for the construction of the planned facility. In March 2018, OPC completed the acquisition of 95% of the shares of Tzomet Energy, although Tzomet still requires (among other requirements) a license from the EA to proceed with construction of the planned facility. The total consideration for the acquisition is estimated at approximately $23 million, subject to certain adjustments, of which $3.65 million was paid in March 2018, an additional $3.65 million is expected to be paid in the second quarter of 2018, and the remaining consideration will be paid at financial closing of the Tzomet project. For risks related to OPC's expansion, see "*Item 3.D Risk Factors—Risks Related to OPC—OPC faces risks in connection with the expansion of its business.*"

OPC has recently begun initiating projects in the field of power generation using photovoltaic technology, through OPC Solar, a wholly-owned subsidiary of OPC. These ventures are in a preliminary stage, and OPC does not currently have active projects for the generation of electricity with photovoltaic technology.

The following table sets forth summary financial information for OPC for the year ended December 31, 2017:

Year Ended December 31, 2017					
Sales	Cost of Sales	Net Income	EBITDA[1]	Outstanding Debt[2]	Net Debt[3]
($ millions)					
$ 365	$ 266	$ 14	$ 86	$ 618	$ 395

(1) "EBITDA" is a non-IFRS measure. For a reconciliation of OPC's income (loss) to its EBITDA, see footnote 1 to the first table in "*Item 3.A Selected Financial Data—Selected Reportable Segment Data—OPC*" setting forth the selected financial data for the year ended December 31, 2017.
(2) Includes short-term and long-term debt and excludes loans and notes owed to a parent company.
(3) "Net debt" is not a measure recognized under IFRS. For a reconciliation of total debt to net debt for OPC and its businesses as of December 31, 2017 see footnote 2 to the first table in in "*Item 3.A Selected Financial Data—OPC*" setting forth the selected financial data for the year ended December 31, 2017.

The following table sets forth summary financial information for OPC for the year ended December 31, 2016:

Year Ended December 31, 2016					
Sales	Cost of Sales	Net Income	EBITDA[1]	Outstanding Debt[2]	Net Debt[3]
($ millions)					
$ 324	$ 251	$ 20	$ 67	$ 417	$ 371

(1) "EBITDA" is a non-IFRS measure. For a reconciliation of OPC's income (loss) to its EBITDA, see footnote 1 to the first table in "*Item 3.A Selected Financial Data—Selected Reportable Segment Data—OPC*" setting forth the selected financial data for the year ended December 31, 2017.
(2) Includes short-term and long-term debt and excludes loans and notes owed to a parent company.
(3) "Net debt" is not a measure recognized under IFRS. For a reconciliation of total debt to net debt for OPC and its businesses as of December 31, 2017 see footnote 2 to the first table in "*Item 3.A Selected Financial Data— Selected Reportable Segment Data—OPC*" setting forth the selected financial data for the year ended December 31, 2017.

The following table sets forth summary financial information for OPC for the year ended December 31, 2015:

Year Ended December 31, 2015					
Sales	Cost of Sales	Net Income	EBITDA[1]	Outstanding Debt[2]	Net Debt[3]
($ millions)					
$ 326	$ 245	$ 22	$ 79	$ 473	$ 289

(1) "EBITDA" is a non-IFRS measure. For a reconciliation of OPC's income (loss) to its EBITDA, see footnote 1 to the first table in "*Item 3.A Selected Financial Data—Selected Reportable Segment Data—OPC*" setting forth the selected financial data for the year ended December 31, 2017.
(2) Includes short-term and long-term debt.
(3) "Net debt" is not a measure recognized under IFRS. For a reconciliation of total debt to net debt for OPC and its businesses as of December 31, 2017 see footnote 2 to the first table in "*Item 3.A Selected Financial Data— Selected Reportable Segment Data—OPC*" setting forth the selected financial data for the year ended December 31, 2017.

The following table sets forth summary operational information for OPC as of and for the year ended December 31, 2017:

Entity	Installed Capacity (MW)[1]	Net energy generated (GWh)	Availability factor (%)
OPC-Rotem	466	3,576	94%
OPC-Hadera	18	79	89%
OPC Total	**484**	3,655	

The following table sets forth summary operational information for OPC as of and for the year ended December 31, 2016:

Entity	Installed Capacity (MW)	Net energy generated (GWh)	Availability factor (%)
OPC-Rotem	466	3,422	91%
OPC-Hadera	18	88	95%
OPC Total	**484**	**3,510**	

The following summaries provide a description of OPC's businesses.

OPC-Rotem

OPC has an 80% stake in OPC-Rotem. The remaining 20% is held by Veridis, which is owned by Oaktree Capital Management, an investment management firm. In March 2018, Delek Automotive Systems Ltd., or Delek Automotive, announced that it had entered into an agreement with Oaktree Capital Management and minority shareholders for the acquisition of the control of Veridis by Delek Automotive, together with several entities of the Harel Insurance Group, subject to the fulfillment of suspending conditions set out in the agreement. OPC-Rotem commenced operations in July 2013 in Mishor Rotem industrial zone in the south of Israel. The OPC-Rotem plant was constructed for an aggregate cost of approximately $508 million. OPC-Rotem's plant has a capacity of 466 MW (based on OPC-Rotem's generation license), representing, together with the Energy Center, approximately 2.7% of the total installed capacity and approximately 12% of the total installed capacity provided by IPPs in Israel as of December 31, 2016 (including renewables).

OPC-Rotem 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-Rotem 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-Rotem and the Tamar Group. According to the agreement with the Tamar Group, OPC-Rotem has the option to decrease the daily contractual gas amount to a specific amount set forth in the agreement, such that the minimum consumption from the Tamar Group constitutes 50% of the average gas consumption in the three years preceding the notice of the option exercise.

In December 2017, OPC-Rotem signed an agreement for the purchase of natural gas with Energean Israel Ltd., or Energean. Pursuant to this agreement, OPC-Rotem will purchase from Energean 5.3 billion m^3 of natural gas over a period of fifteen years (subject to adjustments based on their actual consumption of natural gas) or until the date of consumption of the full contractual quantity, commencing at the commercial operation date of the Energean natural gas reservoir. According to disclosure made by Energean, the supply of gas is currently expected to commence in 2021, but there is no guarantee that the gas supply will be available by such date. For further information on OPC-Rotem's gas supply agreements, see "*—OPC's Raw Materials and Suppliers.*"

OPC-Rotem 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. According to the agreement, OPC-Rotem is entitled to operate in one of the following two ways (or a combination of both with certain restrictions set in the agreement): (1) provide the entire net available capacity of its power station to IEC or (2) carve out energy and capacity for direct sales to private consumers, and OPC-Rotem has accordingly allocated the entire capacity of the plant to private consumers since COD, and OPC-Rotem has accordingly allocated the entire capacity of the plant to private consumers since COD. As a result, as of the date of this report, OPC-Rotem supplies energy to 23 end users according to long-term PPAs. In addition, OPC-Rotem from time to time enters short-term PPAs that give OPC flexibility in the sale of electricity to these customers (i.e. OPC may suspend from time to time the sale of electricity under these agreements). Under the IEC PPA, OPC-Rotem can also elect to revert back to supplying to IEC instead of private customers, subject to twelve months' advance notice

Mitsubishi provides the long-term servicing of the power station, for a term of 100,000 hours of operation, or until the date on which 8 planned gas turbine treatments are completed (OPC estimates that this is a period of 12 years).

OPC has entered into a shareholders' agreement which grants minority rights to OPC's minority shareholder. For further information on OPC's shareholders' agreements, see "*—Shareholders' Agreements.*"

OPC-Hadera

In August 2015, OPC acquired 100% of the shares of OPC-Hadera from Hadera Paper, a large paper and paper product manufacturer in Israel. The consideration for the transaction was NIS 60 million. OPC-Hadera, which currently operates an 18 MW plant, holds a conditional license for the construction of a cogeneration power station in Israel. OPC-Hadera commenced construction of the plant in June 2016. OPC expects that the total cost of completing the OPC-Hadera plant (including the consideration for the acquisition of OPC-Hadera) will be approximately NIS 1 billion (approximately $288 million), based upon a plant with up to 148 MW of capacity.

In January 2016, OPC-Hadera entered into an EPC contract in an amount equivalent to approximately $156 million with SerIDOM Servicios Integrados IDOM, S.A.U, or IDOM, for the design, engineering, procurement and construction of the cogeneration power plant (including amendments to the agreement that were subsequently signed). The consideration is payable upon achievement of certain milestones. The agreement contains a mechanism for the compensation of OPC-Hadera in the event that IDOM fails to meet its contractual obligations under the agreement. Furthermore, IDOM has provided bank guarantees and a corporate guarantee by its parent company to secure its obligations and OPC has provided IDOM a guarantee to secure part of OPC-Hadera's liabilities.

The OPC-Hadera plant is expected to reach its COD in the first half of 2019. As of December 31, 2017, OPC-Hadera had completed approximately 83% of the project and invested approximately NIS 562 million (approximately $162 million) in the project. In July 2016, OPC-Hadera entered into a NIS 1 billion loan agreement to finance the construction of the OPC-Hadera plant. Approximately 80% of the financing consists of long-term facility intended to cover the cost of construction and the remaining 20% consists of additional facilities. As of December 31, 2017, following financial closing, OPC made drawings under the loan agreement, in a total amount of NIS 494 million, of which two thirds of the amount is CPI-linked and one third is not CPI-linked. For further information on the OPC-Hadera financing, see "*Item 5.B Liquidity and Capital Resources—OPC's Liquidity and Capital Resources—OPC's Material Indebtedness—OPC-Hadera Financing.*"

OPC-Hadera's power plant is expected to supply the electricity and steam needs of Hadera Paper's facility as well as to provide electricity to private customers in Israel. The power plant will operate using natural gas as its energy source, and diesel oil as backup. As a cogeneration plant which supplies electricity and steam in a single production process, based on the construction contractor's estimates OPC-Hadera's power plant is expected to have a relatively high level of energy utilization. The efficiency of the Hadera station is expected to be approximately 74.5% when steam is supplied to Hadera Paper, and 54.5% when steam is not produced.

In June 2015, OPC-Hadera entered into an agreement with Hadera Paper for OPC-Hadera's supply of electricity and steam from the OPC-Hadera power plant under construction to Hadera Paper's facility 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 OPC-Hadera. The agreement provides minimum quantity of steam to be purchased by Hadera Paper (ToP level), which will be subject to adjustment. Until OPC-Hadera reaches its COD, OPC-Hadera will supply steam and electricity to Hadera Paper using the energy center purchased from Hadera Paper and OPC-Rotem will supply the residual energy. In 2012, Hadera Paper entered into an agreement with the Tamar Group for the supply of natural gas, which has been assigned to OPC-Hadera. The gas supply agreement expires upon the earlier of April 2028 or the date on which OPC-Hadera consumes the entire contractual capacity. Both contracting parties have the option to extend the agreement, under certain conditions. The price of gas is linked to the weighted average of the generation component tariff published by the EA, and it is also subject to a price floor. According to the agreement, the gas shall be supplied on a firm basis, and includes a "take-or-pay" obligation, or TOP, by OPC-Hadera, In addition, according to the agreement, OPC-Hadera has the option to effectively reduce the purchased gas quantities by approximately 50%, subject to certain conditions

In September 2016, OPC-Hadera entered into another gas supply agreement with the Tamar Group. The gas supply agreement will expire at the earlier of fifteen years following the OPC-Hadera plant's COD date or on the date on which OPC-Hadera consumes the entire contractual capacity. Both contracting parties have the option to extend the agreement, under certain conditions. The price of gas is linked to the weighted average of the generation component tariff published by the EA, and it is also subject to a price floor

According to the agreement, the gas will be supplied on an interruptible basis, and the Tamar Group shall not be responsible for failures in the requested gas supply levels. At the same time, the Tamar Group may decide to switch the supply to a firm basis. In the event of such a decision and from the date of the change in supply mechanism, Hadera will be subject to a TOP obligation. OPC-Hadera also has the option to sell gas surpluses to other customers, including related parties, subject to limitations. Furthermore, OPC-Hadera has the option to terminate the agreement at its sole discretion, within three years starting December 2016.

In December 2017, OPC-Hadera signed an agreement for the purchase of natural gas with Energean. Pursuant to this agreement, OPC-Hadera will purchase from Energean 3.7 billion m^3 of natural gas for a period of fifteen years (subject to adjustments based on their actual consumption of natural gas) or until the date of consumption of the full contractual quantity, commencing at the commercial operation date of the Energean natural gas reservoir. For further information on OPC-Hadera's gas supply agreements, see "*—OPC's Raw Materials and Suppliers.*"

In connection with the acquisition, Hadera Paper sold its energy center, consisting of certain equipment that it uses to produce steam, and up to 18 MW of additional capacity (and 7 MW that are not active), within its manufacturing plant to OPC-Hadera. OPC-Hadera will also lease from Hadera Paper the land on which the power generation plant is located for a period of 20 years from the OPC-Hadera plant's COD. OPC-Hadera is also expected to sell its residual electricity to other end users.

Potential Expansions

In March 2014, OPC, through one of its subsidiaries, was awarded a tender published by the Israel Land Authority to lease a 5.5 hectare plot of land adjacent to the OPC-Rotem site. Entry into the lease agreement is subject to receipt of the required approvals, including the approval of the Israel Land Council, which has not yet been received. In April 2017, OPC was authorized by the Israeli Government to promote zoning for a gas fired power station with a capacity of up to 530MW located on the land adjacent to OPC-Rotem.

In April 2017, OPC was also authorized by the Israeli Government to promote zoning for a gas-fired power station of up to 800 MW of installed capacity on land owned by Hadera Paper near the Hadera power station. OPC-Hadera has entered into an option agreement with Hadera Paper to lease the relevant land. However, there is no guarantee that OPC will pursue either of these expansion projects, or be able to proceed with either of these expansion projects.

OPC's Raw Materials and Suppliers

OPC's power facilities utilize natural gas as primary fuel, and diesel for backup.

OPC-Rotem and OPC-Hadera have entered into gas supply agreements with thee Tamar Group, composed of Noble Energy Mediterranean Ltd., Delek Drilling Limited Partnership, Isramco Negev 2 Limited Partnership, Dor Gas Exploration Limited Partnership, Everest Infrastructures Limited Partnership and Tamar Petroleum Limited Partnership, or collectively, for the purchase of natural gas. For further information on these agreements see "*—OPC's Description of Operations—OPC-Rotem*" and "*OPC's Description of Operations—OPC Hadera*."

The price that OPC-Rotem pays to the Tamar Group for the natural gas supplied is based upon a base price in NIS set on the date of the agreement, indexed to changes in the EA's generation component tariff, , and partially indexed (30%) the U.S. Dollar representative exchange rate. The price that OPC-Hadera pays to the Tamar Group is based upon a base price in US$, indexed to changes in the EA's generation component tariff. As a result, increases or decreases in the EA's generation tariff have a related effect on OPC-Rotem's and OPC-Hadera's cost of sales and margins. In addition, the natural gas price formulas in OPC-Rotem's and OPC-Hadera's supply agreements are subject to a floor price mechanism, which is denominated in US$ for both OPC-Rotem and OPC-Hadera.

As a result of previous declines in the EA's generation component tariff, OPC-Rotem and OPC-Hadera began to pay the ultimate floor price in November 2015 and April 2016, respectively. Therefore, declines in the EA generation component tariff may not have a corresponding decline in OPC-Rotem's natural gas expenses, due to the floor price mechanism. and may lead to a decline in OPC-Rotem'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 agreements with the Tamar Group, see "*Item 3.D Risk Factors—Risks Related to OPC—Changes in the EA's electricity rates may reduce OPC's profitability*."

In January 2018, the EA published the electricity tariffs for 2018, which included an increase of the EA's generation component tariff by 6.7%. As a result, OPC-Rotem and OPC-Hadera's gas prices may rise above their ultimate floor prices.

In December 2017, OPC-Rotem and OPC-Hadera signed agreements for the purchase of natural gas with Energean. Pursuant to these agreements (which contain take-or-pay commitments), OPC-Rotem and OPC-Hadera will collectively purchase from Energean 9 billion m^3 of natural gas over a period of fifteen years (subject to adjustments based on their actual consumption of natural gas), or until the date of consumption of the full contractual quantity, commencing at the commercial operation date of the Energean natural gas reservoir. According to a disclosure made by Energean, the supply of gas is currently expected to commence in 2021, but there is no guarantee that the gas supply will be available by such date.

OPC's Competition

Within Israel, OPC's major competitors are IEC and private power generators, such as Dorad Energy Ltd. and Dalia, who, as a result of recent government initiatives encouraging investments in the Israeli power generation market, have constructed, and are constructing, power stations with significant capacity. The key private producers competing with OPC are presented in the table below.

Name	**Power Station Technology**	**Approximate Capacity (MW)**	**Commercial Operating Date**
Dorad	Conventional	860	May 2014
Mashav	Conventional	120	April 2014
Dalia – Unit 1[1]	Conventional	450	July 2015
Dalia – Unit 2[1]	Conventional	450	September 2015
Ashdod Energy	Cogeneration	60	October 2015
Ramat Negev Energy	Cogeneration	120	January 2016
Sugat	Cogeneration	70	Under construction
Alon Tabor	Cogeneration	70	Under construction
Ramat Gabriel	Cogeneration	70	Under construction
Paz Ashdod	Cogeneration	100	July 2013
Delek Sorek	Conventional	140	July 2016
DSW	Cogeneration	230	Under construction
IPM Beer Tuvia	Conventional	450	Under construction

(1) To OPC's knowledge, approximately 70% of Dalia's total installed output (Unit 1 and Unit 2) is assigned to the IEC, and only 30% is assigned to private customers.

OPC's Seasonality

Revenues from the sale of electricity are seasonal and impacted by the "Time of Use" tariffs published by the Electricity Authority. The seasons are divided into three, as follows: (a) summer – July and August; (b) winter – December, January and February; (c) transitional seasons – March to June and September to November.

The following table provides a schedule of the weighted EA's Generation Component rates for 2018 based on seasons and demand hours, published by the Electricity Authority.

Season	Demand Hours	Weighted Generation Component tariff (NIS AGOROT per Kwh)
Winter	Off-peak	**20.84**
	Shoulder	**40.42**
	Peak	**70.57**
Transition	Off-peak	**17.8**
	Shoulder	**22.75**
	Peak	**29.31**
Summer	Off-peak	**17.59**
	Shoulder	**28.54**
	Peak	**74.01**
Weighted Average Rate		**28.16**

In general, tariffs in the summer and winter are higher than during transitional seasons. The cost of acquiring gas, which is the primary cost of OPC, is not influenced by the tariff seasonality. Therefore, the profitability of power producers, including OPC-Rotem and OPC-Hadera, is generally higher in the summer and winter months compared to the remainder of the year.

For further information on the seasonality of tariffs in Israel, see "*—Industry Overview— Overview of Israeli Electricity Generation Industry*."

The following table provides a summary of OPC's revenues from the sale of electricity, by season (these figures have not been audited or reviewed) (in $ millions):

	2016	2017
Summer (2 months)	**62**	**70**
Winter (3 months)	**87**	**99**
Transitional Seasons (7 months)	**160**	**181**
Total for the year	**309**	**350**

OPC's Property, Plants and Equipment

The following table provides certain information regarding OPC's power plants, as of December 31, 2017:

Company/Plant	Location	Installed Capacity (MW)	Fuel Type
Operating Companies			
OPC-Rotem	Mishor Rotem, Israel	**466**	Natural gas and diesel (combined cycle)
OPC-Hadera[1]	Hadera, Israel	**18**[2]	Natural gas and diesel

(1) OPC-Hadera also holds a conditional license for the construction of a cogeneration power station in Israel, based upon a plant with up to 148 MW of capacity. Construction commenced in June 2016 and COD is expected in the first half 2019.

(2) OPC-Hadera's generation license refers to an installed capacity of 25 MW, representing an 18 MW and 7 MW unit. The 7 MW steam turbine reflected in OPC-Hadera's license is not active, and therefore OPC-Hadera's installed capacity is only 18 MW.

For further information regarding OPC's plants, see "*—OPC's Description of Operations.*"

OPC leases its principal executive offices in Israel. OPC owns all of its power generation facilities.

As of December 31, 2017, the consolidated net book value of OPC's property, plant and equipment was $630 million.

Insurance

OPC and its subsidiaries hold various insurance policies in order to reduce the damage for various risks, including "all-risks" insurance. However the existing insurance policies maintained by OPC and its subsidiaries may not cover certain types of damages or may not cover the entire scope of damage caused. In addition, OPC may not be able to obtain insurance on comparable terms in the future. OPC and its subsidiaries may be adversely affected if they incur losses that are not fully covered by their insurance policies

Employees

As of December 31, 2017, OPC had a total of 88 employees, of which 51 employees are in the operations division, and 37 are at OPC's headquarters. Substantially all of OPC's employees are employed on a full-time basis.

The table below sets forth breakdown of employees by main category of activity as of the dates indicated:

	As of December 31,		
	2017	**2016**	**2015**
Number of employees by category of activity:			
Plant operation and maintenance	51	51	43
Corporate management, finance, commercial and other	37	28	23
OPC Total	**88**	**79**	66

Most of the OPC-Rotem power plant's operations employees are employed under a collective employment agreement entered into in November 2015, which will remain in force through March 2019. The agreement establishes and regulates which employees are subject to the agreement, as well as the career path that the employees will follow within the organization, from their initial hiring through the end of their employment. The agreement establishes the process of hiring employees, trial periods, starting compensation and salary, rates for wage increases and annual bonuses, as well as entitlement to vacation, sick days and convalescence pay, welfare benefits, disciplinary regulations, and the process for ending employment and the mechanism for resolving disputes between management and the employees' representation. In addition, the agreement stipulates that OPC's employees that are subject to the agreement will receive salary increase and annual bonus for each calendar year in the agreement period.

In March 2018, a collective employment agreement was signed with Hadera power plant's operations employees. This agreement was in line with the existing collective agreement of OPC-Rotem power plant's operations employees, which will remain in force through March 2022.

Shareholders' Agreements

OPC holds a 80% stake in OPC-Rotem. OPC has entered into a shareholders' agreement with Veridis, the minority shareholder of OPC-Rotem. The shareholders' agreement grants Veridis veto rights in connection with certain material decisions relating to OPC-Rotem, including: (a) a change in the incorporation documents; (b) winding up of OPC-Rotem; (c) change in rights attached to shares prejudicing a shareholder; (d) transactions with affiliated parties; (e) change in the OPC-Rotem's activity; (f) reorganization, merger, sale of material assets and such like; (g) pursuit of new projects; (h) changes in share capital, issue of bonds or allotment of various securities, subject to the exceptions determined in the agreement; (i) change of accountants; and (j) appointment and dismissal of directors on behalf of Veridis.

The agreements grant the shareholders additional rights in the event of any of them selling OPC-Rotem shares, such as a right of first refusal and tag-along rights. The agreement also permits OPC to terminate the shareholder agreement in the event that Veridis sells its shares in OPC-Rotem.

Legal Proceedings

For a discussion of significant legal proceedings to which OPC's businesses are party, see Notes 21 and 33 to our financial statements included in this annual report.

Regulatory, Environmental and Compliance Matters

IEC generates and supplies most of the electricity in Israel in accordance with licenses granted it by virtue of the Israeli Electrical Market Law, and distributes and supplies all of the electricity in Israel. In addition, IEC serves as the "System Administrator" for the Israeli electricity system by virtue of the general license granted it. The System Administrator is intended to maintain balance in levels of supply and demand in the electricity market, manage the transmission of energy from power stations to substations at the reliability and quality required (by passing through the power grids), timing and performing maintenance works in production units and in transmission systems, managing commerce in Israel under competitive, equal and optimal terms, including performing agreements to purchase available capacity and energy from private electricity producers and for planning and developing the transmission and distribution systems. Within this framework, IEC, as System Administrator, sets the dispatch order of operation for production units, prepares connection surveys and more. IEC's activity as the System Administrator is subject to the Standards published by the Electricity Authority.

Pursuant to the Electricity Sector Law, IEC was defined as an “essential service provider” and as such is subject to the obligations pertaining to the proper management of the Israeli electrical services market. These obligations include, inter alia, submitting development plans, managing and operating the electrical system in Israel including the transmission and distribution systems, providing backup and infrastructure services to private power producers and to consumers as well as purchasing electricity from private power producers. In addition, IEC was declared a monopoly by the Israeli Antitrust Authority in the electricity sector, in the field of power supply – electricity production and sale, transmission and distribution of electricity and providing backup services to electricity consumers and producers.

On December 28, 2016 the licenses issued to IEC were extended by an order until November 15, 2017. On November 16, 2017, the Electricity Sector Law (Amendment no. 15), 5778-2017 was published, which extended IEC’s licenses until November 15, 2018, and within its framework, it was determined that an additional extension of IEC’s licenses would be subject to amendments to the main legislation.

Ministry of Energy

The Israeli Ministry of Energy is in charge of the energy and natural resources markets of the State of Israel: electricity, fuel, cooking gas, natural gas, energy conservation, water, sewerage, oil exploration, minerals, scientific research of the land and water, etc. The Ministry of Energy regulates public and private entities involved in these fields, and operates to ensure the markets’ adequate supply under changing energy and infrastructure needs, while regulating the markets, protecting consumers and preserving the environment.

According to publications of the Ministry of Energy, the Ministry of Energy's multi-year goals include diversified energy resources and ensuring reliability of supply during peacetime and emergency, developing effective and significant natural gas, and determining long-terms policies and appropriate regulations of the market's electricity.

The Ministry of Energy's main objectives in the electricity field are securing a reliable supply of electricity to the Israeli market, formulating development procedures to the electricity production sections, energy transmission and distribution, promoting policies to integrate renewable energies in electricity production in accordance with governmental decisions, formulating policies changing the market's electricity structure, performing control and supervision of the implementation of the IEC's and private producers’ development plans, performing control, supervision and enforcement of implementing safety regulations according to the Electricity Law, 5714-1954, and handling legislature in the electricity market fields, rules of performing electricity works and security in electricity. The main objectives of the Ministry of Energy in its workplan for 2018 in the electricity area include consolidating a reform in the electricity sector, and promoting a national outline plan for infrastructures for the energy sector.

EA

The Electricity Authority, or the EA, which is subordinated to the Ministry of Energy and operates in accordance with its policy, was established in January 2016, and replaced the Public Utility Authority, or PUAE, which operated until that time by virtue of the Electricity Sector Law. The EA has the authority to grant licenses in accordance with the Electricity Sector Law (licenses for facilities with a generation capacity higher than 100 MW also require the approval of the Minister of Energy), to supervise license holders, to set electricity tariffs and criteria for them, including the level and quality of services required from an “essential service provider” license holder, supply license holder, a transmission and distribution license holder, an electricity producer and a private electricity producer. Thus, the EA supervises both the IEC and private producers.

The Minister of Energy can dispute EA rulings and request a renewed discussion on specific rulings, except in the matter of the electricity tariffs, which the EA has full authority to set. In addition, the Minister of Energy has the authority to propose the appointment of some of the members of the EA board, as well as the authority to rule on electricity market policy on the subjects defined in the Electricity Sector Law.

According to the Electricity Authority Law, the EA may set the power rates in the market, based, among others, on IEC costs that the EA elects to recognize, and yield on capital. The EA sets different rates for different electricity sectors. According to the Electricity Sector Law, the IEC shall charge customers in accordance with rates set by the EA and shall pay another license holder or a customer in accordance with the relevant rates. In addition, the EA sets the tariffs paid by private electricity producers to the IEC for various services provided by the IEC, including measurement and meter services, system services, and infrastructure services.

The workplan of the EA for 2018 includes, among others, the publication of a master plan for the electricity sector and the production segment, the promotion of renewable energies and decentralized generation, the consolidation of a program for the development of a delivery and distribution system that will provide a response to the increase in demand, the incorporation of different production technologies and an update to the centralization guidelines in the electricity sector, regularization of licensing guidelines.

For further information on related EA tariffs, see "*—Industry Overview— Overview of Israeli Electricity Generation Industry*." For further information on the effect of EA tariffs on OPC's revenues and margins, see "*Item 5. Operating and Financial Review and Prospects—Material Factors Affecting Results of Operations—OPC— Sales—EA Tariffs.*"

Independent Power Producers

In recent years, a substantial number of independent power producers have begun entering the Israeli electricity generation market, in view of, among others, increasing competition in the field of electricity generation and encouraging the construction and operation of private generation facilities. This entry has led to a significant decrease in the IEC's market share in the sale of electricity to large electricity consumers (high and medium voltage consumers) such that in 2016, according to public IEC reports, its market share dropped to under 50% of electricity sales to large consumers.

Activity by independent power producers, including the construction of private power stations and the sale of electricity produced therein, is regulated by IPP Regulations and the Cogeneration Regulations, as well as the rules, decisions, and standards established by the EA. OPC-Rotem has a unique regulation by virtue of a tender, as detailed below.

According to the Electricity Sector Law, none of the actions set in the Electricity Sector Law shall be carried out by anyone other than a license holder. The Licenses Regulations include provisions and conditions in the matter of issuing licenses, rules for operating under such licenses and the obligations borne by license holders.

In order to obtain a production license, a private electricity producer must file a request in accordance with the relevant regulations, and meet the threshold conditions. Among others, the manufacturer bears the burden to prove that the corporation requesting the license has a link to the land relevant to the facility. According to EA rulings, subject to meeting the terms (and with the approval of the Minister of Energy for licenses exceeding 100 MW), the developer is granted a conditional license. The conditional license holder must meet certain milestones for constructing its facility as detailed in the conditional license, and must also prove financial closing. Only after meeting these milestones and the commercial operation of the facility, the developer is granted a generation license (or Permanent License) determined by the EA for the period determined in such license (for licenses exceeding 100 MW, the license must be approved by the Minister of Energy).

This model, which is based on receiving a conditional license followed by a permanent license (subject to meeting the regulatory and statutory milestones), is applicable to both the production of electricity using conventional technology and cogeneration technology, with the exception of facilities with an installed capacity under 5 MW, for which no license is required for their operation, and photovoltaic facilities with an installed capacity over 5 MW, which require only a fixed license.

According to the 2016 Electricity Market Report, as of 2016, IPPs (including OPC-Rotem and including renewable energy) are active in the market with an aggregate capacity of approx. 4,048 MW, constituting 23% of the Israeli electricity market's total installed capacity. The Electricity Authority estimates that by the end of the decade, approximately 40% of the installed capacity in the Israeli electricity market will generated by IPPs (including renewable energy and self-generation).

The regulatory arrangements applicable to IPPs were determined while distinguishing between the different generation technologies they use and the various levels of voltage they will be connected to (according to installed capacity). The following are the key electricity production technologies used by private producers in Israel:

- *Conventional technology* – electricity generation using fossil fuel (natural gas or diesel oil). Exercise of the quota of IPPs using this technology amounts to 2,400 MW out of a total quota of 3,470 MW assigned to generation using this technology.

- *Cogeneration technology* –electricity generation using facilities that simultaneously generate both electrical energy and useful thermal energy (steam) from a single source of energy. Exercise of the quota of generators using this technology amounts to 760 MW out of a total quota of 1,000 MW assigned under the current regulation. Licenses issued beyond that shall be subject to different regulation.

- *Renewable energy* – generation of electric power the source of energy of which includes, inter alia, sun, wind, water or waste. The installed capacity of renewable energy generation facilities amounts to 971 MW as well as another 711 MW in various stages of construction, with 1,682 MW from quotas constituting 3,760 MW assigned to generation using renewable energy.

- *Pumped storage energy* – generation of electricity using an electrical pump connected to the power grid in order to pump water from a lower water reservoir to an upper water reservoir, while taking advantage of the height differences between them in order to power an electric turbine. The installed capacity of production facilities using this technology amounts to 644 MW out of a total quota of 800 MW assigned to production.

According to the Electricity Sector Law, the IEC, as an essential service provider, is committed to purchasing electricity from IPPs at the rates and under the conditions set in the Electricity Sector Law and the regulations and standards promulgated thereunder (and, in relation to OPC-Rotem, by virtue of the tender and OPC-Rotem's PPA with IEC). In addition, the IEC is committed to connecting the IPPs facilities to the distribution and transmission grid and providing them with infrastructure services in order to allow IPPs to provide power to private customers. The IEC is also committed to providing IPPs with system administration services in return for a power system management services rate (the system cost rates).

Regulatory Framework for Conventional IPPs

The regulatory framework for current and under construction conventional IPPs was set by the PUAE 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 refers to 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, IPP shall be entitled to receive availability payments for excess energy not sold to private customers. In addition, the IEC can purchase electricity allocated to it at variable availability, on a price quote basis. Within this regulatory framework, a private electricity producer can choose to allocate between 70% and 90% of their production capacity at high availability, and the rest at variable availability.

Upon the development of the electricity market and the utilization of Regulation 241 quotas in December 2014, the EA published a follow-up regulation for conventional producers, and implemented dispatch of IPPs according to the economic dispatch order. According to this regulation, the production units shall be dispatched in accordance with an economic dispatch principle and independent of PPAs between producers and customers, and shall apply to producers with an installed capacity higher than 16 MW and up to a total output of 1,224 MW. This regulation is referred to as Regulation 914.

In May 2017, the EA published a decision amending Regulation 914, in order to adapt it to the changing needs of the electricity sector and provide a response to the barriers that prevented electricity producers from reaching financial closure. According to the decision, a higher tariff was adopted for production facilities that comply with certain flexible requirements (in view of the high cost that characterize them), and the decision also determined that the facilities would receive a tariff based on normative characteristics. In addition, the decision offers open-cycle producers several alternatives, including receiving surplus gas from gas agreements of other producers. The total quota for new facilities under this arrangement was limited to 1,100 MW distributed into various stations (at least 450 MW and up to 700 MW for combined cycle facilities, at least 400 MW and up to 650 MW for flexible open cycle facilities). According to the decision, the EA prohibits entry into bilateral transactions by open-cycle facilities and demands that combined-cycle facilities sell at least 15% of their capacity to private consumers. In addition, as part of the decision and in order to grant IPPs sufficient time to reach financial closure, Regulation 914 was extended to apply to producers who will receive approvals no later than January 1, 2020.

In addition, in December 2017, a proposed resolution was published for a hearing to regulate the activity of gas-fired production facilities that are connected to the distribution network. The resolution encourages the construction of production facilities near the consumption site by providing a capacity-dependent incentive tariff of NIS 140-180/kW per year. According to the hearing, the capacity tariff will be paid to facilities that comply with certain conditions (mainly a load factor of no less than 35% per year) up to a quota of 300 MW.

OPC-Rotem's Regulatory Framework

OPC-Rotem operates according to a tender issued by the state of Israel in 2001 and, in accordance therewith, OPC-Rotem and the IEC executed the IEC PPA in 2009, which stipulates OPC's regulatory framework. OPC-Rotem's framework differs from the general regulatory framework for IPPs, as set by the PUAE and described above.

According to the IEC PPA, OPC-Rotem may sell electricity in one or more of the following ways:

1. *Capacity and Energy to IEC*: according to the IEC PPA, OPC-Rotem is obligated to allocate its full capacity to IEC. In return, IEC shall pay OPC-Rotem a monthly payment for each available MW, net, that was available to IEC.

   In addition, when IEC requests to dispatch OPC-Rotem, the IEC shall pay a variable payment based on the cost of fuel and the efficiency of the station. This payment will cover the variable cost deriving from the operation of the OPC-Rotem Power station and the generation of electricity.

2. *Sale of energy to end users*: OPC-Rotem is allowed to inform IEC, subject to the provision of 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-Rotem may, subject to 12-months' advanced notice, re-include the excluded capacity (in whole or in part) as capacity sold to IEC.

OPC-Rotem 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-Rotem has been allocated to private customers.

The IEC PPA includes a transmission and backup appendix, which requires IEC to provide transmission and backup services to OPC-Rotem and its customers, for private transactions between OPC-Rotem and its customers, and the tariffs payable by OPC-Rotem to IEC for these services. Moreover, upon entering a PPA between OPC-Rotem and an individual consumer, OPC-Rotem becomes the sole electricity provider for this customer, and IEC is required to supply power to this customer when OPC-Rotem is unable to do so, in exchange for a payment by OPC-Rotem 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-Rotem's business, financial condition and results of operations, see "*Item 3.D Risk Factors—Risks Related to OPC— Changes in the EA's electricity rates may reduce OPC's profitability.*"

Regulatory Framework for Cogeneration IPPs

The regulatory framework for current and under construction cogeneration IPPs was established by the PUAE in its 2008 and 2016 decisions. A cogeneration IPP can sell electricity in the following ways:

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; or

   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 or up to 20% of the produced power, inasmuch as the installed output of the unit is higher than 175 MW, all calculated on an annual basis.

According to the regulations, if a cogeneration facility no longer qualifies as a "Cogeneration Production Unit," other rate arrangements are applied to it, which are inferior to the rate arrangements applicable to cogeneration producers.

OPC-Hadera's Regulatory Framework

OPC-Hadera holds a conditional license, granted on October 19, 2012 (as amended on August 29, 2016), for the construction of a cogeneration power station in Israel. On September 18, 2016, OPC-Hadera provided the EA a notice that it had reached "financial closing" with respect to financing for the project.

Moreover, as set forth above, OPC-Hadera 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, OPC-Hadera will have to obtain a certain efficiency rate which will depend, in large part, upon the steam consumption of OPC-Hadera's consumers. In circumstances where OPC-Hadera no longer satisfies such conditions and therefore no longer qualifies as a "Cogeneration Production Unit," other rate arrangements, are applied to it, which are inferior to the rate arrangements applicable to cogeneration producers.

Qoros

Kenon holds a 24% interest in Qoros, a China-based automotive company which began commercial operations in 2013. Kenon used to hold a 50% stake in Qoros prior to the New Qoros Investor's investment, and was one of the founding members of the company. Kenon continues to remain actively involved in the business with its current stake and right to appoint two of the nine directors on Qoros' board.

Qoros' vision is to design, manufacture, distribute, and service (through dealers) high quality cars. Qoros' manufacturing facility in Changshu, China 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). Qoros sold approximately 15,000 vehicles in 2017, as compared to approximately 24,000 vehicles in 2016. Qoros sold approximately 11,400 cars in the first quarter of 2018, a more than 200% increase as compared to approximately 3,700 cars sold in the first quarter of 2017, with a substantial number of such sales in Q1 2018 reflecting purchase orders introduced by the New Qoros Investor.

Qoros is seeking to establish a position in the Chinese passenger vehicle market, one of the largest and fastest growing passenger vehicle market in terms of new units sold. Qoros is currently focused on the C-segment, which primarily includes the sedan, hatchback, and SUV body types and is the largest vehicle segment in China with 15 million C-segment vehicles, or 61% of China's total passenger vehicle sales, sold in 2017 according to *Ways and China Passenger Car Association*, or CPCA.

In 2017, Qoros continued to receive numerous awards for its cars. Four Qoros EV concept models won 2017 Green Good Design awards. The Qoros 5 SUV and Qoros 5 SUV Q-LECTRIO won the German Design Award 2017 for outstanding design quality. In addition, Qoros received numerous awards from the Chinese media, including a 2017 Up and Rising SUV award for the Qoros 5 SUV from the China Business Journal.

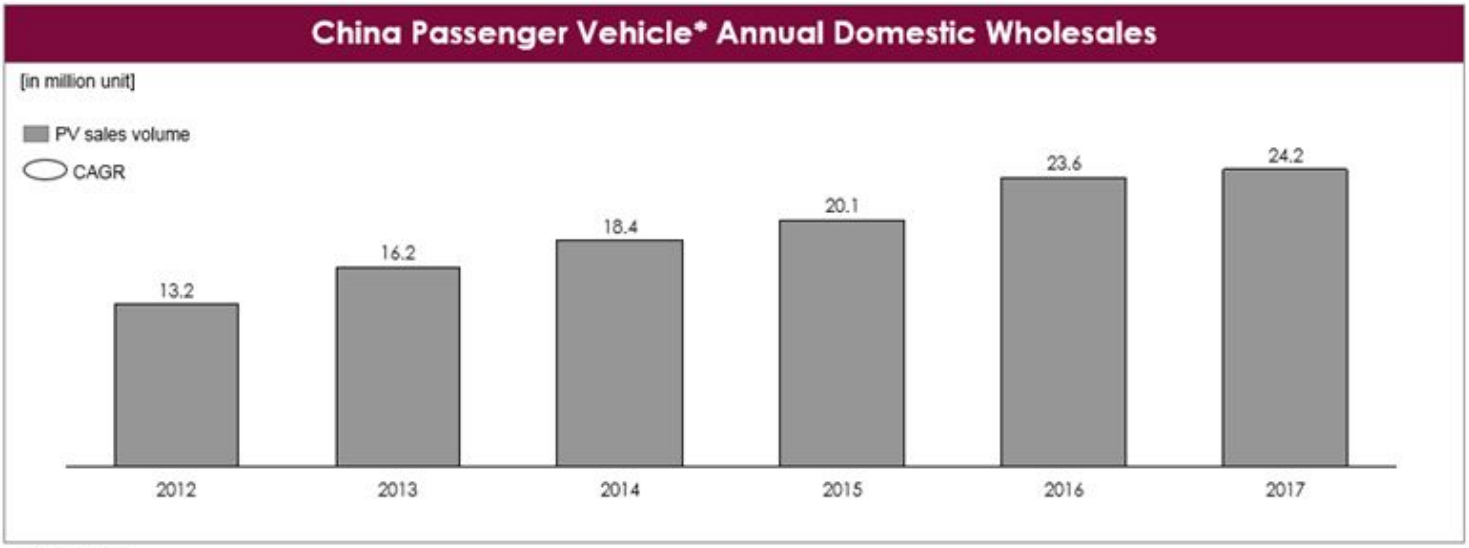
Each Qoros vehicle is equipped with a Multi-Media Hub, or MMH, which includes an 8-inch touch screen and interactive human machine interface, or HMI, system. Through the MMH, most of Qoros' vehicles are equipped with the "QorosQloud," an innovative, cloud-based entertainment and services system that 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. Qoros intends to continue upgrading its MMH.

In January 2018, Kenon announced the New Qoros Investor completed a transaction to purchase 51% of Qoros from Kenon and Chery for RMB3.315 billion (approximately $526 million), which is part of an investment structure to invest a total of approximately RMB6.63 billion (approximately $1,052 million) by the New Qoros Investor of which RMB6.5 billion will ultimately be invested in Qoros' equity. As a result, Kenon and Chery now have 24% and 25% stakes in Qoros, respectively. Qoros updated its business license to reflect the change in its ownership in December 2017. For further information, see "*Item 4.B Business Overview—Our Businesses—Qoros —Qoros' Investment Agreement*."

Kenon has outstanding back-to-back guarantees to Chery in respect of Qoros' debt of up to RMB320 million, with respect to debt in principal of RMB288 million, and has pledged a substantial portion of its interest in Qoros to support certain Qoros debt, as well as Chery's guarantees of Qoros debt.

Overview of the Chinese Passenger Vehicle Market

Qoros is currently focused on the Chinese passenger vehicle market, which experienced rapid growth in recent years driven by significant expansion of the Chinese economy. China is the largest vehicle markets in the world in terms of units sold (although growth rates have been lower in recent years). The table below sets forth domestic sales volumes of passenger vehicle models in China between 2012 and 2017.



*Excl. mini van
Source: CPCA, Ways

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 National Bureau of Statistics of China, China’s nominal GDP increased from RMB13,582 billion in 2003 to RMB82,712 billion in 2017 (although GDP growth rates have been lower in recent years). If the Chinese economy continues to grow, corresponding personal wealth generation is expected to support greater demand for passenger vehicles.

Low Penetration Rate Implies Long-Term Growth Potential

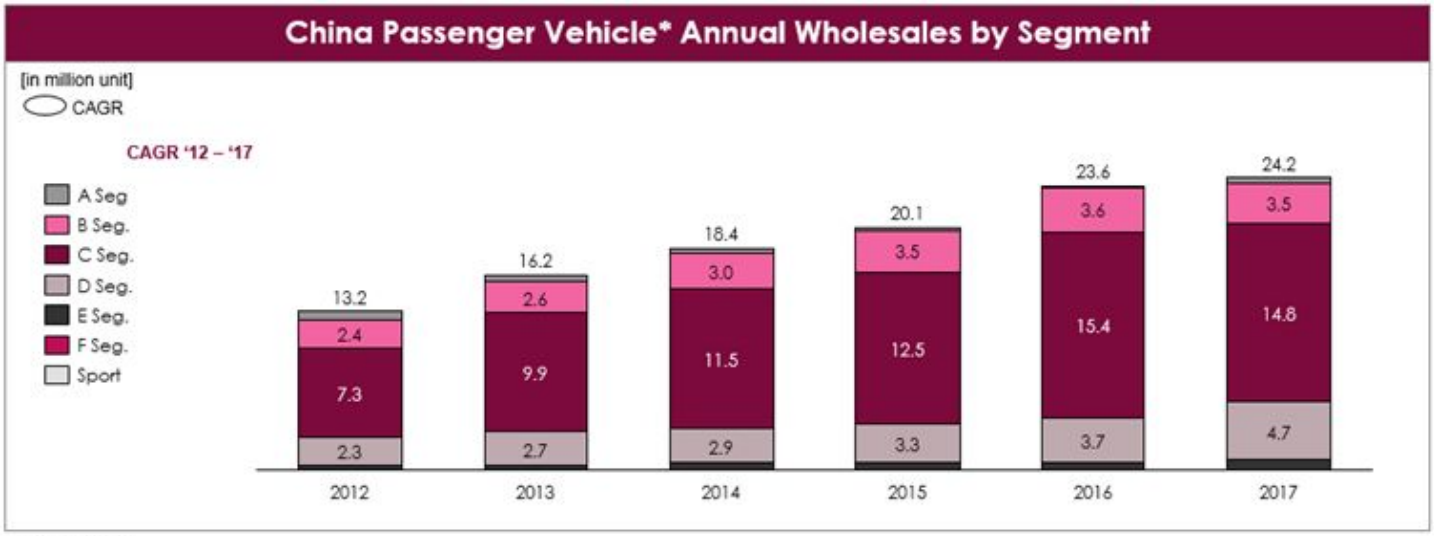
Although China’s passenger vehicle market is the largest in the world by country (in terms of units sold), China’s penetration rate of vehicles as a proportion of its population is still relatively low, at approximately 10% at the end of 2015. According to the International Organization of Motor Vehicle Manufacturers, or OICA, the penetration rate of more mature economies, by comparison, typically ranges from approximately 55% (in the case of Japan and Korea) to approximately 80% (in the case of the United States), which indicates significant growth potential for the passenger vehicle market in China.

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 (F-segment) 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.

With 24 million vehicles sold in 2017, China's C-segment market, which Qoros is 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 (although it contracted in 2017). 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.

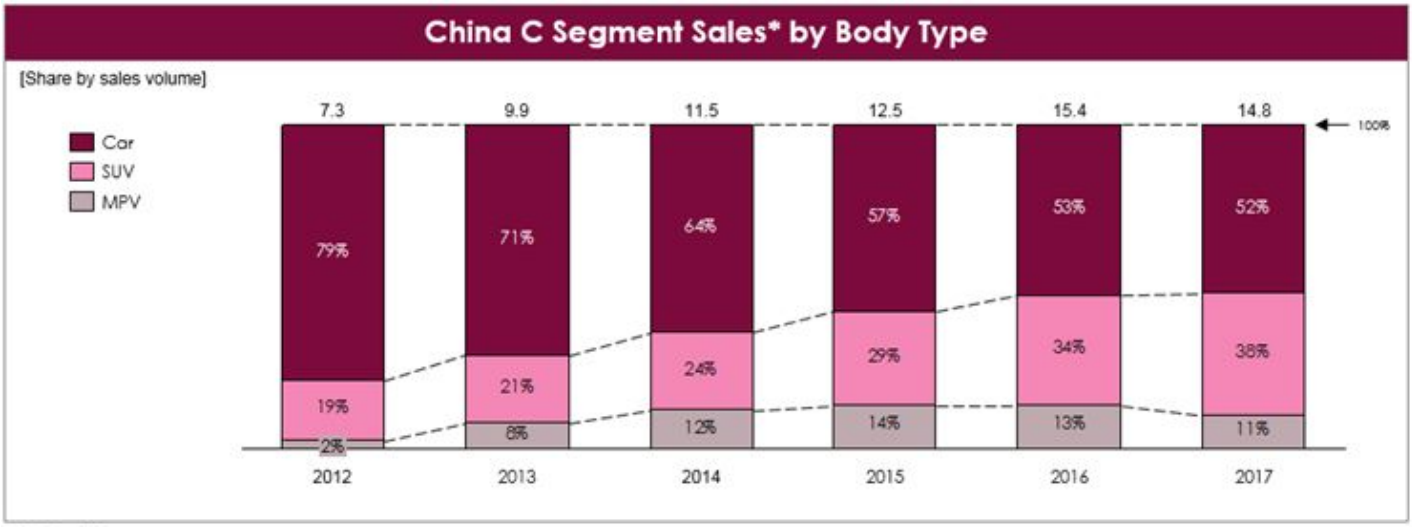
The table below sets forth wholesale vehicle sales in China by segment from 2012 to 2017.



*Excl. mini van
Source: CPCA, Ways

In recent years, the C-segment SUV market has experienced significant growth, representing approximately 38% of C-segment sales in China in 2017, as compared to approximately 19% in 2012. In response to consumer demand for SUVs, multiple C-segment SUV models, including vertical upgrade versions, were introduced in China over the last years.

The table below sets forth C-segment sales in China by body type from 2012 to 2017.



*Excl. mini van
Source: CPCA, Ways

International brands generally 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 international joint venture brands. Domestic brands participate primarily in the economy price range, but in recent years, a number of domestic brands have competed in the higher market segments.

New Energy Vehicle Market in China

The Chinese central government has stated that the 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 approximately 290,000 units in 2016 to approximately 552,000 units in 2017, representing a growth rate significantly higher than that of internal combustion engine cars.

Chinese national and regional governments have implemented various policies to promote the growth of the NEV market, including through purchase subsidies from central and local governments and tax cuts. However, a number of these subsidies are expected to be gradually phased out over the next few years, which may affect the demand for NEVs in China.

Chinese national and regional governments have also granted free license plates in cities which have quotas or extra costs for new car registration, exclusive license plates for NEVs, and preferential parking access to promote the growth of the NEV market in China. Additional policies to encourage the growth of NEVs are expected to be instituted, as many local governments are under pressure to reduce CO_2 emissions, urban gridlock and haze. In the near- to mid-term, NEVs may be given traffic privileges and exempted from driving day restrictions. The Chinese central government has also undertaken a series of steps to improve the infrastructure for NEVs, including by building charging points for NEV vehicles.

OEMs are also expected to invest in manufacturing NEVs to meet mandatory fuel economy regulations on corporate average fuel consumption. For example, China has introduced extensive emissions regulations which require automakers to sell a certain number of NEV vehicles each year. To the extent OEMs are unable to meet such standards, they may be required to acquire NEV credits or otherwise face a penalty. These regulations are expected to increase sales of NEVs in China.

Pricing Trends in the Chinese Passenger Vehicle Market

Following years of rapid growth, the Chinese passenger vehicle market experienced reduced growth rates in 2015 due largely to the economic slowdown in China and the volatility of the Chinese stock market. In response, China's central government enacted a tax policy to incentivize the sale of domestic vehicle sales by lowering purchases taxes on certain vehicles, including Qoros' vehicles. The purchase tax incentive was phased out on January 1, 2018.

In light of increased competition in the Chinese automotive market in recent years, dealers and OEMs have offered customers a variety of inducements to purchase vehicles, including price reductions. In line with many of its competitors, in 2016, Qoros announced price reductions on all its vehicle models. In 2017, dealers and OEMs continued to reduce prices and offer further inducements to purchase vehicles. Qoros expects the downward pressure on vehicle prices to continue for the next few years.

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 2017, Qoros sold approximately 15,000 cars, as compared to approximately 24,000 cars in 2016. Qoros sold approximately 11,400 cars in the first quarter of 2018, a more than 200% increase as compared to approximately 3,700 cars sold in the first quarter of 2017, with a substantial number of such sales in Q1 2018 reflecting purchase orders introduced by the New Qoros Investor.

Models

Qoros currently sells C-segment models, including:

- *Qoros 3 Sedan* –launched in December 2013;
- *Qoros 3 Hatch* –launched in June 2014;
- *Qoros 3 City SUV* –launched in December 2014;
- *Qoros 5 SUV* –launched in March 2016; and
- *Qoros 3GT* –launched in November 2016.

Qoros' platform has been designed to enable the efficient introduction of new models in the C- and D-segments. Qoros developed its vehicles in accordance with international standards of quality and safety, working in conjunction with global entities from both automotive and non-automotive industries.

The Qoros 5 SUV is the largest model in Qoros's product line. Launched in 2016, the Qoros 5 SUV was designed by an international team from Munich and Shanghai.

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. The Qoros 3 Sedan 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.

Qoros' strategy contemplates the development of an NEV model. Qoros intends to increase its research and development expenditures with respect to NEV development.

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, seeks to provide the driver with a convenient, fun and integrated experience.

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 2062. Qoros' international-standard manufacturing facility incorporates comprehensive, flexible capabilities, including body assembly, paint shop, final vehicle assembly and end-of-line testing. Qoros' paint shop utilizes advanced equipment and robotic technology, to contribute to the overall effectiveness and efficiency of Qoros' painting operations.

Qoros can 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, equipment modification 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 the manufacturing facility, the production capacity of Qoros' manufacturing facility can be further increased to up to approximately 440 thousand units per annum through a plant expansion.

Qoros' Sourcing and Suppliers

Qoros sources the component parts necessary for its vehicle models from over 100 global suppliers. 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.

Qoros also collaborates and sub-contracts with several engineering firms for its product development activities.

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 and Service Providers.*"

Qoros' Commercial Agreements with Shareholders

Qoros sources its engines and certain spare parts from Chery in the ordinary course of Qoros' business, and has entered into various commercial agreements with respect to the provision of such supplies from Chery.

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 enter into additional commercial arrangements and agreements with Chery, or parties related to it, in the future. Qoros has amounts payable to Chery in the amount of RMB555 million as of December 31, 2017.

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 its shareholders.*"

Furthermore, the New Qoros Investor introduces vehicle purchase orders to Qoros. For further information on the agreement with the New Qoros Investor, see "*—Qoros' Investment Agreement.*"

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.

Qoros has pledged, and, in the future, may further pledge, certain of its intellectual property as collateral for its financing. 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 an integrated product, marketing and communication strategy. Qoros' centralized, in-house marketing team aims to utilize its market research to generate demand for Qoros' vehicles and drive leads to Qoros' dealerships and sales teams.

Marketing Campaigns

In July 2017, Qoros launched its Crazy Qoros marketing campaign. The campaign was co-developed by Qoros, Tencent Video, and Energy Group, and entails a live-broadcasting show that leverages broadcasting technologies, social media, and the influence of celebrities to reach and resonate with today's young consumers. This marketing approach reflects Qoros' efforts to use new channels and technologies to raise brand awareness and generate sales.

Auto Show

Qoros continued to participate in major auto shows in 2017. Qoros unveiled its high-performance super EV, the Qoros Model K-EV, at the 2017 Shanghai Auto Show. Featuring forward-looking design and cutting-edge technologies, Model K-EV is created by an international design and engineering team to offer customers premium driving and riding experiences.

In August 2017, Qoros signed a strategic agreement in Chengdu with China Mobile for 5G-connected car services at the Chengdu Auto Show.

Qoros' Sales Channels

Dealers

Qoros markets its vehicles in China primarily through a network of independent authorized retail dealers, with whom Qoros enters into non-exclusive relationships. As of December 31, 2017, Qoros had 73 full-service 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. As of December 31, 2017, Qoros' dealerships included 113 points of sales, 5 additional points of sales under construction and Memorandums of Understanding. Qoros intends to create 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. Dealers are entitled to sales rebates from Qoros if they achieve certain purchase targets or meet certain other criteria).

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. For information on the risks related to Qoros' 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.*

As of December 31, 2017, Qoros operated two self-owned dealerships. Qoros may operate additional dealerships.

Qoros' Customers

Qoros' Customers

Qoros seeks to attract customers by offering a diversified range of vehicles and features with smart connectivity technologies and aspirational design.

Qoros is also targeting a diverse group of fleet-sale customers, including car rental and ride sharing companies, corporate entities, and other large groups.

Auto Financing Program

Customer financing is available through dealers and financing packages are also offered by Chery Huiyin Motor Finance Service, Co. Ltd., or Huiyin, a Wuhu Chery affiliate. Qoros does not provide direct financing to customers at this time.

Qoros has provided a guarantee to Huiyin for wholesale financing arrangements between Huiyin and selected Qoros dealers. In the case of defaults under such financing program between March 2016 and 2018, Qoros may need to compensate Huiyin for an amount up to the actual loss incurred. For further information, see Note 30 to Qoros' consolidated financial statements, included in this annual report.

Warranty Program

Qoros provides a 36-month or 100,000 km limited warranty with its Qoros 3 models and a 72-month or 100,000 km limited warranty for the Qoros 5 SUV. Qoros' limited warranty is subject to certain limitations, exclusions or separate warranties, including certain wear and tear items, such as tires, brake pads and general appearance, and battery performance, and accessories, and is intended to cover parts and labor to repair defects in material or workmanship.

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.*"

Conditions in the passenger vehicle market have resulted in increased competition in China's automotive market. In 2016 and 2017, a number of Chinese car manufacturers, including Qoros, announced price reductions and purchase inducements on their vehicles. Qoros expects the downward pressure on vehicle prices to continue for the next few years.

As part of its strategy, Qoros intends to develop an NEV vehicle. Qoros expects to experience significant competition in the NEV market, as OEMs are required to satisfy certain recently issued fuel consumption and NEV credit management standards.

Qoros' Investment Agreement

In January 2018, Kenon announced the New Qoros Investor completed a transaction to purchase 51% of Qoros from Kenon and Chery for RMB3.315 billion (approximately $526 million), which is part of an investment structure to invest a total of approximately RMB6.63 billion (approximately $1,052 million) by the New Qoros Investor of which RMB6.5 billion will ultimately be invested in Qoros' equity. As a result, Kenon and Chery now have 24% and 25% stakes in Qoros, respectively. For purposes of this section, any references to Kenon will be deemed to include Quantum (Kenon's wholly-owned subsidiary which owns Kenon's interest in Qoros) and any references to Chery will be deemed to include Wuhu Chery (the direct owner of Chery's interest in Qoros). The investment was made pursuant to an investment agreement among the New Qoros Investor, Quantum, Wuhu Chery and Qoros. In connection with this investment, Kenon received total cash proceeds of RMB 1.69 billion ($268 million) and Chery received total cash proceeds of RMB 1.625 billion ($258 million). A description of the key terms of the investment agreement and the investment is set forth below. The investment also involved an amendment of the Qoros joint venture agreement which is described below.

The investment is based on an RMB6.5 billion pre-investment valuation of Qoros, excluding RMB1.9 billion principal amount of existing shareholder loans.

The investment agreement for the transaction provides that following the sale of equity interests, Qoros' shareholders (including the New Qoros Investor) will invest a total of RMB6.5 billion in Qoros' equity in proportion to their post-investment equity ownership. The New Qoros Investor has advanced their proportionate share totalling RMB3.315 billion directly to Qoros. As a result, all funds for the investment, totalling RMB6.63 billion, have now been advanced by the New Qoros Investor.

Kenon and Chery will use proceeds they received from the sale of their Qoros interests to fund their respective portions of the investment in Qoros, or to partially fund together with the conversion of existing shareholder loans. The transaction will not involve any new money invested from Kenon or Chery. In total, the investment agreement provides for Kenon to invest RMB1.56 billion and, as a result, Kenon retained RMB130 million, which funds were paid to Ansonia as further detailed below.

The investment agreement provides for repayment of existing shareholder loans owing from Qoros in the principal amount of RMB944 million (approximately $150 million) to each of Kenon and Chery, in two equal tranches, following the purchase of Kenon's and Chery's equity interests as described above. In addition, Kenon retained RMB130 million from the sale of its 1% holding in Qoros (which was not to be reinvested into Qoros), out of the total sale proceeds of RMB1.69 billion. $20 million in proceeds retained by Kenon was applied to the partial repayment of the Ansonia loans in January 2018, leaving a balance of approximately $55 million (linked to RMB proceeds received by Kenon) of loans owing to Ansonia. A portion of the loan repayments to Kenon (or any sale proceeds, if retained by Kenon) will likely be applied to the repayment of such loans, as discussed below.

Guarantee Obligations and Equity Pledges

Chery has guaranteed a portion of Qoros' obligations under its RMB3 billion and RMB700 million credit facilities, and Kenon has provided back-to-back guarantees to Chery in respect of a portion of Chery's obligations. Kenon's back-to-back guarantee obligations are approximately RMB320 million relating to Qoros loans in principal amount of RMB288 million. In addition, Kenon and Chery have also pledged a significant portion of their equity interests in Qoros to secure Qoros' obligations under its RMB1.2 billion credit facility.

In connection with previous reductions in Kenon's back-to-back guarantee obligations, Kenon provided cash collateral to Chery that was used to fund shareholder loans on behalf of Chery for a total amount of RMB244 million and pledged a portion of Kenon's equity interests in Qoros to Chery. The agreements for this guarantee and pledge provide that in the event that Chery's obligations under its guarantees are reduced, including through guarantee releases, Kenon is entitled to the proportionate return from Chery of the RMB244 million funding provided on Chery's behalf and/or a release of the equity pledged to Chery.

As part of the investment, the New Qoros Investor will assume its pro rata share of the guarantees and equity pledges based on post-investment equity ownership in Qoros, which will be subject to further adjustment following any future changes in the equity ownership in Qoros (including as a result of the exercise of the put option or investment right by a shareholder under the investment agreement). The New Qoros Investor has assumed its proportionate obligations with respect to the RMB3 billion and RMB700 million loan facilities, and as a result, in January 2018, Chery repaid Kenon RMB120 million (approximately $18 million[2]) out of the total RMB244 million (approximately $39 million) previously advanced, and a significant portion of the Qoros equity pledged by Kenon to Chery was released. These repayments and releases of equity pledges were required under the terms of the advances, which provided for repayment of the advances and release of pledges to Chery upon a reduction of guarantee obligations of Chery, and the investment by the New Qoros Investor resulted in guarantee reductions for Chery requiring such repayment and releases from the pledge. The New Qoros Investor is still in the process of assuming its proportionate obligations with respect to the RMB1.2 billion loan facility after which Kenon will also be proportionately released from its pledge obligations thereunder, subject to the Qoros bank lender consent. Substantially all of Kenon's equity in Qoros is currently pledged.

Repayment of Loans to Ansonia

Kenon is party to loan agreements with Kenon's major shareholder Ansonia, which loan agreements were entered into in 2016 to provide loans to Kenon to fund Qoros. The total outstanding principal amount of the loans owing from Kenon to Ansonia was approximately $75 million (including interest) as of December 31, 2017.

Under the terms of these loan agreements, Kenon is required to use the proceeds from realizations of a certain investment in Qoros and repayments of shareholder loans from Qoros to Kenon to repay the loans with Ansonia. Accordingly, $20 million in proceeds retained by Kenon was applied to the partial repayment of the Ansonia loans in January 2018, leaving a balance of approximately $55 million (linked to RMB proceeds received by Kenon, under certain circumstances) of loans owing to Ansonia. Repayments of shareholder loans by Qoros to Kenon as contemplated by the investment agreement (or any further proceeds, if retained by Kenon from the sale of its interest in Qoros) would similarly likely be applied to the repayment of the Ansonia loans.

Kenon's Put Option; the New Qoros Investor's Right to make Further Investments in Qoros

During the three-year period beginning from the closing of the investment, Kenon has the right to cause the New Qoros Investor to purchase up to 50% of its remaining equity interest in Qoros, following the related capital increase for up to RMB1.56 billion (approximately $248 million), being the price for 50% of Kenon's remaining 24% interest in Qoros, subject to adjustments for inflation. From the third anniversary of the closing until April 2023, Kenon has the right to cause the New Qoros Investor to purchase up to all of its remaining equity interests in Qoros for up to a total of RMB3.12 billion (approximately $495 million) (for Kenon's full 24% interest in Qoros), subject to adjustment for inflation. Another company within the Baoneng group effectively guarantees this put option by also serving as a grantor of the option. The put option requires six months' notice for exercise.

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[2] Convenience translation of this RMB amount into US Dollars uses a January 2018 rate of 6.5: 1.

During the two-year period from the closing of the investment, the New Qoros Investor has the right to increase its stake in Qoros to up to 67%, at the same price as the capital increase in the investment plus interest of 10% per annum from the closing of the Investment.

The investment agreement provides that any changes in the equity holdings of Qoros by Kenon, Chery or the New Qoros Investor, including as a result of the put option and investment right described above, will result in adjustments to the respective parties' pro rata obligations of the Qoros bank guarantees and pledges described above according to their equity ownership in Qoros.

The New Qoros Investor's Commitment to Introduce Vehicle Purchase Orders

Pursuant to the investment agreement, the New Qoros Investor has agreed to introduce approximately 100,000 vehicle purchase orders to Qoros each year between 2018 and 2020 following the entry into further agreements with respect to these purchase orders. Such further agreements, which will need to set out specific details relating to models to be purchased, purchase price and other details, have not yet been fully executed and are expected to be executed gradually over time. While we expect that the New Qoros Investor will introduce meaningful vehicle purchase orders in the 2018, the full amount of the vehicle purchase order commitment may not be met for 2018. For risks associated with this agreement, including the risk that the New Qoros Investor does not introduce some or all of the vehicle purchase orders it has agreed to introduce or the terms of such purchase orders, see "*Item 3.D Risk Factors—Risks Related to Our Interest in Qoros— The New Qoros Investor may not satisfy its commitment to introduce vehicle purchase orders to Qoros*."

Governance of Qoros

Qoros' joint venture agreement and articles of association have been amended to reflect the New Qoros Investor's 51% interest in Qoros. For further information on the terms of the joint venture agreement, see "*—Qoros' Joint Venture Agreement*."

Qoros' Joint Venture Agreement

We are party to a joint venture agreement, or the Joint Venture Agreement, entered into on February 16, 2007, which was recently amended, to reflect the New Qoros Investor's 51% interest in Qoros as well as certain terms agreed pursuant to the investment agreement. The Joint Venture Agreement sets forth certain rights and obligations of each of Quantum, the wholly-owned subsidiary through which we own our equity interest in Qoros, Wuhu Chery and the New Qoros Investor with respect to Qoros

The Joint Venture Agreement is governed by Chinese law. Under the Joint Venture Agreement, certain matters require the unanimous approval of Qoros' board of directors, while other matters require a two-thirds or a simple majority board approval. Matters requiring unanimous approval of the Qoros board include amendments to Qoros' articles of association, changes to Qoros' share capital, the merger, division, termination or dissolution of Qoros, the sale or otherwise disposal of all or a material part of Qoros' fixed assets for an amount equal or greater than RMB200 million and the issuance of debentures or the creation of third party security interests over any of Qoros' material fixed assets (other than those provided in connection with legitimate Qoros loans). Matters requiring approval by two-thirds of the board include the acquisition of majority equity interests in another entity for an amount exceeding 5% of Qoros' net asset value, termination of any material partnership or joint venture contract, profit distribution plans, the sale or otherwise disposal of all or a material part of Qoros' fixed assets for an amount equal or greater than RMB60 million but less than RMB200 million, and capital expenditures and investments which are equal to or greater than the higher of $4 million or 10% of the approved annual budget.

Pursuant to the terms of our Joint Venture Agreement, we have the right to appoint two of Qoros' nine directors, Wuhu Chery has the right to appoint two of Qoros' directors and the New Qoros Investor has the right to appoint the remaining five of Qoros' directors. If the New Qoros Investor exercises its right to increase its stake in Qoros to up to 67% (see "*—Kenon's Put Option; the New Qoros Investor's Right to make Further Investments in Qoros*"), the board of directors of Qoros will be further adjusted such that Qoros will have a six-member board of directors, of which the New Qoros Investor will have the right to appoint four directors, while Kenon and Wuhu Chery will each have the right to appoint one director. The New Qoros Investor has the right to nominate Qoros' Chief Executive Officer and Chief Financial Officer. The 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. Quantum and Wuhu Chery each have the right to nominate one of Qoros' deputy Chief Financial Officers. Such nominations by Quantum and Wuhu Chery are subject to the approval of Qoros' board of directors by a simple majority vote.

The Joint Venture Agreement restricts transfers of interests in Qoros by the shareholders (other than transfers to affiliates). Quantum has the right to transfer up to 50% of its interest in Qoros to a third-party at any time (subject to the New Qoros Investor's right of first refusal described below). Quantum may not assign the remaining 50% of its interest in Qoros to a third-party during the three-year period following the change in shareholding in Qoros pursuant to the investment agreement with the New Qoros Investor without the consent of the other joint venture partners. After the three-year lock-up period, Quantum may transfer all of its interest in Qoros to any third-party, subject to the rights of first refusal discussed below. During the five-year period following the closing of the investment, Wuhu Chery and the New Qoros Investor may not transfer any or all their interests in Qoros to any third-party without consent of the other joint venture partners (except for assignments in relation to an initial public offering of Wuhu Chery's interest in Qoros).

Subject to the lock-up restrictions set forth above, if any of the joint venture partners elects to sell any of its equity interest in Qoros to a third party (i.e., other than an affiliate), the other joint venture partners have the right to purchase all, but not less than all, of the equity interests to be transferred, subject to certain conditions relating to the minimum price for such sale. In the event that more than one joint venture partner elects to exercise its right of first refusal, the shareholders shall purchase the equity interest to be transferred in proportion to their respective interests in Qoros at such time.

The Joint Venture Agreement also reflects Kenon's put option and the New Qoros Investor's call option in relation to their interests in Qoros. For further information on the put and call option, see "*—Qoros' Investment Agreement— Kenon's Put Option; the New Qoros Investor's Right to make Further Investments in Qoros.*"

The Joint Venture Agreement expires in 2042. The Joint Venture Agreement terminates prior to this date only (i) if the joint venture partners unanimously agree to dissolve Qoros (ii) in the event of any other reasons for dissolution specified in the Joint Venture Agreement and Articles of Association of Qoros or (iii) upon occurrence of any other termination event, as specified in PRC laws and regulations. For further information on the risks related to the Joint Venture Agreement, see "*Item 3.D Risk Factors—Risks Related to Our Interest in Qoros—Our interest in Qoros is only 24%*."

Changes to Qoros' Management

In recent years, Qoros has made a number of changes at the executive management level. In 2018, the New Qoros Investor has appointed a new chief executive officer and chief financial officer for Qoros.

For further information on the risks related to Qoros' management, see "*Item 3.D. Risk Factors—Risks Related to Our Interest in Qoros—Qoros requires qualified personnel to manage its operations.*"

Qoros' Legal Proceedings

Claims by Suppliers and Service Providers

During 2017, Qoros was subject to various claims brought by certain of its suppliers and service providers claiming unpaid amounts. As of December 31, 2017, the total amounts claimed are approximately RMB142 million.

During 2017, Qoros settled various outstanding claims previously brought by its suppliers and service providers. As of December 31, 2017, Qoros has settled an amount of approximately RMB121 million, out of which approximately RMB39 million was paid by the end of 2017.

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 Chinese government has introduced stringent fuel consumption regulations which will take effect in 2020 for vehicles sold by Chinese automotive manufacturers. In order to comply with these fuel consumption standards, Qoros may need to alter the composition of its fleet of vehicles, which may include developing an electric vehicle. 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.

As Qoros' strategy contemplates the development of an NEV, Qoros will be subject to the laws, licensing requirements, regulations and policies applicable to NEVs in China. For instance, China has recently published a set of fuel consumption credit management rules to promote the growth of the NEV market and reduce reliance on internal combustion vehicles. Under the regulations, automakers must obtain a certain NEV score by 2019, which score is related to the number of NEVs the automaker produces (approximately 10% of the automaker's production in 2019). If the automaker is unable to obtain the score, it is required to purchase credits from other automakers whose NEV score is above the required amount or will be subject to penalties. If Qoros is unable to receive positive CAFC credits commencing in 2018 and produce enough NEVs to satisfy the credit deficits, Qoros may be required to purchase NEV credits, which may be costly, or be subject to penalties, including disqualification of new product registration.

ZIM

We have a 32% stake in ZIM, an international shipping company that operates in select 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, 2017, ZIM operated 81 vessels (of which 7 were owned and 74 were chartered) with a total shipping capacity of 385,974 TEUs. As of December 31, 2017, ZIM chartered 92% of its capacity, and approximately 63% of its charter leases by capacity have durations of less than one year.

As of December 31, 2017, ZIM operated a global network of over 50 weekly lines, calling at approximately 267 port of calls in approximately 72 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 11,000 TEUs. 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 nine directors, in which case Kenon will be entitled (alone or together with others) to appoint a number of directors that corresponds to its equity interest in ZIM.

ZIM's Industry Update

In recent years, conditions in the shipping industry have been challenging due to a large supply-demand gap and an increase in vessel capacity. In 2016, freight rates were historically low, but began to increase moderately in the second half of 2016 and, on the aggregate, continued to increase in 2017, as a result of, among other factors, increased idle fleet levels and intensive scrapping activity, as well as the receivership of Hanjin, one of the leading companies in the shipping industry. In addition, in 2017, demand for containerized goods increased as a result of global GDP growth which resulted in increased private consumption. These factors resulted in improved profitability for the shipping industry in 2017.

The oversupply of vessel capacity which has negatively affected the shipping industry in recent years is expected to continue in the near future as the global fleet continues to increase. In response, carriers and vessel owners continued scrapping, as approximately 200 vessels representing approximately 664,717 TEUs and approximately 160 vessels (representing approximately 427,030 TEUs) were sold for demolition in 2016 and 2017, respectively, thereby offsetting in part the increase in capacity from new vessels.

The shipping industry has also been affected by volatility in bunker prices, which have declined from their levels in 2014. The decrease in bunker prices improved shipping companies' cost structures and supported household spending which increases private consumption, but also resulted in downward pressure in freight rates, as customers put pressure on shipping companies to reduce freight rates. Bunker prices have increased moderately since the end of 2016, but remain volatile due to, among others, uncertainty regarding levels of U.S. output. Further increases in bunker prices may affect ZIM's margins.

In addition, the container shipping market has experienced significant consolidation as carriers look for operational savings that will improve efficiency and margins. In recent years, the shipping industry has experienced extensive industry consolidation and M&A activity, resulting in rising market concentration levels.

In line with the trend towards consolidation, a number of large strategic alliances and cooperations have been reorganized or formed, including the Ocean Alliance (consisting of COSCO Shipping, CMA CGM Shipping, Evergreen Marine and Orient Overseas Container Line) and the Alliance (consisting of Hapag Lloyd, Yang Ming MOL, NYK Line and K Line Shipping).

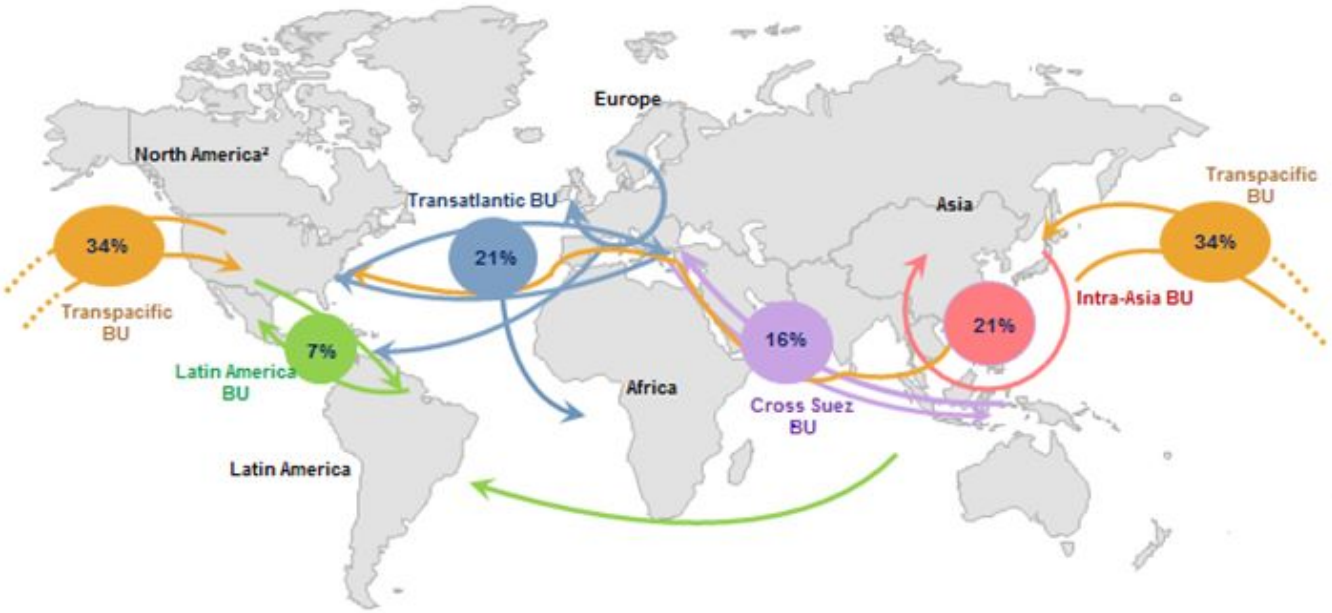
ZIM's Description of Operations

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 2017, 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 five carriers accounting for approximately 64% of the global capacity, and the remaining top carriers each controlling less than 5% of the capacity as of December 2017. ZIM controls approximately 2% of the global container shipping capacity and is ranked twelfth among shipping carriers globally as of January 2018 (in terms of TEU capacity) (as compared to a ranking of sixteenth in January 2017, reflecting industry consolidation).

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 has implemented 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, 2017, 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 2017, 2016 and 2015:

Business Unit	Description of Business Unit	2017 TEU Transported (%)	2016 TEU Transported (%)	2015 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	34.2	33.6	34.7
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	15.9	16.5	15.4
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	21.1	20.3	18.5
Atlantic	The Atlantic BU consists of the Trans-Atlantic trade zone, which covers the trade between the Mediterranean to U.S. 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	21.3	21.4	22.4
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	7.4	8.3	9.0
Total		100.0	100.0	100.0

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, 2017, ZIM's fleet included 81 vessels (as compared to 72 vessels as of December 31, 2016). ZIM's fleet as of December 31, 2017 consisted of 80 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 74 vessels were chartered (5 of these are defined as financial leases). ZIM has re-delivery dates ranging from 2018 to 2026. As of December 31, 2017, the total capacity of ZIM's fleet of vessels (both owned and chartered) was 385,974 TEUs (compared to 322,566 TEUs as of December 31, 2016).

The following table sets forth summary information relating to ZIM's vessels as of December 31, 2017, differentiating between owned and chartered vessels, and the remaining period of the charter:

	Container Vessels			
	Number	Capacity (TEU)	Other Vessels	Total
Vessels owned by ZIM	7	32,023	-	7
Vessels chartered from parties related to ZIM				
Periods up to 1 year (from December 31, 2017)	2	8,500	1[1]	3
Periods between 1 to 5 years (from December 31, 2017)	3	14,792	-	3
Periods over 5 years (from December 31, 2017)	-	-	-	-
Vessels chartered from third parties				
Periods up to 1 year (from December 31, 2017)	50	214,629	-	50
Periods between 1 to 5 years (from December 31, 2017)	12	66,411	-	12
Periods over 5 years (from December 31, 2017)	6	49,619	-	6
Total	80	385,974	1[1]	81

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 and increase in the size of vessels through the canal is illustrative of the industry trend towards larger vessels. To remain competitive within the Asia-USEC trade zone, ZIM has increased the size of certain of its vessels in this trade zone, but does not operate the maximum-sized vessels (e.g., 13,000-14,000 TEU vessels) in this zone. ZIM assesses the size of its vessels in other routes.

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, 2017, of the 74 vessels chartered by ZIM under lease arrangements:

- 68 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 6 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 to developing, implementing and maintaining a safety management system in accordance with the ISM Code. In addition, ZIM follows the regulations of the International Maritime Organization, or IMO, and intends to make its vessels compliant with the new IMO regulations expected to come into effect in 2020. These regulations will require shipping companies to either utilize fuels which emit less sulfur or install scrubbers on vessels to reduce the emission of sulfur.

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, 2017, ZIM held approximately 360,000 container units with a total capacity of approximately 590,000 TEUs, of which approximately 78% were owned by ZIM (including under finance leases) and approximately 22% were chartered.

ZIM's Customers

In 2017, ZIM had more than 29,300 customers. ZIM's customers are divided into "direct customers", 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 2017, 32% of ZIM's customers (in terms of transported volume) were "direct customers," while the remainder were "forwarders." 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, and the third quarter is generally the strongest quarter with respect to shipping demand.

Recently, 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.

Changes to ZIM's Executive Management

In 2017, Mr. Eli Glickman was named as President and Chief Executive Officer of the company. In addition, in 2017, Mr. Yohai Benita was named as the acting Chief Financial Officer of ZIM.

ZIM's Legal Proceedings

Derivative Action Concerning ZIM Restructuring

During 2014 a petition for approval of a derivative action was submitted to the District Court in Tel Aviv by a shareholder of the Israeli Corporation Ltd., or IC, against, among others, IC and the ZIM. The petitioner argues that the transaction executed by IC in connection with its participation in ZIM's restructuring deviates from the approval of IC's shareholders meeting and that the condition precedent to the execution of IC's participation in the restructuring, as approved by such meeting, regarding the transferability of the shares in ZIM was not fulfilled. The petitioner moves to have the defendants (other than IC and ZIM) to convene IC's shareholders meeting to approve IC's participation in the ZIM's restructuring or have the defendants (other than IC) compensate IC in the amount of US$ 27.4 million which, as argued, reflects the damage caused to IC due to its participation in ZIM's restructuring, being the decreased value of ZIM's shares held by IC in consideration therefore, due to the incompletion of the said condition precedent. During 2016, the derivative action was rejected by the court, followed by an appeal filed by the petitioner. No provision was recorded in relate to the said derivative action.

2016 Class Action—Local Charges

In January 2016, ZIM's wholly-owned agency in Israel, along with other third party shipping agencies, was served with a filing of a class action. The applicant alleges, among other things, that the agency has, in breach of applicable port regulations, charged their customers higher rates for services rendered than are allowed and charged for services which are not included in the list of services detailed in the regulations. ZIM has not recorded a provision in relation to the class action.

Competition law issues

ZIM is involved in a number of legal matters, including industry-wide investigations regarding competition law issues and applications to approve the filing of class actions, some of which may involve significant monetary amounts. The developments and/or resolutions of such matters, which include either negotiations or litigation, are subject to a high level of uncertainty that cannot be reliably quantified.

During the reported period, ZIM has been served, together with another defendant, with an application to approve the filing of a class action in Israel, related to alleged breaches of competition rules in respect of carriage of vehicles from South Korea. The applicants estimate the total damages caused to the class at a total of NIS 403 million (approximately $ 115 million) based on an expert opinion attached to the application. However, from a preliminary review of the opinion, it should be noted that the estimate is based on data which is not necessarily correct and/or relevant to ZIM.

In addition, ZIM representatives received subpoenas in connection with an investigation by the United States Department of Justice

Antitrust Division into the container liner shipping industry in the United States. ZIM is currently reviewing this case with its legal advisors, who are in contact with the Department of Justice regarding ZIM's compliance with the subpoenas. As the investigation is still in its initial stages, it is too early to determine the outcome of this investigation and the possible exposure therefrom, if any.

Court's Ruling against Shipping Agencies in certain jurisdictions

In one jurisdiction, courts ruled against the operation of shipping agencies in such jurisdiction, including a subsidiary of ZIM. The shipping agencies have appealed to the supreme court against this ruling.

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 in 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 IMO, the United Nations specialized agency with responsibility for the safety and security of shipping and the prevention of marine pollution by ships.

In 2017, ZIM took measures to comply with the International Maritime Organization, or IMO, Ballast Water regulations. In addition, ZIM has taken measures to comply with the amendments of the IMO IMDF code, and the amendments to the International Convention for the Prevention of Pollution from Ships (MARPOL) .

ZIM has also taken steps to comply with the Chinese Ministry of Transportation regulations which stipulate a 0.5% sulfur content restriction on fuels used in all Chinese ports and the U.S National Oceanic and Atmosphere Administration's seasonal 10 knot speed limit on Mid-Atlantic coastal areas between November 1, 2017 and April 30, 2018. These regulations may increase ZIM's operational costs.

In addition, ZIM may be required to incur significant costs in connection with modifications to environmental regulations applicable to shipping companies. For example, ZIM will be required to comply with IMO regulations relating to sulfur emissions which are expected to come into effect in 2020. In order to comply with these regulations, ZIM will be required to either use fuel oil which is more costly than that it currently uses or modify its vessels by installing scrubbers, either of which may entail significant costs.

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. In certain jurisdictions, exemptions 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. 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. 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). In 2016, we sold our remaining interest in Tower.

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, see "*Distribution of our interest in Tower"* and "*Item 5.A— Operating Results— Year Ended December 31, 2016 Compared to Year Ended December 31, 2015--Share In Income (Losses) of Associated Companies, Net of Tax—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.

Additionally, until December 24, 2014, we owned a 69% equity interest in ***Petrotec***, a European producer of biodiesel generated from used cooking oil. On December 24, 2014, Renewable Energy Group, Inc., or 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 liquids 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, high-octane gasoline or stream miscible with crude. The availability of large shale gas reserves in the U.S. and the low cost of natural gas in relation to the cost of methanol enables Primus to utilize domestically produced natural gas in its STG+ process.

Primus' business strategy is focused on three primary activities:

- **Gas Flaring Solutions.** Primus offers gas flaring solutions to convert natural gas that would otherwise be flared into gasoline or crude oil diluent. Primus intends to deploy its STG+ technology for operators seeking to remain in compliance with strict anti-flaring regulations and monetize natural gas that would otherwise be flared.

- **Gasoline Production.** Primus intends to provide its STG+ process to convert natural gas into reformulated blend-stock for oxygen blending (RBOB) gasoline as blend-stock at industrial and chemical plant locations that have spare syngas capacity and in emerging international markets where low value natural gas can be converted to high value (usually imported) gasoline.

- **Methanol Production.** Primus intends to own, operate and develop, or license the technology for the operation and development of, methanol production plants to service local users of methanol who are located far from larger-scale methanol plants.

Primus seeks to develop, build, own and operate a portfolio of facilities where the company can access low-cost natural gas feedstock and take advantage of lower product transportation costs resulting from locating producing assets closer to markets than competing sources. Primus seeks to generate revenues from the sale of methanol, gasoline and stream miscible with crude from its operating plants as well as from construction management services, engineering fees, technology licensing fees, production royalties, and other opportunities the company identifies. Primus intends to finance the first series of plants through non-recourse project financing and is seeking a strategic partner to participate alongside Primus in the equity component of the investment.

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 methanol and high-octane gasoline. 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, and was designed to replicate the key scale parameters of a larger plant, so as to minimize potential scale-up risks. Between 2013 and 2017, Primus successfully operated the demonstration plant for approximately 10,000 hours. The same reactor design and catalyst are in use in other sites in slightly different services around the world.

In the year ended December 31, 2017, Primus did not generate material revenues from its operations. As of December 31, 2017, we have invested approximately $96 million (which consists of $32 million invested by Kenon and $64 million invested by IC prior to the spin-off) into Primus. In January 2018, we provided Primus an additional $3.0 million via convertible notes.

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.

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 80%.

Primus' Principal Markets; Customers

Primus intends to develop, build, own and operate methanol production plants in North America and develop, build, own and operate methanol, gasoline or stream miscible with crude production plants, or license the technology for the operation and development of methanol or gasoline production plants, outside of North America. The intended off-takers of Primus' methanol are expected to 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 located outside the Gulf Coast region 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 and lower costs of natural gas.

Primus intends to provide its gas flaring solutions to customers throughout the world, particularly those in gas-prone regions with strict gas flaring regulations. The production of oil results in the "flaring" of natural gas—a cheap method disposing of, rather than utilizing, associated natural gas. Such flaring has become a concern in many countries as a result of the associated emissions in greenhouse gases and participation in the World Bank's Zero Routine Flaring by 2030 Initiative. As Primus' STG+ process converts syngas into gasoline blendstock, Primus can provide its potential customers with the technological tools to transform the natural gas associated with oil production and flaring into gasoline or a diluent to be blended into crude oil.

Potential customers of the gasoline, methanol and stream miscible with crude 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.

Primus' Project Pipeline

Primus is engaging in discussions with potential customers and joint venture partners with respect to potential projects, including for the construction of methanol plants, the conversion of syngas into gasoline and stream miscible with crude and the provision of gas flaring solutions. Should Primus secure these potential projects, which may be located throughout the world, Primus may be compensated through a mix of revenues from sales to off-takers, construction management and engineering fees, technology licensing fees and production royalties. These projects also give Primus the opportunity to own equity in the project. At this time, these projects have not been secured.

Primus' Raw Materials and Suppliers

In connection with the operation of Primus' demonstration plant in the year ended December 31, 2017, a single supplier provided Primus with its natural gas requirements, representing an immaterial amount of Primus' operating expenses in the year ended December 31, 2017.

Primus' Competition

Primus seeks to operate as a producer of alternative liquids. Its competitors are expected to 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 and methanol. 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 product, (ii) high yield and cost-effective results, and (iii) selective process allows it to remain competitive with its competitors in both areas.

Project Marcellus

Primus is working to complete the financing of its first project (Project Marcellus), a 158MT/day modular methanol plant that will be located in West Virginia. The total project cost estimate is $70 million. Primus is seeking to raise $35 million in non-recourse debt financing and has approached several banks and is in discussions with a potential equity investor to take a significant part of the equity commitment. In order to minimize its exposure to commodity risk, Primus is in discussions with a large oil and gas company, which would provide gas supply, guarantee some of the project debt and secure the methanol offtake. The portion of equity investment to be made by Primus in the project would likely require funding from Kenon.

Primus' Patents, Licenses, Etc.

Primus' intellectual property portfolio includes: three 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 or 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.

Discontinued Operations – Inkia Business

Sale of the Inkia Business

Share Purchase Agreement

On November 24, 2017, Kenon, through its subsidiaries Inkia and IC Power Distribution Holdings Pte. Ltd. ("ICPDH") entered into a share purchase agreement with Nautilus Inkia Holdings LLC which is an entity controlled by I Squared Capital, pursuant to which Inkia and ICPDH agreed to sell all of their interests in power generation and distribution companies in Latin America and the Caribbean (the "Inkia Businesses") in consideration for $1,332 million, consisting of (i) $935 million cash proceeds paid by the buyer, (ii) retained cash at Inkia of $222 million, and (iii) $175 million, which was deferred in the form of a Deferred Payment Obligation bearing interest of 8% per annum, payable in kind. The buyer also assumed Inkia's obligations under Inkia's $600 million 5.875% Senior Unsecured Notes due 2027. The sale was completed in December 2017. The final purchase price is subject to certain adjustments, including adjustments for working capital, debt and cash at closing.

This sale is consistent with Kenon's strategy, which includes monetization of its business and distribution of proceeds to shareholders.

In December 2017, the sale was completed, resulting in cash proceeds of approximately $1,332 million, consisting of $1,110 million proceeds paid by the buyer plus retained unconsolidated cash at Inkia of $222 million, reflecting the base purchase price of $1,177 million after certain adjustments, including estimated working capital, debt and cash at closing.

The consideration that Inkia received in the transaction is before estimated transaction costs, management compensation, advisor fees, other expenses and taxes, which are estimated to be in the aggregate approximately $263 million, of which $27 million comprises taxes to be paid upon payment of the $175 million Deferred Payment Obligation. The estimated tax payment includes taxes payable in connection with a restructuring of some of the companies remaining in the Kenon group, which is intended to simplify Kenon's holding structure. As a result of this restructuring, Kenon now holds its interest in OPC directly. Kenon does not expect any further tax liability in relation to any future sales of its interest in OPC.

Use of Proceeds of Transaction

In January 2018, Kenon used a portion of the proceeds of the transaction to repay debt of IC Power ($43 million of net debt outstanding), and to repay its loan facility with Israel Corporation ($240 million including accrued interest, and $3 million withholding tax).

In December 2017, Kenon's shareholders authorized a capital reduction to enable a potential distribution of a portion of the proceeds received from the sale of the Inkia Business. The Singapore courts approved the capital reduction in February 2018 and Kenon distributed $665 million in cash to its shareholders in March 2018 as a return of capital resulting from a capital reduction.

Indemnification

In relation to the share purchase agreement for the sale, the sellers, Inkia and ICPDH, gave representations and warranties in respect of the Inkia Business and the transaction. Subject to a specified deductibles, caps and time limitations, the sellers have agreed to indemnify the buyer and its successors, permitted assigns, and affiliates, and its officers, employees, directors, managers, members, partners, stockholders, heirs and personal representatives from and against any and all losses arising out of:

- prior to their expiration eighteen months from the date of the closing of the sale (or three years in the case of representations relating to environmental matters), a breach of any of the sellers' representations and warranties (other than fundamental representations) up to a maximum amount of $176.55 million;

- prior to their expiration upon the expiration of the statute of limitations applicable to breach of contract claims in New York, a breach of any of the sellers' covenants or agreements set forth in the share purchase agreement;

- prior to their expiration thirty days after the expiration of the applicable statute of limitations, certain tax liabilities for pre-closing periods and certain transfer taxes, breach of certain tax representations and the incurrence of certain capital gain taxes by the transferred companies in connection with the transaction; and

- without limitation with respect to time, a breach of any of the sellers' fundamental representations (including representations relating to due authorization, ownership title, and capitalization).

The sellers' obligation to indemnify Nautilus Inkia Holdings LLC shall not exceed the base purchase price.
The sellers' indemnification obligations for any claims under the share purchase agreement that are agreed between the buyer and the Sellers, or that are subject to a final non-appealable judgment, will be supported by the following:

- IC Power's three-year pledge of OPC shares representing 25% of OPC shares as of the closing date;

- to the extent any indemnification obligations remain outstanding after the exercise of the above-described pledge (or payments of amounts equal to the value of the pledge), a deferral of $175 million of the purchase price in the form of a four-year $175 million deferred payment agreement, or the Deferred Payment Agreement, accruing interest at a rate of 8% per annum payable-in-kind, which the buyer may use to set-off any such indemnification obligations owed to it (see "*—Nautilus Energy TopCo LLC Deferred Payment Agreement*"); and

- to the extent any obligations remain outstanding after seeking recourse against of the Deferred Payment Agreement, a three-year corporate guarantee from Kenon.

Subject to certain terms and conditions, the terms of the pledge, the deferred payment agreement and the guarantee may each be extended if there are unresolved claims existing on the applicable expiration dates.

Pledge Agreement with respect to OPC Shares

In connection with the sale of the Inkia Business, ICP (which was the holder of Kenon's shares in OPC at the time of the sale) entered into a pledge agreement with the buyer of the Inkia Business (Nautilus Inkia Holdings LLC) to pledge OPC shares representing 25% of the outstanding shares of OPC as of the date of the pledge agreement in favor of the buyer to secure the sellers' indemnification obligations under the share purchase agreement for the sale. Following the sale of the Inkia Business, ICP transferred all of its shares in OPC to Kenon. As a result, in February 2018, Kenon and the buyer entered into an amended pledge agreement, pursuant to which Kenon became the pledgor and assumed ICP's obligations under the pledge agreement. The majority of Kenon's OPC shares are subject to a lock-up period (imposed following OPC's initial public offering in August 2017), which restricts the amount of shares sold each month until 18 months after the IPO, pursuant to TASE regulation, and are held by the Lock-Up Trustee (as defined below).

Set forth below is a description some of the key provisions of the pledge agreement. The provisions described below are subject to certain conditions described in the agreement which is filed as an exhibit to this annual report.

Pledged Assets

Kenon has pledged 32,971,680 shares of OPC, representing 25% of the outstanding shares of OPC as of the date of the pledge agreement, plus related rights including distributions on those shares and proceeds of sales of such shares and including accounts in which such shares are currently held or may be held in the future and rights in respect of such shares against the trustee holding such shares, all as discussed below.

Secured Obligations

The pledged shares secure indemnification claims by the buyer that are "finally determined" (agreed by the parties or pursuant to a non-appealable judgment of a court with proper jurisdiction) under the share purchase agreement and obligations in connection with the pledge agreement and related preservation and foreclosure costs and expenses incurred by the buyer. The pledged shares and cash are held in an account in the name of a trust company, or the Lock-up Trustee, for the benefit of Kenon which account and rights of Kenon against the trust company in connection therewith have been pledged on a first priority basis in favor of the buyer. Additionally, Kenon pledged in favour of the buyer an account in the name of Kenon for the purpose of holding pledged shares that are released from the lock up. The secured obligations are reduced to the extent of indemnification payments to the buyer under the share purchase agreement and to the extent of the net proceeds from sales of shares upon enforcement of the pledge.

Certain Rights of Kenon with respect to the Pledged Shares

Kenon retains voting rights over the pledged shares unless an event of default under the pledge agreement has occurred and is continuing.

All dividends on the pledged shares are paid into the pledged account. Unless an event of default under the pledge agreement has occurred and is continuing,

- Kenon can withdraw dividends paid into that account as follows (i) in the first 365 days from November 24, 2017, if the 30-trading day volume weighted average price, or VWAP prior to drawing such dividends exceeds NIS14.45 Kenon can draw an amount up to 50% of cumulative net income of OPC from January 1, 2017 (such amount is referred to as the "dividend cap"), (ii) during the following 365-day period, if the 30-trading day VWAP prior to drawing such dividends exceeds NIS14.82, Kenon can draw an amount up to the dividend cap and (iii) during the following 365-day period, if the 30-trading day VWAP prior to drawing such dividends exceeds NIS15.17, Kenon can draw an amount up to the dividend cap; and

- in addition, on one occasion over the life of the pledge Kenon can draw from the pledged account its pro rata share of OPC dividends up to $25 million paid in respect of all of the pledged shares (by way of example if the company makes a distribution of US$50 million following the original effective date of the pledge agreement, Kenon is entitled to draw from the pledged account $6.25 million). OPC has not paid a dividend since the date the pledge was executed, and therefore Kenon has not made such draw.

Kenon can sell pledged shares on arms' length terms in cash at market prices or at customary discounts to market prices for such sales (provided that the discounts do not exceed 5% of market price, based on customary VWAP from such a sale on the TASE), provided that cash equal to the number of pledged shares sold multiplied by NIS 14.105 is deposited into the pledged account.

Release of Pledged Shares

In the event of any indemnity claims in accordance with the share purchase agreement, pledged shares and cash shall be released in an amount equal to the indemnity payment, with the amount of pledged shares released calculated in accordance with the fair market value of OPC's ordinary shares based on the 30-trading day VWAP of OPC shares prior to the release, and pledged cash is released prior to pledged shares.

Kenon may also release cash from the pledge by depositing additional OPC shares into the pledged account, with released cash being replaced by a number of OPC shares equal to the amount of cash released divided by the lower of (i) the 30-trading day VWAP of OPC shares prior to the release and (ii) NIS 14.105.

All pledged shares and cash remaining in the pledged account will be released on December 31, 2020, provided that if there are unresolved claims by the buyer for indemnity under the Inkia share purchase agreement, the pledge will continue to apply for pledged assets sufficient (in the case of pledged shares, based on a the 30-trading day VWAP prior to December 31, 2020) to cover an amount determined by Kenon and the buyer, each acting in good faith (or a third party evaluator or PricewaterhouseCoopers in case the parties cannot agree) equal to a reasonable estimate of the amount ultimately payable on an unresolved claim (including interest and penalties) to be paid under the Inkia share purchase agreement, plus a reasonable estimate of the amount of costs and expenses that are expected to be incurred to resolve the claim plus 10% of the foregoing (the total amount is referred to as the reserve amount). To the extent that such unresolved indemnity claims which results in an extension of the pledge results in a claim amount actually paid exceeding 110% of the reserve amount, Kenon must pay the buyer interest in cash at a rate of 4% per annum on the difference between the amount paid and 110% of the reserve amount from December 31, 2020 until such payment, and to the extent that such unresolved indemnity claims which in an extension of the pledge results in a claim amount actually paid less than 90% of the reserve amount, the buyer must pay Kenon interest in cash at a rate of 4% per annum on the difference between the amount paid and 90% of the reserve amount from December 31, 2020 until the remaining pledged assets are released from the pledge.

Events of Default; Enforcement of Pledge

The pledge agreement contains events of default for events such as breaches of representations and warranties or undertakings, certain insolvency or bankruptcy events and a failure by Kenon to pay indemnification claims under the Inkia share purchase agreement which claims have been finally determined and are unpaid for three business days. Upon an event of default for a failure to pay a finally determined indemnification claim or a breach of the repeating representation confirming no insolvency or similar events relating to Kenon, the buyer may take customary enforcement measures, including enforcement of the pledges and sale of pledged shares. Upon any other event of default, the buyer may take possession of the pledged assets and exercise voting rights, but is may not dispose of the pledged assets.

Nautilus Energy TopCo LLC Deferred Payment Agreement

In December 2017, Inkia loaned $175 million to Nautilus Energy TopCo LLC, or Nautilus Energy, as a deferral of a portion of the purchase price for the sale of the Inkia Business. The loan accrues interest at 8% per annum, with such interest capitalized and added to the aggregate principal amount on an annual basis. Under the deferred payment agreement, Nautilus Energy is subject to certain restrictions with respect to indebtedness, liens, disposals of all or substantially all of the assets of its group, and the general conduct of its group. Subject to the terms of the share purchase agreement, Nautilus Energy may offset its obligation to pay all or some of the aggregate principal amount outstanding under the deferred payment agreement in lieu of seeking a cash payment of a finally determined indemnity claim in an aggregate principal amount equal to the amount of any unpaid finally determined indemnification claim, provided that Nautilus Energy must first offset any indemnity claims first against IC Power's pledge of OPC shares for the benefit of the buyer, Nautilus Inkia Holdings LLC (as described above). The loan matures in December 2021, but may be extended in certain circumstances if there is an unresolved indemnification claim outstanding at the scheduled maturity date. Upon a sale of all or substantially all of the assets of certain of Nautilus Energy's subsidiaries domiciled in Peru, Nautilus Energy may either repay the loan in full, place the aggregate principal amount outstanding together with accrued and unpaid interest in escrow or cause ISQ Global Infrastructure Fund II, L.P. to guarantee Nautilus Energy's obligations (which guarantee shall not be subject to release upon a cross-acceleration event).

The obligations of Nautilus Energy are secured with a share mortgage over its shares by Nautilus Energy Partners LLC and a share mortgage over the shares of the direct subsidiary of Nautilus Energy, Nautilus Inkia Holdings LLC. ISQ Global Infrastructure Fund II, L.P., an indirect parent of Nautilus Energy, has provided a guarantee of Nautilus Energy's obligations under the deferred payment agreement until such time as there is a cross-acceleration of Nautilus Energy's obligations under the deferred payment agreement.

Inkia's rights and obligations under the deferred payment agreement were transferred to ICP as of December 28, 2017.

Kenon Guarantee

Pursuant to a guarantee agreement entered into in December 2017, Kenon has agreed to guarantee payment of Inkia's payment obligations under the share purchase agreement relating to the sale of the Inkia Business, including all of their indemnification obligations, subject to certain conditions. The guarantee is only enforceable to the extent that there remain payment obligations under the share purchase agreement after the buyer has exhausted in full its rights under the OPC share pledge and the deferred payment agreement as described above. The guarantee will expire in December 2020, provided that the term of the guarantee shall be extended to the extent that there remain indemnification obligations for which a claim has been made but not resolved at the scheduled expiration date.

Claims Relating to the Inkia Business

Set forth below is a description of the investment treaty claims that are being or may be pursued by Kenon subsidiaries and the other claims related to of the Inkia Business to which Kenon has rights.

The claims will require funding for legal expenses and Kenon is considering its options with respect to meeting these funding needs, including potentially third party funding for such claims in exchange for a portion of the awards or settlements. Kenon may also sell its rights under or the rights to proceeds resulting from claims.

Bilateral Investment Treaty Claim Relating to Peru

In June 2017, IC Power sent a Notice of Dispute to the Government of Peru under the Free Trade Agreement between Singapore and Peru, or the FTA, relating to two matters described below, based on events that occurred while IC Power owned and operated its former Peruvian subsidiary Kallpa, later sold as part of the Inkia sale. The claim is ready to be brought to arbitration pursuant to the FTA, subject to IC Power submitting a Notice of Intent one month in advance of the institution of arbitral proceedings. The FTA cooling off deadlines have been exhausted and the Notice of Intent is ripe to be provided as of this date. IC Power has not yet quantified the claim against the Government of Peru, but the claim is any event in excess of $150 million. Set forth below is a summary of the claims.

Secondary Frequency Regulation Claim

The Secondary Frequency Regulation, or SFR, is a complementary service required to adjust power generation in order to maintain the frequency of the system in certain situations. In March 2014, OSINERGMIN (the mining and energy regulator in Peru) approved Technical Procedure 22, or PR 22, establishing that the SFR would be provided through a firm and variable base provision. The firm base provision of the SFR would have priority on the daily electricity dispatch to keep turbines permanently on to respond to frequency changes in the system.

In February 2016, COES (a committee made up of public and private entities with powers delegated to it by the Peruvian government to manage the Peruvian energy transmission grid), invited generation companies to bid for the provision of SFR, and Kallpa submitted a bid offering to provide the SFR. In April 2016, Kallpa was awarded the SFR firm base provision for three years, until July 2019 on an exclusive basis, independently of its declared variable generation costs, and in exchange for a Reserve Assignment Price of zero, plus certain reimbursable costs.

In June 2016, OSINERGMIN issued a resolution that materially modified PR 22 (or the Resolution). Under the Resolution, SFR service can only be rendered when the generator is programmed for economic dispatch (i.e. daily dispatch according to variable cost). Due to this retroactive amendment to PR 22, the exclusivity in dispatch that Kallpa had received through the bid process was withdrawn. IC Power suffered losses, including, but not limited to, lost profits as a result of the Resolution.

Transmission Tolls Claim

Until July 2016, the responsibility for the payment for the use of the secondary and complementary transmission systems was distributed based on the use of each transmission line. OSINERGMIN identified the generators that made use of particular distribution lines and proceeded to determine payment based on actual use (or the “relevance of use” requirement).

However, in July 2016, OSINERGMIN issued a resolution, referred to as the Transmission Toll Resolution, eliminating the “relevance of use” requirement, replacing it with a methodology that required each generation company to pay for a number of transmission lines, irrespective of the transmission lines the company actually uses. The change in methodology benefited the state-owned electricity company, Electroperu, and caused significant detriment to IC Power’s subsidiaries and IC Power itself.

Entitlement to Payments in Respect of Certain Proceedings and Claims

As discussed below, IC Power's former subsidiary, Inkia, is entitled to receive certain payments from the buyer of the Inkia Business in connection with certain insurance and other claims held by companies within the Inkia Business or as a result of the resolution of, and/or a change in regulations or cash payments received relating to the transmission tolls claim or the SFR claim. These payments are subject to conditions, and may be subject to deduction for taxes incurred as a result of the relevant payment.

Guatemala

The Guatemalan Tax Administrator, or SAT, issued in February 2015 certain binding tax opinions confirming the validity of certain deductions with respect to the referenced distributors. ICP subsequently acquired the distributors. The government of Guatemala changed in 2016 and there also were changes in the SAT management. Subsequently, and notwithstanding the binding tax opinions, the SAT filed a complaint in July 2016 against the distributors for alleged back taxes for the years 2011 and 2012, alleging that such companies improperly deducted interest and amortization of goodwill relating to the acquisition of the distributors in 2011 by their prior owner. In August 2016, the court hearing the SAT complaint ordered the distributors immediately to pay approximately $17 million in alleged back taxes for 2011 and 2012, plus interest and fines within 60 days following the court order. The distributors paid such amount.

In December 2016, the distributors paid an additional $26 million corresponding to the alleged fines and interest on the principal amount. In light of the actions by the SAT, and in order to avoid complaints by the SAT concerning fiscal years 2013, 2014, and 2015, and any resulting fines and interest, upon instructions of the SAT, the distributors revised their tax returns for such years and paid a further amount of approximately $31 million, corresponding to alleged back taxes and interest for those fiscal years. The total payments described above related to 2011 through 2015 amount to approximately $74 million in the aggregate. The distributors made such payments subject to a broad reservation of rights, including but not limited to seeking restitution of such payments. The foregoing circumstances form the basis for the investment treaty arbitration, which is pending.

ICP commenced an investment treaty arbitration against the Republic of Guatemala in February 2018 pursuant to the Agreement between the Government of the State of Israel and the Government of the Republic of Guatemala for the Reciprocal Promotion and Protection of Investments, or the Treaty. ICP is seeking damages on the basis that Guatemala breached its obligations under the Treaty including through the treatment of DEORSA and DEOCSA, two electricity distributors which were subsidiaries of ICP.

Energuate Representation & Warranty Insurance Claims

Prior to the sale of the Inkia Business, DEORSA and DEOCSA and their parent company ICPDH, made a claim under the representation & warranty insurance put in place during the acquisition of DEORSA and DEOCSA (the "Insurance Claim"). The Insurance Claim seeks coverage for taxes paid in connection with the SAT tax claim in 2016, as described above. The maximum coverage under the insurance policy is $30 million. The insurer has disputed coverage for the Insurance Claim and that dispute has been submitted to arbitration, which is ongoing.

Kenon's subsidiary ICPDH, which was not sold as part of the sale of the Inkia Business, continues to pursue the Insurance Claim, and the claims by DEORSA and DEOCSA were transferred to ICPDH. If any proceeds under this claim are received by DEORSA or DEOCSA, such proceeds must be paid to ICPDH.

Samay I Insurance Claims

Samay I has made an insurance claim for losses suffered as a result of the damage to the turbines at the Samay I Facility in 2016. The amount of the claim is approximately $25.3 million plus interest and costs.

The buyer of the Inkia Business has agreed to use commercially reasonable efforts to pursue this claim, with Inkia required to pay the costs of pursuing the claim, and to pay to Inkia 75% of the insurance claim proceeds received by it.

Transmission Toll Regulation

In the event of certain changes in or revocation of regulation in Peru or a final court order relating to the Transmission Toll Resolution (described above under *"—Bilateral Investment Treaty Claims—Transmission Tolls Claim"*) which change, revocation or order has the effect of increasing operating profits of Kallpa or Samay I (which are part of the Inkia Business) then the buyer of the Inkia Business is required to pay or cause to be paid to Inkia in cash 75% of an amount equal to 70% of the increase in operating profits of Kallpa and Samay I attributable directly and solely to the changes in regulation through December 31, 2024.

In addition, in the event of any cash payments made to Kallpa or Samay I as a result certain changes in regulation in Peru relating to the Transmission Toll Resolution or as a result certain claims being pursued in Peru in connection with this resolution, the buyer is required to pay or cause to be paid in cash 75% of an amount equal to 70% of such cash proceeds.

Secondary Frequency Regulation Claim

In the event of certain changes to or revocation of PR 22 (as described under *"—Bilateral Investment Treaty Claims—Secondary Frequency Regulation Claim")* which result in a cash payment to Kallpa or Samay I, the buyer is required to pay or cause to be paid in cash 75% of an amount equal to 70% of such cash proceeds.

Samay I S.A. Force Majeure Proceedings

In connection with the damage to the Samay I turbines in 2016, Samay I made a claim to the Peruvian Ministry of Energy and Mines, or MINEM, demanding that the unavailability to the system of the Samay I turbines was a force majeure event and therefore measures taken by MINEM should be reversed. The buyer of the Inkia Business has agreed, promptly following regulatory approval of the sale of the Inkia Business in Peru, to commence arbitration proceedings against MINEM to recover negative revenue adjustments of approximately $3 million on the basis that the unavailability of the turbines was a force majeure event.

Samay I is required to pay to Inkia 50% of the proceeds received from such proceedings, and Inkia is required to reimburse 50% of the costs in proceeding with the claim.

Bolivian Land

Inkia is entitled to appoint a broker to procure buyers for a plot of land in Bolivia owned by COBBEE (part of the Inkia Business) and consummate a sale of the land, with the sale terms subject to Inkia's consent. All proceeds from the sale must be paid to Inkia, after deduction of reasonable costs and expenses, brokerage fees and taxes.

Description of Operations of the Inkia Business

The Inkia Business, which was sold in December 2017, consisted of generation and distribution facilities located in energy markets in Latin America and the Caribbean.

Generation Operations

The Inkia Business' generation operations were focused in the Latin American and Caribbean markets—primarily Peru. The Inkia Business' portfolio included power generation plants that operated on a range of energy sources, including natural gas, hydroelectric, HFO, diesel and wind. As of December 31, 2017, the Inkia Business' installed capacity was 3,374 MW.

The following table sets forth summary operational information regarding each of the Inkia Business' operating companies in its power generation business as of December 31, 2017:

Country	Entity	Ownership Percentage (Rounded)	Fuel	Installed Capacity (MW)[1]
Peru	Kallpa	75%	Natural Gas, Hydroelectric	1,618
Peru	Samay I	75%	Diesel and Natural Gas	632
Nicaragua	Corinto	65%	HFO	71
Nicaragua	Tipitapa Power	65%	HFO	51
Nicaragua	Amayo I	61%	Wind	40
Nicaragua	Amayo II	61%	Wind	23
Guatemala	Puerto Quetzal	100%	HFO	55
El Salvador	Nejapa	100%	HFO	140
Panama	Kanan	100%	HFO	124
Bolivia	COBEE	100%	Hydroelectric, Natural Gas	228
Chile	Central Cardones	87%	Diesel	153
Chile	Colmito	100%	Natural Gas and Diesel	58
Dominican Republic	CEPP	97%	HFO	67
Jamaica	JPPC	100%	HFO	60
Panama	Pedregal	21%	HFO	54
		Total Capacity		**3,374**

(1) Reflects 100% of the capacity of each of the Inkia Business' assets, regardless of ownership interest in the entity that owns each such asset

Distribution Operations

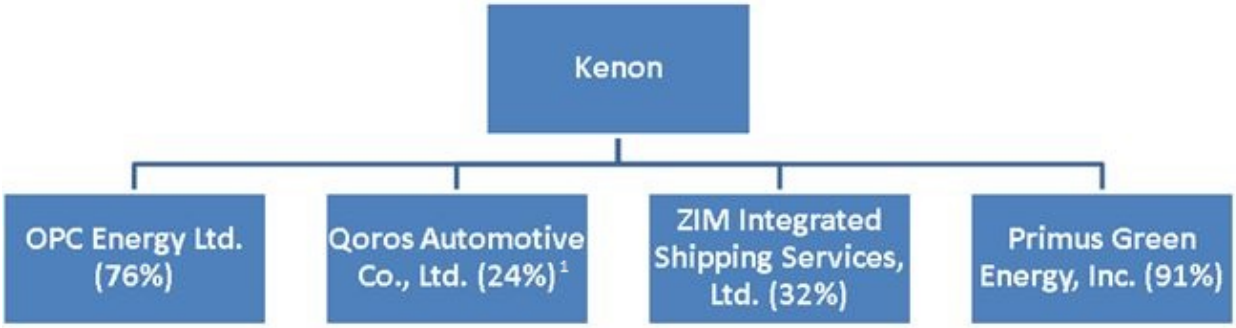
The Inkia Business' electricity distribution operations consisted of Energuate (the trade name for the Inkia Business' Guatemalan electricity distribution businesses), which was acquired in 2016 and consisted of:

- DEORSA, in which Inkia held a 93% interest; and
- DEOCSA, in which Inkia held a 91% interest.

As of December 31, 2017, Energuate provided services for approximately 1.7 million regulated customers in Guatemala and distributed energy to a service area of approximately 103,089 km^2 in Guatemala, covering primarily rural areas. Energuate operates approximately 78,395 km of distribution lines within Guatemala.

C. Organizational Structure

The chart below represents a summary of our organizational structure, excluding intermediate holding companies, as of April 9, 2018. This chart should be read in conjunction with the explanation of our ownership and organizational structure above.



(1) In January 2018, Kenon announced the New Qoros Investor completed a transaction to purchase 51% of Qoros from Kenon and Chery. As a result, Kenon now has a 24% stake in Qoros. Kenon used to hold a 50% stake in Qoros prior to the New Qoros Investor's investment.

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 consolidated financial statements, and the related notes thereto, for the years ended December 31, 2017, 2016 and 2015, included elsewhere in this annual report. Our financial statements have been prepared in accordance with IFRS. Our consolidated financial statements as of and for the year ended December 31, 2017 reflect the Inkia Business as discontinued operations and our consolidated financial statements as of and for the years ended 2016 and 2015 have been reclassified for comparative purposes to account for the Inkia Business as discontinued operations (see "Item 4.B Business Overview—Discontinued Operations—Inkia Business").

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.

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

For a discussion of our strategy, see "*Item 4.B Business Overview.*"

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 continuing operations for the years ended December 31, 2017 and 2016 depends upon the method of accounting applicable to it as set forth in the following table:

	Year Ended December 31, 2017		
	Ownership Percentage	**Method of Accounting**	**Treatment in Consolidated Financial Statements**
OPC	76%	Consolidated	Consolidated
Qoros	50%[1]	Equity	Share in losses of associated companies, net of tax
ZIM	32%	Equity	Share in losses of associated companies, net of tax
Other			
Primus	91%	Consolidated	Consolidated

(1) In January 2018, Kenon announced the New Qoros Investor completed a transaction to purchase 51% of Qoros from Kenon and Chery. As a result, Kenon now has a 24% stake in Qoros.

	Years Ended December 31, 2016 and 2015		
	Ownership Percentage	**Method of Accounting**	**Treatment in Consolidated Financial Statements**
OPC	100%	Consolidated	Consolidated
Qoros	50%	Equity	Share in losses of associated companies, net of tax
ZIM	32%	Equity	Share in losses of associated companies, net of tax
Other			
Primus	91%	Consolidated	Consolidated

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 and (iii) Tower until June 30, 2015.

The following tables set forth selected financial data for Kenon's reportable segments for the periods presented:

	Year Ended December 31, 2017[1]				
	OPC	**Qoros[2]**	**Other[3]**	**Adjustments[4]**	**Consolidated Results**
	(in millions of USD, unless otherwise indicated)				
Sales	$ 365	$ -	$ 1	$ -	$ 366
Depreciation and amortization	(30)	-	(1)	-	(31)
Impairment of assets and investments	-	-	29	-	29
Financing income	1	-	13	(11)	3
Financing expenses	(34)	-	(47)	11	(70)
Share in (losses) income of associated companies	-	(121)	10	-	(111)
Profit / (Loss) before taxes	$ 23	$ (121)	$ (38)	$ -	$ (136)
Income taxes	(9)	-	(64)	-	(73)
Profit / (Loss) from continuing operations	$ 14	$ (121)	$ (102)	$ -	$ (209)
Segment assets[5]	$ 936	$ -	$ 1,468[6]	$ -	$ 2,404
Investments in associated companies	-	2	120	-	122
Segment liabilities	743	-	732[7]	-	1,475
Capital expenditure[8]	109	-	121	-	230

(1) In December 2017, Inkia completed the sale of the Inkia Business. For further information, see Note 29 to our financial statements included in this annual report.

(2) Associated company.
(3) Includes the results of Primus and HelioFocus (which was liquidated in July 2017); the results of ZIM, as an associated company; as well as Kenon's and IC Green's holding company and general and administrative expenses.
(4) "Adjustments" includes inter-segment financing income and expenses.
(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.

	Year Ended December 31, 2016[1]				
	OPC	Qoros[2]	Other[3]	Adjustments[4]	Consolidated Results
	(in millions of USD, unless otherwise indicated)				
Sales	$ 324	$ —	$ —	$ -	$ 324
Depreciation and amortization	(27)	—	-	-	(27)
Impairment of assets and investments	-	—	72	-	(72)
Financing income	3	—	16	(12)	7
Financing expenses	(23)	—	(36)	12	(47)
Share in losses of associated companies	-	(143)	(43)	-	(186)
Provision of financial guarantee	-	—	(130)	-	(130)
Profit/(Loss) before taxes	$ 20	$ (143)	$ (305)	$ -	$ (428)
Income taxes	—	—	(2)	-	(2)
Profit/(Loss) from continuing operations	$ 20	$ (143)	$ (307)	$ -	$ (430)
Segment assets[5]	$ 668	$ —	$ 4,262[6]	$ -	$ 4,930
Investments in associated companies	-	118	90	-	208
Segment liabilities	534	—	3,710[7]	-	4,244
Capital expenditure[8]	73	—	245	-	318

(1) Results during this period have been reclassified to reflect the results of the Inkia Business as discontinued operations. For further information, see Note 29 to our financial statements included in this annual report.
(2) Associated company.
(3) Includes the results of Primus and HelioFocus (which was liquidated in July 2017); the results of ZIM, as an associated company; as well as Kenon's and IC Green's holding company and general and administrative expenses.
(4) "Adjustments" includes inter-segment financing income and expenses.
(5) Excludes investments in associates.
(6) Includes Kenon's, IC Green's and IC Power holding company assets.
(7) Includes Kenon's, IC Green's and IC Power holding company liabilities.
(8) Includes the additions of PP&E and intangibles based on an accrual basis.

	Year Ended December 31, 2015[1]				
	OPC	Qoros[2]	Other[3]	Adjustments[4]	Consolidated Results
	(in millions of USD, unless otherwise indicated)				
Sales	$ 326	$ —	$ —	$ -	$ 326
Depreciation and amortization	(26)	—	1	—	(25)
Asset impairment	-	—	(7)	—	(7)
Financing income	3	—	8	—	11
Financing expenses	(26)	—	(10)	—	(36)
Share in (losses) income of associated companies	-	(196)	9	—	187
Gain from distribution of dividend in kind	-	—	210	—	210
Profit / (Loss)before taxes	$ 30	$ (196)	$ 199	$ —	$ 33
Income taxes	(8)	—	1	—	(9)
Profit / (Loss)from continuing operations	**$ 22**	**$ (196)**	**$ 198**	**$ —**	$ 24
Segment assets[5]	$ 811	$ —	$ 3,303[6]	$ —	$ 4,114
Investments in associated companies	-	159	210	—	369
Segment liabilities	677	—	2,542[7]	—	3,219
Capital expenditure[8]	18	—	556	—	574

(1) Results during this period have been reclassified to reflect the results of the Inkia Business as discontinued operations. For further information, see Note 29 to our financial statements included in this annual report.
(2) Associated company.
(3) Includes the results of Primus and HelioFocus (which was liquidated in July 2017); 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.
(4) "Adjustments" includes inter-segment sales.

(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.

The following tables set forth summary information regarding each of our equity-method accounting businesses for the periods presented.

	Year Ended December 31, 2017			
	Qoros	ZIM	Other	Total
	(in millions of USD)			
Income (loss) (100% of results)	$ (242)	$ 6	$ -	$ (236)
Share of Income (loss) from Associates	(121)	10	-	(111)
Book Value	2	120	-	122

	Year Ended December 31, 2016			
	Qoros	ZIM	Other	Total
	(in millions of USD)			
Income (loss) (100% of results)	$ (285)	$ (168)	$ —	$ (453)
Share of Income (loss) from Associates	(143)	(43)	—	(186)
Book Value	118	82	8	208

	Year Ended December 31, 2015				
	Qoros	ZIM	Tower[1]	Other	Total
	(in millions of USD)				
Income (loss) (100% of results)	$ (392)	$ 2	$ (1)	$ —	$ (391)
Share of Income (loss) from Associates	(196)	10	(1)	—	(187)
Book Value	159	201	—	9	369

(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.

Qoros

Following the completion of the New Qoros Investor investment, we have a 24% equity interest in Qoros. 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.

ZIM

In July 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 years ended December 31, 2015, 2016 and 2017 are reflected in Kenon's share in losses of associated companies, net of tax.

Tower

For information on Tower's results of operations, see "*Distribution of our interest in Tower"* and "*Item 5.A— Operating Results— Year Ended December 31, 2016 Compared to Year Ended December 31, 2015--Share In Income (Losses) of Associated Companies, Net of Tax—Tower*."

Material Factors Affecting Results of Operations

Discontinued Operations

In December 2017, Inkia, a wholly-owned subsidiary of IC Power completed the sale of the Inkia Business, which includes Inkia's Latin American and Caribbean businesses, to I Squared Capital, an infrastructure private equity firm, for approximately $1,332 million. As a result, the results of operations of the Inkia Business are reflected as discontinued operations in Kenon's financial statements presented in this annual report. Inkia still has certain obligations in relation to the sale of the Inkia Business, including certain indemnification obligations (see *"Item 4.B Business Overview— Discontinued Operations – Inkia Business—Sale of the Inkia Business—Share Purchase Agreement—Indemnification*), while Kenon holds the deferred payment agreement (see "*—Nautilus Energy TopCo LLC Deferred Payment Agreement*"), and has retained certain claims relating to the Inkia Business (see "*— Claims Relating to Inkia Business Retained by Kenon*"). For further information, see "*Item 4.B Business Overview—Discontinued Operations—Inkia Business*." Furthermore, results during 2016 and 2015 have been reclassified to reflect the classification of the Inkia Business as discontinued operations.

OPC

Set forth below is a discussion of the material factors affecting the results of operations of OPC for the periods under review.

Sales—EA Tariffs

In Israel, sales by 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 NIS.

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—OPC—Industry Overview— Overview of Israeli Electricity Generation Industry*."

The EA's rates have affected OPC's revenues and income in the periods under review.

In September 2015, the PUAE published a decision, which became effective on September 13, 2015, which reduced the PUAE generation component tariff by approximately 12% from NIS 300.9 per MWh and NIS 301.5 per MWh to a single tariff of NIS 265.2 per MWh. In December 2016, the EA published its generation component tariff update, which became effective on January 1, 2017, and reduced the generation component tariff by approximately 0.5% from NIS 265.2 per MWh to NIS 264 per MWh. However, as part of the December 2016 EA decision, the time of use tariffs were also adjusted to reflect a decrease in certain payments made by IPPs to the IEC. In January 2018, the EA published its generation component tariff update for 2018, which increased the generation component tariff by approximately 6.7%, from NIS 264 per MWh to NIS 282 per MWh.

Cost of Sales

OPC's principal costs of sales are natural gas, transmission, distribution and system services costs, personnel, third-party services and maintenance costs.

The prices at which OPC-Rotem and OPC-Hadera purchase their natural gas from their sole natural gas supplier, the Tamar Group, is predominantly indexed to changes in the EA's generation component tariff, pursuant to the price formula set forth in OPC-Rotem's and OPC-Hadera's supply agreements with the Tamar Group. As a result, increases or decreases in this tariff have a related effect on OPC-Rotem's and PC-Hadera's cost of sales and margins. Additionally, the natural gas price formula in OPC-Rotem's and OPC-Hadera's supply agreement is subject to a floor price mechanism.

As a result of previous declines in the EA's generation component tariff, OPC-Rotem and OPC-Hadera began to pay the ultimate floor price in November 2015 and April 2016, respectively. Therefore, declines in the EA generation component tariff may not have a corresponding decline in OPC-Rotem's natural gas expenses, due to the floor price mechanism. and may lead to a decline in OPC-Rotem'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 agreements with the Tamar Group, see "*Item 3.D Risk Factors—Risks Related to OPC—Changes in the EA's electricity rates may reduce OPC's profitability*."

In January 2018, the EA published the electricity tariffs for 2018, which included an increase of the EA's generation component tariff by 6.7%, As a results, OPC-Rotem and OPC-Hadera's gas prices may rise above their ultimate floor prices. For information on the risks associated with the impact of the EA's generation tariff on OPC-Rotem's supply agreement with the Tamar Group, see "*Item 3.D Risk Factors—Risks Related to OPC— Changes in the EA's electricity rates may reduce OPC's profitability.*" As of the date of this report, OPC-Hadera's gas price is above the floor price.

OPC's costs for transmission, distribution and systems services vary primarily according to the quantity of energy that OPC sells. These costs are passed on to its customers. OPC 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 OPC's plants. OPC 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 OPC's plants.

Income Taxes

OPC is subject to income tax in Israel. The corporate tax rates applicable in Israel as of December 31, 2017, 2016 and 2015 were 24%, 25% and 26.5%, respectively. The corporate income tax decreased to 23% on January 1, 2018.

Changes in Exchange Rates

Fluctuations in the exchange rates between currencies in which certain of OPC's agreements are denominated (such as the U.S. Dollar and Euro) and the NIS, which is OPC's functional and reporting currency, will generate either gains or losses on monetary assets and liabilities denominated in such currencies and can therefore affect OPC's profitability. Furthermore, OPC is indirectly influenced by changes in the U.S. Dollar to NIS exchange rate as the IEC electricity tariff is partially linked to increases in fuel prices (mainly coal and gas) that are denominated in U.S. Dollars.

In addition, Kenon's functional currency is the U.S. Dollar, so Kenon reports OPC's NIS-denominated results of operation and balance sheet items in U.S. Dollars, translating OPC's results into U.S. Dollars at the average exchange rate (for results of operation) or rate in effect on the balance sheet date (for balance sheet items). Accordingly, changes in the U.S. Dollar to NIS exchange rate impact Kenon's reported results for OPC.

In 2017, the U.S. Dollar continued weakening and, therefore, the exchange rate of the U.S. Dollar to the NIS continued to decline.

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. Qoros has incurred losses since its inception.

In the years ended December 31, 2017 and 2016, Qoros incurred net losses of RMB1.6 billion and RMB1.9 billion, respectively. Qoros expects to continue experiencing losses and negative cash flows until it achieves significantly higher levels of sales.

For the year ended December 31, 2017, Qoros sold approximately 15,000 cars, as compared to approximately 24,000 cars in 2016. Qoros sold approximately 11,400 cars in the first quarter of 2018, a more than 200% increase as compared to approximately 3,700 cars sold in the first quarter of 2017, with a substantial number of such sales in Q1 2018 reflecting purchase orders introduced by the New Qoros Investor. Qoros' ability to generate positive net income and cash flow from its operations will depend upon a variety of factors, particularly Qoros' ability to sell its vehicles within its targeted price range and develop an effective dealer network.

In January 2018, Kenon announced the New Qoros Investor completed a transaction to purchase 51% of Qoros from Kenon and Chery for RMB3.315 billion (approximately $526 million), which is part of an investment structure to invest a total of approximately RMB6.63 billion (approximately $1,052 million) by the New Qoros Investor of which RMB6.5 billion will ultimately be invested in Qoros' equity. As a result, Kenon and Chery now have 24% and 25% stakes in Qoros, respectively. This investment has improved Qoros' liquidity, but Qoros may need to continue to secure additional financing to meet its operating expenses, including accounts payable, and debt service requirements until it increases its sales levels. Kenon may be required to make payments under its back-to-back guarantees to Chery in respect of Qoros' bank debt and pledges over Qoros shares by Quantum (Kenon's subsidiary which owns Kenon's interest in Qoros) may be enforced. In addition, if Qoros' other joint venture partners make additional equity investments in Qoros without Kenon also making its pro-rata investment, Kenon's interest in Qoros may be diluted. See "*Item 3.D Risk Factors—Risks Related to Our Strategy and Operations— Some of our businesses have significant capital requirements.*"

ZIM

In July 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 the years ended December 31, 2015, 2016 and 2017 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, 2017, Primus did not generate material revenues from its operations.

Primus seeks to develop, build, own and operate facilities where the company can access low-cost natural gas feedstock and take advantage of lower product transportation costs resulting from locating producing assets closer to markets than competing sources. Primus seeks to generate revenues from the sale of methanol, gasoline and stream miscible with crude from its operating plants as well as from construction management services, engineering fees, technology licensing fees, production royalties, and other opportunities the company identifies. Primus intends to finance the first series of plants through non-recourse project financing and is seeking a strategic partner to participate alongside Primus in the equity component of the investment.

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 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%. As a result of conditions in the container shipping market, Kenon conducted an impairment test in relation to its 32% equity investment in ZIM as of June 30, 2016 in accordance with IAS 28 and IAS 36. Kenon concluded that the carrying amount of its investment in ZIM was higher than the recoverable amount, and therefore, Kenon recognized an impairment loss of $72 million with respect to its investment in ZIM in 2016. As a result of improved operating conditions at ZIM throughout 2017, Kenon conducted another impairment analysis as of December 31, 2017. The analysis concluded that Kenon should reverse $29 million of the impairment recognized in 2016.

ZIM conducted an impairment test of its operating assets as of December 31, 2017. For the purposes of IAS 36, ZIM, which operates integrated network liner activity, has one CGU, which consists of all of ZIM's operating assets. ZIM estimated its recoverable amount based upon the fair value of its CGU less the costs of disposal, using the discounted cash flow method.

ZIM's assumptions were made for the period up to December 31, 2021 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 the above-mentioned period based upon ZIM's business plan;

Bunker price: according to the future price curve of fuel;

Freight rates: a compound annual growth rate of 0.7% over the projection period;

Increase in aggregate TEU shipped: a compound annual growth rate of 7.7% over the projection period, which is in line with the expected trends in the main trade zones in which ZIM intends to operate;

Charter hire rates: contractual rates in effect as of December 31, 2017, and assuming anticipated market rates for renewals of charters expiring in the projection period;

Discount rate of 9%;

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 23%; also assumes expected use of tax losses.

ZIM concluded that the recoverable amount of its CGU was significantly 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 "*—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 of the entire carrying value of the ZIM's CGU as follows:

	Increase	**Decrease**
	By 100 bps	
	($ millions)	
Discount rate	(170)	218
Terminal growth rate	169	(130)

Business Combinations

Kenon accounts for all business combinations using the acquisition method when control is transferred to Kenon and its subsidiaries and associated companies. The consideration transferred in the acquisition is measured at the fair value, as are the identifiable net assets acquired. Kenon controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the acquired entity and it has the ability to affect those returns based on its power over those acquired entities.

Kenon recognizes goodwill on acquisitions according to the fair value of consideration transferred, less the net amount of the fair value of identifiable assets acquired, less the fair value of liabilities assumed. To the extent there is negative goodwill in connection with an acquisition, Kenon recognizes the resulting in gain in profit or loss on the acquisition date.

Costs incurred in connection with the acquisition of a business, including finder's, advisory, legal valuation and other professional or consulting fees, are expensed in the period the services are received.

Adoption of New Accounting Standards in 2018 and 2019

For annual periods beginning on or after January 1, 2018, IFRS 15 "Revenues from Contracts with Customers" has replaced the current guidelines regarding recognition of revenue from contracts with customers. IFRS 15 provides two approaches for recognition of revenue, and includes five stages for analysis of transactions in order to determine the timing of recognition of the revenue and the amount thereof. As of the date of this annual report, we have not yet adopted IFRS 15.

Kenon has examined the expected effects of the implementation of IFRS 15 and does not expect the implementation to have a material effect on its financial statements.

IFRS 15 is expected to have certain qualitative effects on our business, particularly with respect to OPC. For example, IFRS 15 is expected to have a qualitative effect on the identification and modification of contracts, performance obligations, transaction prices and allocation of such prices, recognition of revenue and disclosures.

In addition, IFRS 16 "Leases" will replace IAS 17 – Leases and its related interpretation effective for annual periods commencing on or after January 1, 2019, with the possibility of early adoption. Kenon examined the expected effects of the implementation of IFRS 16, but is unable at this stage to reliably estimate the quantitative impact on its financial statements.

In addition, IFRS 9 (2014) "Financial Instruments" has replaced IAS 39 *Financial Instruments: Recognition and Measurement* regarding, among others, 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. The standard will be applied for annual periods on or after January 1, 2018, with the possibility of early adoption. As of December 31, 2017, Kenon considers that the overall impact of the implementation of IFRS 9 will be immaterial.

For more information on the impact of the adoption of these standards, see Note 3 to our financial statements included in this annual report.

Recent Developments

Kenon

Sale of the Inkia Business

In December 2017, Kenon's wholly-owned subsidiary Inkia sold its power generation and distribution businesses in Latin America and the Caribbean, the Inkia Business, to an entity controlled by I Squared Capital, an infrastructure private equity firm. For further information on the sale, see "*Item 4.B Business Overview—Discontinued Operations—Inkia Business — Sale of the Inkia Business*." As a result of this sale, Kenon's remaining power generation business consists of its 76% interest in OPC.

Repayment of IC Credit Facility

In January 2018, Kenon used part of the proceeds of the sale of the Inkia Business to fully repay the $200 million IC Credit Facility, plus $40 million in interest and fees and $3 million withholding taxes.

Repayment of IC Power's Overseas Investment Peru Facility

In January 2018, Kenon fully repaid IC Power's $100 million Overseas Investment Peru facility, representing $43 million of net debt, plus $1 million of accrued interest.

Cash Distribution to Kenon Shareholders

In March 2018, Kenon distributed an aggregate amount of $665 million to Kenon's shareholders, representing $12.35 per share, as a return of capital.

OPC

Acquisition of Tzomet Energy

In April 2017, OPC entered into agreements (including an option agreement) for the acquisition of 95% of the shares of Tzomet Energy Ltd., which is developing a natural gas-fired power station in Israel with capacity of approximately 396 MW, for total consideration of $23 million, subject to adjustment. In August 2017, the EA received a letter from the from the Israel Concentration Committee stating that it believed that, for reasons of broad economy concentration (i.e. taking into account businesses owned by related entities of Kenon's controlling shareholder), OPC should not be granted a contingent license for the construction of the planned facility. In March 2018, OPC completed the acquisition of 95% of the shares of Tzomet Energy, although Tzomet still requires (among other requirements) a license from the EA to proceed with construction of the planned facility. The total consideration for the acquisition is estimated at approximately $23 million, subject to certain adjustments, of which $3.65 million was paid in March 2018, an additional $3.65 million is expected to be paid in the second quarter of 2018, and the remaining consideration will be paid at financial closing of the Tzomet project.

Qoros

Investment in Qoros

In January 2018, Kenon announced the New Qoros Investor completed a transaction to purchase 51% of Qoros from Kenon and Chery for RMB3.315 billion (approximately $526 million), which is part of an investment structure to invest a total of approximately RMB6.63 billion (approximately $1,052 million) by the New Qoros Investor of which RMB6.5 billion will ultimately be invested in Qoros' equity. As a result, Kenon and Chery now have 24% and 25% stakes in Qoros, respectively. For a more detailed discussion of the key terms of the investment, see "*Item 4.B Business Overview—Our Businesses—Qoros —Qoros' Investment Agreement*."

A. Operating Results

Our consolidated/combined financial statements for the years ended December 31, 2017, 2016 and 2015 are comprised of OPC, Primus, HelioFocus (which was liquidated in July 2017), 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 was 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.

Our consolidated/combined results of operations for each of the periods presented are largely impacted by OPC, which generated net income of $14 million, $20 million and $22 million in the years ended December 31, 2017, 2016 and 2015, respectively.

In December 2017, Inkia completed the sale of the Inkia Business, which consists of its Latin American and Caribbean businesses. The results of the Inkia Business are presented as discontinued operations in our consolidated/combined financial statements for the year ended December 31, 2017. Our consolidated financial statements as of and for the years ended December 31, 2016 and 2015 have been reclassified for comparative purposes to reflect the Inkia Business as discontinued operations.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

The following tables set forth summary information regarding our operating segment results for the years ended December 31, 2017 and 2016.

	Year Ended December 31, 2017[1]				
	OPC	**Qoros[2]**	**Other[3]**	**Adjustments[4]**	**Consolidated Results**
	(in millions of USD, unless otherwise indicated)				
Sales	$ 365	$ -	$ 1	$ -	$ 366
Depreciation and amortization	(30)	-	(1)	-	(31)
Impairment of assets and investments	-	-	29	-	29
Financing income	1	-	13	(11)	3
Financing expenses	(34)	-	(47)	11	(70)
Share in (losses) income of associated companies	-	(121)	10	-	(111)
Profit / (Loss) before taxes	$ 23	$ (121)	$ (38)	$ -	$ (136)
Income taxes	(9)	-	(64)	-	(73)
Profit / (Loss) from continuing operations	$ 14	$ (121)	$ (102)	$ -	$ (209)
Segment assets[5]	$ 936	$ -	$ 1,468[6]	$ -	$ 2,404
Investments in associated companies	-	2	120	-	122
Segment liabilities	743	-	732[7]	-	1,475
Capital expenditure[8]	109	-	121	-	230

(1) In December 2017, Inkia completed the sale of the Inkia Business. For further information, see Note 29 to our financial statements included in this annual report.
(2) Associated company.
(3) Includes the results of Primus and HelioFocus (which was liquidated in July 2017); the results of ZIM, as an associated company; as well as Kenon's and IC Green's holding company and general and administrative expenses.
(4) "Adjustments" includes inter-segment financing income and expenses.
(5) Excludes investments in associates.
(6) Includes Kenon's, IC Green's and IC Power holding company assets.
(7) Includes Kenon's, IC Green's and IC Power holding company liabilities.
(8) Includes the additions of PP&E and intangibles based on an accrual basis.

	Year Ended December 31, 2016[1]				
	OPC	**Qoros[2]**	**Other[3]**	**Adjustments[4]**	**Consolidated Results**
	(in millions of USD, unless otherwise indicated)				
Sales	$ 324	$ —	$ —	$ -	$ 324
Depreciation and amortization	(27)	—	-	-	(27)
Impairment of assets and investments	-	—	(72)	-	(72)
Financing income	3	—	16	(12)	7
Financing expenses	(23)	—	(36)	12	(47)
Share in losses of associated companies	-	(143)	(43)	-	(186)
Provision of financial guarantee	-	—	(130)	-	(130)
Profit/(Loss) before taxes	$ 20	$ (143)	$ (305)	$ -	$ (428)
Income taxes	—	—	(2)	-	(2)
Profit/(Loss)from continuing operations	$ 20	$ (143)	$ (307)	$ -	$ (430)
Segment assets[5]	$ 668	$ —	$ 4,262[6]	$ -	$ 4,930
Investments in associated companies	-	118	90	-	208
Segment liabilities	534	—	3,710[7]	-	4,244
Capital expenditure[8]	73	—	245	-	318

(1) Results during this period have been reclassified to reflect the results of the Inkia Business as discontinued operations. For further information, see Note 29 to our financial statements included in this annual report.
(2) Associated company.
(3) Includes the results of Primus and HelioFocus (which was liquidated in July 2017); the results of ZIM, as an associated company; as well as

Kenon's and IC Green's holding company and general and administrative expenses.

(4) "Adjustments" includes inter-segment financing income and expenses.

(5) Excludes investments in associates.

(6) Includes Kenon's, IC Green's and IC Power holding company assets.

(7) Includes Kenon's, IC Green's and IC Power holding company liabilities.

(8) Includes the additions of PP&E and intangibles based on an accrual basis.

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, 2017		Year Ended December 31, 2016	
	ZIM	Qoros	ZIM	Qoros
	(in millions of USD)			
Revenues	**$ 2,978**	**$ 280**	**$ 2,539**	**$ 377**
Income/(Loss)	**6**	**(242)**	**(168)**	**(285)**
Other comprehensive income/(loss)	**(4)**	**-**	**(13)**	**—**
Total comprehensive income/(loss)	**$ 2**	**$ (242)**	**$ (181)**	**$ (285)**
Share of Kenon in total comprehensive income/(loss)	**$ 2**	**$ (121)**	**$ (57)**	**$ (143)**
Adjustments	**8**	**-**	**9**	**—**
Share of Kenon in total comprehensive income/(loss) presented in the books	**$ 10**	**$ (121)**	**$ (48)**	**$ (143)**
Total assets	**$ 1,802**	**$ 1,495**	**$ 1,704**	**$ 1,534**
Total liabilities	**1,896**	**1,674**	**1,804**	**1,469**
Book value of investment	**120**	**2**	**82**	**118**

Revenues

Our revenues (representing OPC's revenues) increased by $41 million to $365 million for the year ended December 31, 2017 from $324 million for the year ended December 31, 2016. As OPC's revenues are denominated in NIS, translation of its revenues to U.S. Dollars had a positive impact of $21 million. Excluding the impact of fluctuations in the U.S. Dollar to NIS exchange rate on the translation of OPC's results from NIS into U.S. Dollars, revenues increased by $20 million, primarily as a result of (i) a $17 million increase due to the higher electricity tariffs in 2017 as compared to 2016 and increased volume of sales to private customers and (ii) $3 million collected from customers for sales in prior periods, which payments had been delayed due to a delay in availability of relevant data.

Cost of Sales and Services (excluding Depreciation and Amortization)

Our cost of sales (representing OPC's cost of sales) increased by $16 million to $267 million for the year ended December 31, 2017, as compared to $251 million for the year ended December 31, 2016. Translation of OPC's cost of sales to US Dollars increased its cost of sales by $16 million. Excluding the impact of exchange rate fluctuations on the translation of OPC's cost of sales from NIS into US Dollars, cost of sales decreased by $1 million, primarily as a result of (i) a $9 million decrease in energy purchases due to the increased availability of the OPC-Rotem station (in 2016 the OPC-Rotem power plant incurred a scheduled major maintenance) and (ii) a $4 million decrease in gas costs, as the gas price is indexed to the US Dollar (this impact was partially offset by higher quantities of gas purchased in 2017). These effects were partially offset by a $11 million increase in payments to IEC due to the increase in infrastructure and system cost rates and $1 million in payments made to IEC in connection with payments made for prior periods which had been delayed due to a delay in availability of relevant data.

Depreciation and Amortization

Our depreciation and amortization expenses (representing OPC's depreciation and amortization expenses) increased by $4 million to $31 million for the year ended December 31, 2017 from $27 million for the year ended December 31, 2016. Excluding the impact of fluctuations in the U.S. Dollar to NIS exchange rate on the translation of OPC's results from NIS into U.S. Dollars, depreciation and amortization expenses increased by 6%, primarily as a result of maintenance work that was carried out earlier than scheduled, which increased the amounts of fixed assets and accordingly depreciation.

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 (excluding depreciation and amortization) increased to approximately $56 million for the year ended December 31, 2017, compared to $47 million for the year ended December 31, 2016. This increase was primarily driven by (i) OPC's selling, general and administrative expenses (as discussed below) and (ii) approximately $6 million in additional payroll and professional fees incurred at the Kenon level in connection with the disposal of the Inkia business, the partial disposal of Qoros and related restructuring of remaining Kenon entities.

OPC's selling, general and administrative expenses increased by $3 million, or 46%, to $11 million for the year ended December 31, 2017 from $8 million for the year ended December 31, 2016. Excluding the impact of fluctuations in the U.S. Dollar to NIS exchange rate on the translation of OPC's results from NIS into U.S. Dollars, OPC's selling, general and administrative expenses increased by 37%, primarily as a result of (i) a $2 million increase in payroll and directors' fees and a one-off grant and (ii) a $1 million increase in professional and legal service fees in 2017.

Impairment of Assets and Investments

In 2016, Kenon recognized an impairment loss of $72 million with respect to its investment in ZIM in 2016. Kenon conducted the impairment test as a result of conditions in the container shipping market during 2016.

In 2017, Kenon did not recognize any impairment of its investments. However, as a result of improved operating conditions at ZIM throughout 2017, Kenon conducted another impairment analysis as of December 31, 2017. The analysis concluded that Kenon should reverse $29 million of the impairment recognized in 2016.

For further information, see "*—Critical Accounting Policies and Significant Estimates—Impairment Analysis.*"

Financing Expenses, Net

Our financing expenses, net, increased by $27 million, or 68%, to $67 million for the year ended December 31, 2017, compared to $40 million for the year ended December 31, 2016. This increase was primarily driven by the increase in OPC's financing expenses, net (as described below).

OPC's financing expenses, net increased by approximately $13 million to $33 million in 2017 from $20 million in 2016, primarily as a result of (i) a $6 million early payment (make-whole) fee incurred as a result of the early repayment in full of OPC's mezzanine loan in May 2017, (ii) a $3 million increase in financing expenses relating to OPC's August 2017 bond issuance (iii) a $3 million increase due to impact of exchange rate fluctuations, and (iv) a $1 million increase in expenses as a result of fluctuations in the CPI.

Provision of Financial Guarantee

We recorded a provision of financial guarantee in the amount of $130 million in the year ended December 31, 2016. In light of Kenon's strategy and Qoros' limited liquidity as of June 30, 2016, Kenon increased its previously recorded liability of $30 million to $160 million in respect of Kenon's back-to-back guarantee obligations to Chery. For further information on Kenon's back-to-back guarantee obligations to Chery, including Kenon's agreement to fund shareholder loans to Qoros in connection with the full release of Kenon's obligations under its back-to-back guarantees to Chery, 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.*"

We did not record on our income statement any further provision of financial guarantee in the year ended December 31, 2017. In 2017, Kenon reduced its previously recorded liability in respect of Kenon's back-to-back guarantee obligations to Chery to $44 million by providing additional shareholder loans to Qoros on behalf of Chery.

Share In Income (Losses) of Associated Companies, Net of Tax

Our share in losses of associated companies, net of tax decreased by 40% to approximately $111 million for the year ended December 31, 2017, compared to approximately $186 million for the year ended December 31, 2016. Set forth below is a discussion of income (losses) for our material associated companies and the share in income (losses) of associated companies, net of tax.

Qoros

Our share in Qoros' comprehensive loss decreased to approximately $121 million for the year ended December 31, 2017, compared to losses of approximately $143 million for the year ended December 31, 2016. Although we now have a 24% equity interest in Qoros, we held a 50% stake in Qoros prior to the New Qoros Investor's investment and therefore recognized 50% of the net loss of Qoros in 2017 (RMB1,612 million) and 2016 (RMB1,897 million). A discussion of Qoros' results of operations (on a 100% basis; Kenon's share is 24%) for 2017 and 2016 is set forth below.

Qoros' revenues decreased by 25% to RMB1,886 million in 2017, as compared to RMB2,512 million in 2016. Qoros' decreased revenues in 2017 reflect an approximately 38% decrease in car sales from approximately 24,000 cars in 2016 to approximately 15,000 cars in 2017.

Qoros' cost of sales decreased by 25% to RMB2,262 million in 2017, as compared to RMB3,009 million in 2016. The decrease in cost of sales is primarily due to the decrease in the number of cars sold, as well as a decrease in depreciation and amortization to RMB615 million in 2017, as compared to RMB659 million in 2016.

Qoros' research and development expenses increased by 58% to RMB322 million in 2017, as compared to RMB204 million in 2016, reflecting increased expenses incurred for the research and development activities of a Qoros car model.

Qoros' selling, general and administrative expenses decreased by 21% to RMB605 million in 2017, as compared to RMB763 million in 2016. The decrease reflects a reduction in advertising, marketing and promoting and consulting fees.

Primarily as a result of the foregoing, Qoros' loss decreased to RMB1.6 billion for the year ended December 31, 2017, as compared to RMB1.9 billion for the year ended December 31, 2016.

ZIM

Pursuant to the equity method of accounting, our share in ZIM's results of operations was income of approximately $10 million and loss of $48 million for the year ended December 31, 2017 and 2016, respectively. Set forth below is a summary of ZIM's consolidated results for the year ended December 31, 2017 and 2016:

	Year Ended December 31,	
	2017	**2016**
	(in millions of USD)	
Sales	$ 2,978	$ 2,539
Cost of sales	2,697	2,480
Gross profit	281	59
Operating profit (loss)	135	(52)
Profit (loss) before taxes on income	25	(145)
Taxes on income	(14)	(19)
Profit (loss) after taxes on income	11	(164)
Profit (loss) for the period	**$ 11**	**$ (164)**

ZIM carried approximately 2,629 thousand TEUs in 2017, representing an 8% increase as compared to 2016, in which ZIM carried approximately 2,429 thousand TEUs. ZIM's revenues increased by 17% in 2017 to approximately $3.0 billion, as compared to approximately $2.5 billion in 2016, due to the increase in carried quantities, as well as the increase in industry container freight rates. ZIM's operating expenses and cost of services increased by 9% to approximately $2.6 billion, as compared to approximately $2.4 billion in 2016, primarily as a result of an increase in cargo handling expenses, as well as an increase in bunker prices.

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.

Tax Expenses

Our taxes on income increased by $71 million to $73 million for the year ended December 31, 2017 from $2 million for the year ended December 31, 2016. This increase was primarily driven by approximately $63 million in tax expenses incurred in connection with a planned restructuring of some of the companies remaining in the Kenon group, which will simplify the holding structure. There was also an increase in OPC's tax expenses (as described below).

OPC's tax expenses increased to $9 million for the year ended December 31, 2017, as compared to $66 thousand for the year ended December 31, 2016, primarily as a result of lower tax on income reported in 2016 due to the reduction in corporate tax rates in 2016, which reduced deferred tax liabilities.

Net Income For the Year From Discontinued Operations (After Taxes)

Our net income for the year from discontinued operations (after taxes) is comprised of the results of the Inkia Business and the gain on disposal of the Inkia Business.

Revenues for the year from discontinued operations increased to approximately $1,777 million for the year ended December 31, 2017, compared to approximately $1,517 million for the year ended December 31, 2016.

Operating income for the year from discontinued operations increased to approximately $152 million for the year ended December 31, 2017, compared to approximately $92 million for the year ended December 31, 2016.

Our net income for the year from discontinued operations (after taxes) increased to approximately $79 million for the year ended December 31, 2017, compared to approximately $35 million for the year ended December 31, 2016.

Our 2017 results attributable to discontinued operations includes a net gain (after tax) on the sale of discontinued operations of $397 million.

For more information on discontinued operations, see Note 29 to our financial statements included in this annual report.

Profit (Loss) For the Year

As a result of the above, our profit for the year amounted to $269 million for the year ended December 31, 2017, compared to a loss of $394 million for the year ended December 31, 2016.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

The following tables set forth summary information regarding our operating segment results for the years ended December 31, 2016 and 2015.

	Year Ended December 31, 2016[1]				
	OPC	**Qoros[2]**	**Other[3]**	**Adjustments[4]**	**Consolidated Results**
	(in millions of USD, unless otherwise indicated)				
Sales	$ 324	$ —	$ —	$ -	$ 324
Depreciation and amortization	(27)	—	-	-	(27)
Impairment of assets and investments	-	—	(72)	-	(72)
Financing income	3	—	16	(12)	7
Financing expenses	(23)	—	(36)	12	(47)
Share in losses of associated companies	-	(143)	(43)	-	(186)
Provision of financial guarantee	-	—	(130)	-	(130)
Profit / (Loss) before taxes	$ 20	$ (143)	$ (305)	$ -	$ (428)
Income taxes	—	—	(2)	-	(2)
Profit / (Loss) from continuing operations	$ 20	$ (143)	$ (307)	$ -	$ (430)
Segment assets[5]	$ 668	$ —	$ 4,262[6]	$ -	$ 4,930
Investments in associated companies	-	118	90	-	208
Segment liabilities	534	—	3,710[7]	-	4,244
Capital expenditure[8]	73	—	245	-	318

(1) Results during this period have been reclassified to reflect the results of the Inkia Business as discontinued operations. For further information, see Note 29 to our financial statements included in this annual report.
(2) Associated company.
(3) Includes the results of Primus and HelioFocus (which was liquidated in July 2017); the results of ZIM, as an associated company; as well as Kenon's and IC Green's holding company and general and administrative expenses.
(4) "Adjustments" includes inter-segment financing income and expenses.
(5) Excludes investments in associates.
(6) Includes Kenon's, IC Green's and IC Power holding company assets.
(7) Includes Kenon's, IC Green's and IC Power holding company liabilities.
(8) Includes the additions of PP&E and intangibles based on an accrual basis.

	Year Ended December 31, 2015[1]				
	OPC	Qoros[2]	Other[3]	Adjustments[4]	Consolidated Results
	(in millions of USD, unless otherwise indicated)				
Sales	$ 326	$ —	$ —	$ -	$ 326
Depreciation and amortization	(26)	—	1	—	(25)
Asset impairment	-	—	(7)	—	(7)
Financing income	3	—	8	—	11
Financing expenses	(26)	—	(10)	—	(36)
Share in (losses) income of associated companies	-	(196)	9	—	187
Gain from distribution of dividend in kind	-	—	210	—	210
Profit / (Loss) before taxes	$ 30	$ (196)	$ 199	$ —	$ 33
Income taxes	(8)	—	(1)	—	(9)
Profit / (Loss) from continuing operations	**$ 22**	**$ (196)**	**$ 198**	**$ —**	$ 24
Segment assets[5]	$ 811	$ —	$ 3,303[6]	$ —	$ 4,114
Investments in associated companies	-	159	210	—	369
Segment liabilities	677	—	2,542[7]	—	3,219
Capital expenditure[8]	18	—	556	—	574

(1) Results during this period have been reclassified to reflect the results of the Inkia Business as discontinued operations. For further information, see Note 29 to our financial statements included in this annual report.
(2) Associated company.
(3) Includes the results of Primus and HelioFocus (which was liquidated in July 2017); 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.
(4) "Adjustments" includes inter-segment sales.
(5) Excludes investments in associates.
(6) Includes Kenon's, IC Green's and IC Power holding company assets.
(7) Includes Kenon's, IC Green's and IC Power holding company liabilities.
(8) Includes the additions of PP&E and intangibles based on an accrual basis.

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, 2016		Year Ended December 31, 2015		
	ZIM	Qoros	ZIM	Qoros	Tower[1]
			(in millions of USD)		
Revenues	**$ 2,539**	**$ 377**	**$ 2,991**	**$ 232**	**$ 462**
Income/(Loss)	**(168)**	**(285)**	2	(392)	(1)
Other comprehensive income/(loss)	**(13)**	**—**	(2)	—	—
Total comprehensive income/(loss)	**$ (181)**	**$ (285)**	**$ —**	**$ (392)**	**$ (1)**
Share of Kenon in total comprehensive income/(loss)	**$ (57)**	**$ (143)**	**$ —**	**$ (196)**	**$ —**
Adjustments	**9**	—	10	—	(1)
Share of Kenon in total comprehensive income/(loss) presented in the books	**$ (48)**	**$ (143)**	**$ 10**	**$ (196)**	**$ (1)**
Total assets	**$ 1,704**	**$ 1,534**	**$ 1,912**	**$ 1,665**	**$ —**
Total liabilities	**1,804**	**1,469**	**1,834**	**1,635**	—
Book value of investment	**82**	**118**	**201**	**159**	—

(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.

Revenues

Our revenues (representing OPC's revenues) decreased by $2 million, or 1%, to $324 million for the year ended December 31, 2016 from $326 million for the year ended December 31, 2015, primarily as a result of the decline in the EA generation component tariff in August 2015 (which tariff forms the basis for the prices in OPC-Rotem's PPAs). The decrease was partially offset by a full year of steam sales to Hadera Paper, which started in August 2015.

Cost of Sales and Services (excluding Depreciation and Amortization)

Our cost of sales (excluding depreciation and amortization) (representing OPC's cost of sales) increased by $6 million to $251 million for the year ended December 31, 2016 from $245 million for the year ended December 31, 2015, largely in line with the increase in revenue (ignoring exchange rate effects).

Depreciation and Amortization

Our depreciation and amortization expenses (representing OPC's depreciation and amortization expenses) increased by $2 million to $27 million for the year ended December 31, 2016 from $25 million for the year ended December 31, 2015.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses (excluding depreciation and amortization) decreased to approximately $47 million for the year ended December 31, 2016, compared to $50 million for the year ended December 31, 2015.

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 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 by way of a capital reduction) and the carrying amount of Tower's shares at the time of the distribution ($45 million).

We did not recognize any gain from distribution of dividend in kind in 2016.

Impairment of Assets and Investments

In 2016, Kenon recognized an impairment loss of $72 million with respect to its investment in ZIM in 2016. Kenon conducted the impairment test as a result of conditions in the container shipping market during 2016.

Our $7 million asset impairment in 2015 is due to IC Green writing-off its goodwill in Primus in the amount of $6 million.

For further information, see "*—Critical Accounting Policies and Significant Estimates—Impairment Analysis.*"

Financing Expenses, Net

Our financing expenses, net, increased by $15 million, or 60%, to $40 million for the year ended December 31, 2016, compared to $25 million for the year ended December 31, 2015. This increase was primarily driven by (i) an $8 million interest expense relating to the $120 million ICPDH Credit Agreement entered into in connection with IC Power's acquisition of its distribution business and (ii) a $7 million increase in finance expenses in Inkia related to the cessation of capitalization of finance expenses due the commencement of CDA's commercial operations in 2016.

Provision of Financial Guarantee

We recorded a provision of financial guarantee in the amount of $130 million in the year ended December 31, 2016. In light of Kenon's strategy and Qoros' limited liquidity as of June 30, 2016, Kenon increased its previously recorded liability of $30 million to $160 million in respect of Kenon's back-to-back guarantee obligations to Chery. For further information on Kenon's back-to-back guarantee obligations to Chery, including Kenon's agreement to fund shareholder loans to Qoros in connection with the full release of Kenon's obligations under its back-to-back guarantees to Chery, see "*tem 5.B Liquidity and Capital Resources— Kenon's Liquidity and Capital Resources—Kenon's Commitments and Obligations—Back-to-Back Guarantees Provided to Chery.*"

We did not record on our income statement a provision of financial guarantee for the year ended December 31, 2015.

Share In Income (Losses) of Associated Companies, Net of Tax

Our share in losses of associated companies, net of tax decreased by 1% to approximately $186 million for the year ended December 31, 2016, compared to approximately $187 million for the year ended December 31, 2015. Set forth below is a discussion of income (losses) for our material associated companies and the share in income (losses) of associated companies, net of tax.

Qoros

Our share in Qoros' comprehensive loss decreased to approximately $143 million for the year ended December 31, 2016, compared to losses of approximately $196 million for the year ended December 31, 2015. As we had a 50% equity interest in Qoros in 2016 and 2015, we recognized 50% of the net loss of Qoros in 2016 (RMB1,897 million) and 2015 (RMB2,475 million). A discussion of Qoros' results of operations (on a 100% basis; Kenon's share was 50% in 2016 and 2015) for 2016 and 2015 is set forth below. Qoros' results of operation for 2016 and 2015 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' revenues increased by 72% to RMB2,512 million in 2016, as compared to RMB1,459 million in 2015. Qoros' increased revenues in 2016 reflect an approximately 70% increase in car sales from approximately 14,000 cars in 2015 to approximately 24,000 cars in 2016. The launch of the Qoros 5 SUV in March 2016 was a major contributor to the increase in Qoros' car sales.

Qoros' cost of sales increased by 76% to RMB3,009 million in 2016, as compared to RMB1,713 million in 2015. The increase in cost of sales is primarily due to the increase in the number of cars sold, as well as an increase in amortization of capitalized research and development costs and an increase in depreciation of property, plant and equipment.

Qoros' cost of sales included depreciation and amortization of RMB659 million in 2016, as compared to RMB230 million in 2015.

Qoros' gross loss increased by 96% to RMB497 million in 2016, as compared to RMB254 million in 2015.

Qoros' selling, general and administrative expenses decreased by 51% to RMB763 million in 2016, as compared to RMB1,560 million in 2015. The decrease reflects cost-cutting measures implemented by Qoros in 2016, including a reduction in advertising, marketing and promoting, consulting fees and personnel expenses.

Qoros' net finance costs increased by 16% to RMB403 million in 2016, as compared to RMB346 million in 2015, primarily due to increased interest expenses.

As a result of the foregoing, Qoros' loss decreased to RMB1.9 billion for the year ended December 31, 2016, as compared to RMB2.5 billion for the year ended December 31, 2015.

ZIM

Pursuant to the equity method of accounting, our share in ZIM's results of operations was a loss of approximately $44 million and income of $10 million for the years ended December 31, 2016 and 2015, respectively. Set forth below is a summary of ZIM's consolidated results for the years ended December 31, 2016 and 2015:

	Year Ended December 31,	
	2016	**2015**
	(in millions of USD)	
Sales	$ 2,539	$ 2,991
Cost of sales	2,480	2,775
Gross profit	59	216
Operating profit (loss)	(52)	98
Profit (loss) before taxes on income	(145)	5
Taxes on income	(19)	2
Profit (loss) after taxes on income	(164)	7
Profit (loss) for the period	**$ (164)**	**$ 7**

ZIM carried approximately 2,429 thousand TEUs in 2016, representing a 5% increase as compared to 2015, in which ZIM carried approximately 2,308 thousand TEUs. Despite the increase in carried quantities in 2016, ZIM's revenues decreased by 15% in 2016 to approximately $2.5 billion, as compared to approximately $3.0 billion in 2015, due to the decrease in industry container freight rates. ZIM's operating expenses and cost of services decreased by 11% to approximately $2.4 billion in 2016, as compared to $2.7 billion in 2015, primarily as a result of a decrease in bunker prices, as well as a decrease in charter hire expenses and cargo handling expenses, as a result of steps implemented by ZIM to manage its costs.

Tower

We did not record any comprehensive income for the year ended December 31, 2016 from Tower, as we completed the pro rata distribution of substantially all of our interest in Tower in 2015.

Our share in Tower's comprehensive 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.

Tax Expenses

Our taxes on income decreased by $7 million, or 78%, to $2 million for the year ended December 31, 2016 from $9 million for the year ended December 31, 2015, primarily as a result of the change in OPC's corporate tax rate in 2016.

Net Income For the Year From Discontinued Operations (After Taxes)

Our net income for the year from discontinued operations (after taxes) is comprised of the results of the Inkia Business.

Revenues for the year from discontinued operations increased to approximately $1,517 million for the year ended December 31, 2016, compared to approximately $963 million for the year ended December 31, 2015.

Operating income for the year from discontinued operations increased to approximately $92 million for the year ended December 31, 2016, compared to approximately $126 million for the year ended December 31, 2015.

Our net income for the year from discontinued operations (after taxes) decreased to approximately $35 million for the year ended December 31, 2016, compared to approximately $73 million for the year ended December 31, 2015.

For more information on discontinued operations, see Note 29 to our financial statements included in this annual report.

Profit (Loss) For the Year

As a result of the above, our loss for the year amounted to $394 million for the year ended December 31, 2016, compared to a profit of $96 million for the year ended December 31, 2015.

B. Liquidity and Capital Resources

Kenon's Liquidity and Capital Resources

As of December 31, 2017, Kenon had approximately $62 million in cash on an unconsolidated basis and gross debt of $240 million.

The net proceeds from the sale of the Inkia Businesses, after repayment of certain debt, taxes and expenses, amounted to $635 million, consisting of (i) $935 million cash received from the sale and (ii) $222 million retained cash at Inkia, minus (iii) $243 million repayment of the full outstanding loan from IC ($240 million paid toIC, plus $3 million withholding tax), (iv) $43 million net debt full outstanding of IC Power, and (v) $236 million expenses related to the Inkia sale. An additional $27 million in taxes remains to be paid upon payment of the $175 million deferred payment obligation.

In March 2018, we distributed $665 million to our shareholders.

We believe that Kenon's working capital (on a stand-alone basis) is sufficient for its present requirements. Our principal needs for liquidity are expenses related to our day-to-day operations. We may also incur expenditures related to investments in our businesses, our back-to-back guarantees to Chery with respect to Qoros' indebtedness and expenses we may incur in connection with legal claims and other rights we retained in connection with the sale of the Inkia Business. Our businesses are at various stages of development, ranging from early stage 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, make further investments, via debt or equity financings, in our remaining businesses.

Kenon has outstanding guarantee obligations to Chery of RMB320 million, with respect to Qoros' debt in principal of RMB288 million. During 2017, Kenon undertook various steps to reduce its back-to-back guarantee obligations, which were RMB850 million as of December 31, 2016. In 2016 and 2017, Kenon entered into agreements with Chery to provide financing to Qoros in connection with a release of Kenon's back-to-back guarantee obligations to Chery. Pursuant to these agreements, during 2017 Kenon funded shareholder loans of RMB488 million (of which RMB244 million was advanced on behalf of Chery) to Qoros, reducing Kenon's back-to-back guarantee obligations to Chery from RMB850 million to RMB320 million, with respect to debt in principal of RMB288 million.

In January 2018, Kenon announced the New Qoros Investor completed a transaction to purchase 51% of Qoros from Kenon and Chery for RMB3.315 billion (approximately $526 million), which is part of an investment structure to invest a total of approximately RMB6.63 billion (approximately $1,052 million) by the New Qoros Investor of which RMB6.5 billion will ultimately be invested in Qoros' equity. As a result, Kenon and Chery now have 24% and 25% stakes in Qoros, respectively. The total cash proceeds of RMB1.69 billion ($268 million) received by Kenon from the New Qoros Investor from the sale of its Qoros interests, will be used by Kenon to fund all or a portion of its required investment in Qoros and repayments to Ansonia.

As part of the investment, the New Qoros Investor will assume its pro rata share of the guarantees and equity pledges based on post-investment equity ownership in Qoros, which will be subject to further adjustment following any future changes in the equity ownership in Qoros (including as a result of the exercise of the put option or investment right by a shareholder under the investment agreement). The New Qoros Investor has assumed its proportionate obligations with respect to the RMB3 billion and RMB700 million loan facilities, and as a result, in January 2018, Chery repaid Kenon RMB120 million (approximately $18 million[4]) out of the total RMB244 million (approximately $39 million) previously advanced, and a significant portion of the Qoros equity pledged by Kenon to Chery was released. These repayments and releases of equity pledges were required under the terms of the advances, which provided for repayment of the advances and release of pledges to Chery upon a reduction of guarantee obligations of Chery, and the investment by the New Qoros Investor resulted in guarantee reductions for Chery requiring such repayment and releases from the pledge. The New Qoros Investor is still in the process of assuming its proportionate obligations with respect to the RMB1.2 billion loan facility after which Kenon will also be proportionately released from its pledge obligations thereunder, subject to the Qoros bank lender consent. Substantially all of Kenon's equity in Qoros is currently pledged.

The investment agreement provides for repayment of existing shareholder loans owing from Qoros in the principal amount of RMB944 million (approximately $150 million) to each of Kenon and Chery, in two equal tranches, following the purchase of Kenon's and Chery's equity interests as described above. In addition, Kenon retained RMB130 million from the sale of its 1% holding in Qoros (which was not to be reinvested into Qoros), out of the total sale proceeds of RMB1.69 billion. $20 million in proceeds retained by Kenon was applied to the partial repayment of the Ansonia loans in January 2018, leaving a balance of approximately $55 million (linked to RMB proceeds received by Kenon) of loans owing to Ansonia. A portion of these loan repayments to Kenon (or any sale proceeds, if retained by Kenon) will likely be applied to the repayment of such loans. As of December 31, 2017, the outstanding amount of these loans was approximately $75 million (including interest). For further information on the investment in Qoros, see "*Item 4.B Business Overview—Our Businesses—Qoros —Qoros' Investment Agreement*."

In connection with Kenon's sale of its Inkia Businesses, Kenon has given a three-year guarantee of Inkia's indemnification obligations to the buyer of the Inkia Business. For further information, see "*Item 4.B Business Overview— Discontinued Operations – Inkia Business—Sale of the Inkia Business—Kenon Guarantee*."

Kenon may not have sufficient liquidity to satisfy payment obligations under the guarantees described above. In the event that Kenon is required to make such payments, it would need to obtain such funds from its businesses, which may include OPC (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).

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 on Kenon's balance sheet 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 Strategy and Operations—Some of our businesses have significant capital requirements.*" For a discussion of our outstanding commitments and obligations, see "*—Kenon's Commitments and Obligations*." For a discussion of the capital requirements of each of our businesses, see below.

[4] Convenience translation of this RMB amount into US Dollars uses a January 2018 rate of 6.5: 1.

Consolidated Cash Flow Statement

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Cash and cash equivalents increased to approximately $1,417 million for the year ended December 31, 2017, as compared to approximately $327 million for the year ended December 31, 2016, primarily as a result of our receipt of the proceeds from the sale of the Inkia Business in December 2017. The following table sets forth our summary cash flows from our operating, investing and financing activities for the years ended December 31, 2017 and 2016:

	Year Ended December 31,	
	2017	2016[1]
	(in millions of USD)	
Continuing operations		
Net cash flows used in operating activities		
OPC	114	25
Adjustments and Other	(42)	(39)
Total	72	(14)
Net cash flows used in investing activities	(232)	(99)
Net cash flows provided by financing activities	200	149
Net change in cash from continuing operations	40	36
Net change in cash from discontinued operations	1,033	(99)
Cash—opening balance	327	384
Effect of exchange rate fluctuations on balances of cash and cash equivalents	17	6
Cash—closing balance	**$** 1,417	**$** 327

(1) Results during this period have been reclassified to reflect the results of the Inkia Business as discontinued operations. For further information, see Note 29 to our financial statements included in this annual report.

Cash Flows Provided by / (Used in) Operating Activities

Net cash flows provided by operating activities increased to $72 million for the year ended December 31, 2017 compared to $14 million net cash flows used in operating activities for the year ended December 31, 2016. The increase is primarily explained by the increase in OPC's cash provided by operating activities as discussed below.

Cash flows provided by OPC's operating activities increased to $114 million for the year ended December 31, 2017 from $25 million for the year ended December 31, 2016, primarily as a result of (i) a one-off payment of $43 million in system management costs that was made in 2016, (ii) an $18 million increase in working capital and (iii) the increase in the company's revenues.

Cash Flows Used in Investing Activities

Net cash flows used in our investing activities increased to approximately $232 million for the year ended December 31, 2017, compared to approximately $99 million for the year ended December 31, 2016. This increase was primarily driven OPC's investing activities as described below.

Cash flows used in OPC's investing activities increased to $158 million for the year ended December 31, 2017 from $19 million for the year ended December 31, 2016, primarily as a result of (i) the increase in the amount of fixed assets purchased, primarily due to a $39 million additional investment in the Hadera project (ii) a $21 million deposit into a trust account in relation to the agreement with the Tamar Group, (iii) $21 million contributed in relation to corporate guarantees, (iv) a $7 million increase in restricted cash in respect of guarantees issued by OPC-Rotem and OPC-Hadera in 2017 and (v) a $50 million release of restricted cash in 2016 due to the partial prepayment of the mezzanine loan.

Cash Flows Provided by Financing Activities

Net cash flows provided by the financing activities of our consolidated businesses increased by 34% to approximately $200 million for the year ended December 31, 2017, compared to approximately $149 million for the year ended December 31, 2016. This increase was primarily driven by OPC's financing activities as described below.

Cash flows provided by OPC's financing activities increased by $59 million, or 57%, to $163 million for the year ended December 31, 2017, as compared to $104 million provided by OPC's financing activities for the year ended December 31, 2016, primarily as a result of contributions of (i) $100 million in proceeds from OPC's IPO, (ii) $88 million in proceeds from OPC's bond issuance, (iii) $137 million from the drawdown of loans relating to the Hadera project and (iv) a $39 million decrease in the amount of dividends distributed in 2017 as compared to 2016. These effects were partially offset by OPC's debt repayments in the total amount of $140 million in relation to its mezzanine loan, parent company loan, current portion of long-term debt and reconciliation of intercompany debt, as compared to $51 million debt repayments in 2016.

Net Change in Cash from Discontinued Operations

Net change in cash from discontinued operations in 2017 includes approximately $793 million net cash inflows resulting from the sale of the Inkia Business.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Cash and cash equivalents decreased 15% to approximately $327 million for the year ended December 31, 2016, compared to approximately $384 million for the year ended December 31, 2015. The following table sets forth our summary cash flows from our operating, investing and financing activities for the years ended December 31, 2016 and 2015:

	Year Ended December 31,	
	2016[1]	**2015[1]**
	(in millions of USD)	
Continuing Operations		
Net cash flows (used in) / provided by operating activities		
OPC	25	81
Adjustments and Other	(39)	(21)
Total	(14)	60
Net cash flows used in investing activities	(99)	(99)
Net cash flows provided by financing activities	149	69
Net change in cash from continuing operations	36	30
Net change in cash from discontinued operations	(99)	(244)
Cash—opening balance	384	610
Effect of exchange rate fluctuations on balances of cash and cash equivalents	6	(12)
Cash—closing balance	**$** 327	**$** 384

(1) Results during this period have been reclassified to reflect the results of the Inkia Business as discontinued operations. For further information, see Note 29 to our financial statements included in this annual report.

Cash Flows (Used In) / Provided by Operating Activities

Net cash flows used in our operating activities decreased to approximately $14 million for the year ended December 31, 2016, compared to approximately $60 million net cash flows provided by operating activities for the year ended December 31, 2015. This decrease in cash used in operating activities was primarily driven by a decrease in cash provided by OPC's operating activities.

Cash flows provided by OPC's operating activities decreased by 69% to $25 million for the year ended December 31, 2016 from $81 million for the year ended December 31, 2015, primarily as a result of a $57 million decrease in OPC-Rotem's net cash flows from operating activities as a result of a $40 million system costs provision paid by OPC-Rotem in February 2016 and lower operating results during the period.

Cash Flows Used in Investing Activities

Net cash flows used in our investing activities remained stable at $99 million for the year ended December 31, 2016 and the year ended December 31, 2015.

Cash Flows Provided by Financing Activities

Net cash flows provided by the financing activities of our consolidated businesses increased by 116% to approximately $149 million for the year ended December 31, 2016, compared to approximately $69 million for the year ended December 31, 2015. This increase was primarily driven by (1) the $35 million increase in cash flows provided by OPC's financing activities (excluding OPC's repayment of a $75 million note payable, plus $3 million of interest, to Kenon in 2016), and (2) a $34 million reduction in contributions from former parent IC provided in connection with the spin-off in January 2015.

Cash flows provided by OPC's financing activities increased by 51% to $104 million for the year ended December 31, 2016 compared to $69 million for the year ended December 31, 2015, primarily as a result of (i) the full repayment of tranche A and partial repayment of tranche B of OPC's mezzanine loan in the amount of $52 million and (ii) $53 million in connection with the dividend distribution. The increase was partially offset by (i) a $4 million decrease as a result of repayments made on the OPC-Rotem loan, (ii) a $4 million decrease in the repayment of capital notes and (iii) a $2 million decrease as a result of other loan repayments.

Kenon's Commitments and Obligations

As of December 31, 2017, Kenon had consolidated liabilities of $1,475 million. In January 2018, the $200 million IC Credit Facility was repaid.

In 2016, Kenon's major shareholder Ansonia made loans of $69 million to our subsidiary Quantum (which were used by Quantum to make back-to-back loans to Qoros). In January 2018, $20 million of these loans were repaid.

In addition, as of the date of this annual report, Kenon has obligations under its back-to-back guarantees provided by it to Chery, which amounted to RMB320 million, with respect to debt in principal of RMB288 million, plus interest and certain fees. For further information on, and an overview of, the guarantees provided by Kenon in respect of Qoros' debt, see "*—Back-to-Back Guarantees Provided to Chery*."

As of the date of this annual report, other than the back-to-back guarantees we have provided to Chery in respect of certain of Qoros' indebtedness, and loans from subsidiaries, 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. Kenon has given a three year guarantee of Inkia's indemnity obligations under the share purchase agreement for the sale of the Inkia Business.

Set forth below is a summary of these obligations.

Back-to-Back Guarantees Provided to Chery

Kenon provided back-to-back guarantees to Chery in respect of certain of Qoros' RMB3 billion EXIM bank credit facility and its RMB700 million EXIM bank loan facilities. As of December 31, 2017, the outstanding amount of these back-to-back guarantees was RMB320 million (plus certain interest and fees), with respect to debt in principal of RMB288 million.

In 2016 and 2017, Kenon entered into agreements with Chery to provide financing to Qoros in connection with a release of Kenon's back-to-back guarantee obligations to Chery (which were RMB850 million as of December 31, 2016). Pursuant to these agreements, during 2017, Kenon funded shareholder loans of RMB488 million (of which RMB244 million was advanced on behalf of Chery) to Qoros, reducing Kenon's back-to-back guarantee obligations to Chery from RMB850 million to RMB320 million, with respect to debt in principal of RMB288 million.

In January 2018, Kenon announced the New Qoros Investor's completion of a transaction to purchase 51% of Qoros from Wuhu Chery and Kenon which is part of an investment structure to invest a total of approximately RMB6.63 billion in Qoros. As a result, Kenon now has a 24% stake in Qoros, with the 51% controlling interest owned by the New Qoros Investor and the remaining 25% interest owned by Wuhu Chery.

As part of the investment, the New Qoros Investor will assume its pro rata share of the guarantees and equity pledges based on post-investment equity ownership in Qoros, which will be subject to further adjustment following any future changes in the equity ownership in Qoros (including as a result of the exercise of the put option or investment right by a shareholder under the investment agreement). As a result, in January 2018, Cherry paid Kenon RMB120 million (approximately $18 million) out of the total RMB244 million (approximately $38 million) previously advanced, and a significant portion of the Qoros equity pledged to Chery was released. Kenon will also be proportionately released from its obligations with respect to the RMB1.2 billion loan subject to the Qoros bank lender consent.

Kenon's major shareholder Ansonia has also committed to fund RMB25 million of Kenon's back-to-back guarantee obligations in certain circumstances.

Debt Owed to Kenon from Subsidiaries

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.

Qoros Shareholder Loans

As of December 31, 2017, Qoros had outstanding shareholder loans in the principal amount of RMB944 million to each of Kenon and Chery.

In January 2018, Kenon announced the New Qoros Investor's completion of a transaction to purchase 51% of Qoros from Wuhu Chery and Kenon which is part of an investment structure to invest a total of approximately RMB6.63 billion in Qoros. The investment was implemented through a sale to the New Qoros Investor by Kenon and Chery, of 26% and 25% of their holdings in Qoros for RMB1.69 billion and RMB1.625 billion, respectively. Following completion of this sale, Qoros' shareholders (including the New Qoros Investor) will invest a total of RMB6.5 billion in Qoros' equity in proportion to their post-investment equity ownership, which will ultimately be made by way of capital increase.

The investment agreement provides for repayment of existing shareholder loans owing from Qoros in the principal amount of RMB944 million (approximately $150 million) to each of Kenon and Chery, in two equal tranches, following the purchase of Kenon's and Chery's equity interests as described above. In addition, Kenon retained RMB130 million from the sale of its 1% holding in Qoros (which was not to be reinvested into Qoros), out of the total sale proceeds of RMB1.69 billion. $20 million in proceeds retained by Kenon was applied to the partial repayment of the Ansonia loans in January 2018, leaving a balance of approximately $55 million (linked to RMB proceeds received by Kenon) of loans owing to Ansonia. A portion of the loan repayments to Kenon (or any sale proceeds, if retained by Kenon) will likely be applied to the repayment of such loans.

The following discussion sets forth the liquidity and capital resources of each of our businesses.

OPC's Liquidity and Capital Resources

As of December 31, 2017, OPC had cash and cash equivalents of $147 million. OPC's total outstanding consolidated indebtedness was $618 million as of December 31, 2017.

OPC's principal sources of liquidity have traditionally consisted of cash flows from operating activities, short- and long-term borrowings, OPC's bond issuance and OPC's 2017 initial public offering.

In addition, OPC is limited in usage of certain deposits and cash, with such restricted deposits and cash constituting an aggregate amount of $76 million and $23 million as of December 31, 2017 and 2016, respectively.

OPC's principal needs for liquidity generally consist of capital expenditures related to the development and construction of generation projects (including OPC-Hadera, Tzomet and other projects OPC may pursue), capital expenditure relating to maintenance (e.g., maintenance and diesel inventory), working capital requirements (e.g., maintenance costs that extend the useful life of OPC's plants) and other operating expenses. OPC believes that its liquidity is sufficient to cover its working capital needs in the ordinary course of OPC's business.

OPC's Material Indebtedness

As of December 31, 2017, OPC had cash and cash equivalents of $147 million, deposits and restricted cash of $76 million, and total outstanding consolidated indebtedness of $618 million, consisting of $30 million of short-term indebtedness, including the current portion of long-term indebtedness, and $588 million of long-term indebtedness. All of OPC's debt is denominated in NIS.

The following table sets forth selected information regarding OPC's principal outstanding short-term and long-term debt, as of December 31, 2017:

	Outstanding Principal Amount as of December 31, 2017	Interest Rate	Final Maturity	Amortization Schedule
			($ millions)	
OPC-Rotem:				
Financing agreement[1]	383	4.7%-5.4%, CPI linked	June 2031	Quarterly principal payments to maturity
OPC-Hadera:				
Financing agreement[2]	144	3.4%-3.9%, CPI linked (2/3 of the loan) 4.8%-5.4% (1/3 of the loan)	18 years from commercial operations date of Hadera power plant	Quarterly principal payments to maturity, commenting 6 months following commercial operations of Hadera power plant
OPC Energy:				
Bonds[3]	91	4.45%	December 2030	Semi-annual principal payments to maturity
Total	618			

(1) Represents NIS 1,329 million converted into U.S. Dollars at the exchange rate for NIS into U.S. Dollars of NIS 3.467 to $1.00. All debt has been issued in Israeli currency (NIS) linked to CPI.

(2) Represents NIS 500 million converted into U.S. Dollars at the exchange rate for NIS into U.S. Dollars of NIS 3.467 to $1.00. All debt has been issued in Israeli currency (NIS), of which 2/3 is linked to CPI and 1/3 is not linked to CPI.

(3) Represents NIS 316 million converted into U.S. Dollars at the exchange rate for NIS into U.S. Dollars of NIS 3.467 to $1.00. All debt has been issued in Israeli currency (NIS) and is not linked to CPI.

The debt instruments to which OPC and its operating companies are party to require compliance with financial covenants. 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 OPC 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.

For further information on OPC's financing arrangements, see Note 15 to our financial statements included in this annual report.

OPC-Rotem Financing Agreement

In January 2011, OPC-Rotem entered into a financing agreement with a consortium of lenders led by Bank Leumi Le-Israel Ltd., or Bank Leumi, for the financing of its power plant project. As part of the financing agreement, the lenders committed to provide OPC-Rotem a long-term credit facility, including several types of lines of credit., in the overall amount of NIS 1,800 million. Currently, there are two available lines of credit in the total amount of NIS 15 million and a working capital line of credit. Furthermore, as part of the financing agreement, certain restrictions were provided with respect to distributions of dividends and repayments of OPC-Rotem's shareholders' loans, commencing from the third year after the completion of OPC-Rotem's power plant. The lock-up period prohibiting distributions ended in June 2015. The loans are CPI-linked and are repayable on a quarterly basis beginning in the fourth quarter of 2013 until 2031.

Under the agreement, OPC and ICP and the non-controlling interests in OPC-Rotem (Veridis), issued corporate guarantees in favor of OPC-Rotem, in the amounts of NIS92 million (approximately $27 million) and NIS23 million (approximately $7 million), respectively.

In December 2017, an amended credit facility agreement was signed, according to which ICP was released from the corporate guarantee. In return, OPC-Rotem created a new reserve account ("guarantee reserve account") in the amount of NIS57.5 million (approximately $17 million). OPC-Rotem deposited NIS 20 million (approximately $6 million) in the guarantee reserve account, and must deposit the remaining NIS 14 million (approximately $11 million) within 24 months from the creation of the guarantee reserve account, in semi-annual instalments. As of December 31, 2017, the guarantee reserve account balance is NIS20 million (approximately $6 million). OPC and Veridis issued corporate guarantees in favour of OPC-Rotem in the amount of NIS46 million (approximately $13 million) and NIS11.5 million (approximately $4 million), respectively. Upon deposit of the full guarantee reserve account amount, both OPC and Veridis shall be released from their corporate guarantees.

OPC-Hadera Financing

In July 2016, OPC-Hadera entered into a NIS 1 billion senior facility agreement with Israel Discount Bank Ltd. and Harel Company Ltd. to finance the construction of OPC-Hadera's power plant in Hadera. Pursuant to the agreement, the lenders undertook to provide OPC-Hadera with financing in several facilities (including a term loan facility, a standby facility, a debt service reserve amount, or DSRA, facility to finance the DSRA deposit, a guarantee facility to facilitate the issuance of bank guarantees to be issued to third parties, a VAT facility (for the construction period only), a hedging facility (for the construction period only), and a working capital facility (for the operation period only).

In December 2017, Israel Discount Bank Ltd. assigned 43.5% of its share in the long-term credit facility (including the facility for variances in construction and related costs) to Clal Pension and Femel Ltd. and Atudot Pension Fund for Salaried and Self-employed Ltd.

Some of the loans under the facility agreement are CPI-linked, while others accrue interest at the rates specified in the relevant agreement. The loans will be repaid in quarterly installments according to repayment schedules specified in the agreement. The financing will mature 18 years after the commencement of repayments in accordance with the provisions of the agreement (which will commence approximately half a year following the commencement of commercial operation of the OPC-Hadera construction plant.

In connection with the senior facility agreement, liens were placed on some of OPC-Hadera's existing and future assets and on certain OPC and OPC-Hadera rights, in favor of Israel Discount Bank Ltd., as collateral agent on behalf of the lenders, The senior facility agreement also contains certain restriction in respect of distributions and repayments of shareholder loans.

As of December 31, 2017, following the full investment of the project's equity contribution, OPC-Hadera has made three drawings in the aggregate amount of NIS 494 million under the NIS 1 billion loan agreement relating to the project. In the first quarter of 2018, OPC fourth disbursement was made in the amount of NIS22 million.

OPC Bonds

In May 2017, OPC issued Bonds (Series A) to classified investors under a private placement, which were listed for trade on the Institutional Continuous Trading Platform. The bonds, with a par value of NIS 320 million ($92 million), bear annual interest at the rate of 4.95% and are redeemable, principal and interest, every six months, commencing on June 30, 2018 (on June 30th and December 30th of every calendar year) through December 30, 2030. Under the terms, the interest on the bonds will be reduced by 0.5% in the event of their listing for trade on the main list of the TASE. The bonds have received a rating of A3 from Midroog and A- from S&P Global Ratings Maalot Ltd.

In August 2017, OPC listed the bonds for trade in the stock exchange under an issuance and the listing of its shares for trade and accordingly, from that date, interest on the bonds (series A) was reduced by 0.5% and is 4.45% per year. According to the trust deed from May 2017, OPC has registered, in favor of the trustee on behalf of the bond holders, a first-ranking floating charge, unlimited in amount, on all of its assets. The floating charge will not preclude OPC from pledging specific assets and the performance of other asset dispositions by OPC.

Additionally, OPC has created a reserve for the servicing of the debt, out of the issuance consideration, in the amount of 12 months of interest up to the commencement of repayment of the principal of the bonds, and will pay 12 months of principal and interest payments subsequent to the commencement of the bonds' principal repayment. The trust account in which the reserve was deposited will be pledged in favor of the trustee on behalf of the bond holders. As of December 31, 2017, the deposit for the debt service fund amounts to NIS 18 million ($5 million).

The trust deed contains customary clauses for calling for the immediate redemption of the bonds, including events of breach, insolvency, liquidation proceedings, receivership, stay of proceedings and creditors' arrangements, certain types of restructuring, material downturn in the position of OPC. The bondholders' right to call for immediate redemption also arises upon: (1) the occurrence of certain events of loss of control by Kenon; (2) the call for immediate repayment of other debts (or guarantees) of OPC or of OPC-Hadera or OPC-Rotem in certain predefined minimum amounts; (3) a change in the area of operation of OPC such that OPC's main area of activity is not in the energy sector in Israel, including electricity generation in power plants and with renewable energy sources; (4) in the event that a rating is discontinued over a certain period of time, and the rating of the bond falls below the level of Baa3 (or BBB); and (5) in the event of suspending trading for a certain time period if the bonds are listed for trade on the main list of the stock exchange.

Furthermore, the trust deed includes an undertaking by OPC to comply with covenants on the basis of its stand-alone financial statements: debt coverage ratio of at least 1.05 (to be reviewed commencing in the financial statements as at June 30, 2018), minimum equity of NIS 80 million and an equity-to-balance sheet ratio of at least 12.5%. As at December 31, 2017, the equity attributed to OPC's shareholders amounted to approximately NIS 600 thousand and the equity-to-balance sheet ratio was 65%.

The trust deed also includes an undertaking by OPC to monitor the rating by a rating agency and for mandatory early redemption in the event of the sale of means of control in OPC-Rotem and OPC-Hadera.

Additionally, restrictions imposed on distributions, provision of loans to related parties and repayment of loans to related parties, are included as set forth in the trust deed, including compliance with certain covenants.

The terms of the bonds also provide for the possible raising of the interest rate in certain cases of lowering the rating, in certain cases of breach of financial covenants, and in certain cases of use of the reserve for servicing the debt where the reserve is not sufficiently funded within the time frame that is set forth in the trust deed. The ability of OPC to expand the series of the bonds has been limited under certain circumstances, including maintaining the rating of the bonds at its level shortly prior to the expansion of the series and the lack of breach.

Additionally, should OPC raise additional bonds that are not secured (or that are secured with a pari passu ranking floating charge), these will not have preference over the bonds (Series A) upon liquidation.

Qoros' Liquidity and Capital Resources

Qoros' cash and cash equivalents was RMB77 million as of December 31, 2017, compared to approximately RMB465 million as of December 31, 2016. Following the completion of the New Qoros Investor investment, we have a 24% 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 capital contributions (in the form of equity contributions, or convertible or non-convertible shareholder loans), and cash flows from car sales. Qoros has fully utilized its RMB3 billion syndicated credit facility, RMB1.2 billion syndicated credit facility and its RMB700 million credit facility, and may 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, guarantees and pledges from its shareholders, and third party loans supported by its shareholders, to fund its development and operations.

In June 2017, Quantum, Wuhu Chery, and Qoros entered into an investment agreement pursuant to which the New Qoros Investor agreed to invest approximately RMB6.63 billion for a controlling interest in Qoros (of which RMB1 billion was advanced to Qoros in 2017). In January 2018, the New Qoros Investor completed the transaction to purchase 51% of Qoros from Wuhu Chery and Kenon which is part of an investment structure to invest a total of approximately RMB6.63 billion in Qoros. As a result, Kenon now has a 24% stake in Qoros, with the 51% controlling interest owned by the New Qoros Investor and the remaining 25% interest owned by Wuhu Chery. For more information see "*—Kenon's Liquidity and Capital Resources.*"

As of December 31, 2017, Qoros had total loans and borrowings (excluding shareholder loans) of RMB4.8 billion and current liabilities (excluding shareholder loans) of RMB3.3 billion, including trade and other payables of RMB2.7 billion, and current assets of RMB1.5 billion, including cash and cash equivalents of RMB77 million. Qoros uses a portion of its liquidity to make debt service payments. Qoros is required to make principal payments on its RMB3 billion, RMB1.2 billion and RMB700 million facilities in 2018.

Although the January 2018 investment in Qoros has improved Qoros' liquidity position, Qoros will require additional liquidity and will continue to manage its trade payables, accrued expenses and other operating expenses in connection with the management of its liquidity requirements and resources. For further information on the risks related to the effect of Qoros' liquidity situation on its relationship with its supplies, see "*Item 3.D. Risk Factors—Risk Factors Related to Our Interest in Qoros—Qoros is dependent upon its suppliers.*"

Until Qoros 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, and Kenon may be required to make payments under its back-to-back guarantees to Chery in respect of Qoros' bank debt and pledges over Qoros shares by Quantum (Kenon's subsidiary which owns Kenon's interest in Qoros) may be enforced.

Alternatively, the Baoneng group (or its related entities), Chery or other investors, may choose to make additional investments in Qoros (without a corresponding Kenon investment) which may result in 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 funding to further its development and, until it achieves significant sales levels, to meet its operating expenses, financing expenses, and capital expenditures.*"

Material Indebtedness

As of December 31, 2017, Qoros had total loans and borrowings (excluding shareholder loans) of RMB4.8 billion, consisting of non-current loans and borrowings of RMB4.2 billion and current loans and borrowings of RMB600 million (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. In July 2017, Qoros' lenders approved the rescheduling of principal payments under Qoros' RMB3 billion facility originally scheduled to be made in 2017 and 2018, with substantially all of the principal payments now scheduled to be made between 2019 and 2022 (with small payments scheduled to be made in 2018).

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 outstanding a back-to-back guarantees to Chery of RMB320 million, with respect to debt in principal of RMB288 million, of which a portion is in respect of Chery's guarantee of this facility. For further information on Kenon's back-to-back guarantee obligations to Chery see "*—Kenon's Liquidity and Capital Resources—Kenon's Commitments and Obligations—Back-to-Back Guarantees Provided to Chery*."

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 2016, the lenders under Qoros' syndicated credit facility waived Qoros' compliance with the financial covenants under this facility through the first half of 2020. 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 the waiver period, 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.

As of December 31, 2017, the aggregate amount outstanding on this loan was approximately RMB2.5 billion.

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 plus 10.0% of such quoted rate and the USD loans bear interest at LIBOR plus 5.0% of such rate per annum. Outstanding loans are repayable within ten years from August 19, 2014, the first draw down date. The first scheduled repayment was made in August 2017 with subsequent repayment dates occurring every six months after the preceding repayment date.

Following the completion of the share transfer, up to 50% of the indebtedness incurred under this facility is secured by Quantum's pledge of substantially all of its shares in Qoros, including dividends deriving therefrom. 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. In the event that the value of Qoros' equity decreases and Quantum's shares of Qoros' equity is not sufficient to cover its proportionate stake of the pledge, Quantum has the option to provide additional collateral to secure the RMB1.2 billion facility. However, in the event that Quantum does not provide such additional collateral, the lenders under the facility may be entitled to sell some or all of Quantum's shares in Qoros.

In connection with Kenon's 2016 and 2017 funding of shareholder loans to Qoros, pursuant to which Kenon's back-to-back guarantee obligations to Chery were partially released, Quantum pledged equity in Qoros to Chery to secure the back-to-back guarantee reductions (i.e., if Chery is required to make payments on its guarantee of Qoros' debt, then to the extent that Chery makes payments that would have been reimbursed by Kenon but for the back-to-back guarantee reduction, Chery will be entitled to enforce this pledge). Chery may also borrow from Quantum some of Qoros' outstanding equity to meet its pledge obligations under the RMB1.2 billion credit facility. The number of Qoros shares pledged to Chery is subject to adjustment from time to time. In certain circumstances, Quantum must pledge additional shares (to the extent it has unencumbered shares) (e.g., if additional shares must be pledged under the credit facility), and in other circumstances the pledged shares may be released and the borrowed shares must be returned (e.g., in the event that Quantum is required to pledge additional shares to secure the RMB1.2 billion credit facility).

The syndicated loan agreement includes covenants (including financial covenants) and events of default and acceleration provisions.

As of December 31, 2017, the aggregate principal amount outstanding on this loan was approximately RMB1.17 billion.

RMB700 Million Syndicated Credit Facility

In May 2015, Qoros entered into a RMB700 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 RMB700 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. Qoros is required to make principal repayments under this facility beginning in 2018. The facility includes covenants and event of default provisions.

The RMB700 million is guaranteed by Chery. We provided a back-to-back guarantee to Chery in respect of this facility and also pledged shares to Chery. For further information on Kenon's back-to-back guarantee obligations to Chery, see "*—Kenon's Liquidity and Capital Resources—Kenon's Commitments and Obligations—Back-to-Back Guarantees Provided to Chery*."

As of December 31, 2017, Qoros drew down a total of RMB700 million, and the aggregate principal amount outstanding on this loan is RMB700 million.

Working Capital Facilities

Qoros is party to various short-term and working capital facilities. As of December 31, 2017, the balance of these facilities was RMB345 million.

Qoros may require additional financing, including the renewal or refinancing of its working capital facilities. 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 funding 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 December 31, 2017, Qoros had outstanding shareholder loans in the principal amount of RMB944 million to each of Kenon and Chery.

The investment agreement provides for repayment of existing shareholder loans owing from Qoros in the principal amount of RMB944 million (approximately $150 million) to each of Kenon and Chery, in two equal tranches, following the purchase of Kenon's and Chery's equity interests (see "*Item 4.B Business Overview—Our Businesses—Qoros —Qoros' Investment Agreement*.") In addition, Kenon retained RMB130 million from the sale of its 1% holding in Qoros (which was not to be reinvested into Qoros), out of the total sale proceeds of RMB1.69 billion. $20 million in proceeds retained by Kenon was applied to the partial repayment of the Ansonia loans in January 2018, leaving a balance of approximately $55 million (linked to RMB proceeds received by Kenon) of loans owing to Ansonia. A portion of the loan repayments to Kenon (or any sale proceeds, if retained by Kenon) will likely be applied to the repayment of such loans.

ZIM's Liquidity and Capital Resources

As of December 31, 2017, ZIM had an aggregate amount of $158 million in cash and cash equivalents, similar to its cash and cash equivalents as of December 31, 2016.

During the year ended December 31, 2017, ZIM generated $231 million from operating activities, used $94 million in investing activities and used $140 million in financing activities.

ZIM has a significant amount of debt and other liabilities. As of December 31, 2017, ZIM had approximately $1.5 billion of outstanding loans and liabilities to be repaid between 2018 through 2030, of which $313 million of principal (including short term borrowings and current maturities of long-term debt) is scheduled to be repaid during 2018.

ZIM expects to finance its short-term 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 offering or listing 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.

During 2016, in light of the continued unfavorable container shipping market conditions, ZIM took various steps to address its liquidity and financial position, including by obtaining waivers from its creditors from compliance from certain financial covenants and deferring certain payments. ZIM is required to comply with these covenants beginning on March 31, 2018, and repay the deferred amounts on a straight line basis, during a period of up to 36 months, ending on December 31, 2020.

ZIM is continuing to pursue strategies 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.*"

Primus' Liquidity and Capital Resources

As of December 31, 2017, Primus had cash and cash equivalents of approximately $0.3 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 us either through capital contributions or shareholder loans, or to the extent Primus pursues projects, through contributions from strategic partners or debt financing. There is no certainty that additional financing will be provided to 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. Through our wholly-owned subsidiary IC Green, we have provided Primus a total of $35.4 million (including accrued interest) via a series of convertible notes through December 31, 2017. In January 2018, we provided Primus an additional $3.0 million via convertible notes.

Material Indebtedness

Primus does not have any material indebtedness, other than related party indebtedness.

C. Research and Development, Patents and Licenses, Etc.

Kenon did not have significant research and development expenses during the years ended December 31, 2017, 2016 and 2015.

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

OPC

In January 2018, the EA published its generation component tariff update for 2018, which increased the generation component tariff by approximately 6.7%, from NIS 264 per MWh to NIS 282 per MWh. For further information, see "*Item 5. Operating and Financial Review and Prospects—Material Factors Affecting Results of Operations—OPC— Sales—EA Tariffs.*"

Qoros

The investment in Qoros in January 2018 by the New Qoros Investor resulted in the New Qoros Investor owning 51% of Qoros and contributed significant liquidity to Qoros. Following this investment, Qoros has made a number of management changes. As a result of the transaction, Kenon will recognise an estimated gain on dilution of approximately $286 million in its financial statements in the first half of 2018. Kenon will also value its put option and record that value in its financial statements in the first quarter of 2018. The valuation of the put option is in progress and no estimate can currently be given.

For the year ended December 31, 2017, Qoros sold approximately 15,000 vehicles, as compared to approximately 24,000 vehicles in 2016. Qoros sold approximately 11,400 cars in the first quarter of 2018, a more than 200% increase as compared to approximately 3,700 cars sold in the first quarter of 2017, with a substantial number of such sales in Q1 2018 reflecting purchase orders introduced by the New Qoros Investor. Qoros believes that its sales figures will continue to fluctuate in the near-term.

In light of increased competition in the Chinese automotive market in recent years, dealers and OEMs have offered customers a variety of inducements to purchase vehicles, including price reductions. In line with many of its competitors, Qoros announced price reductions on all its vehicle models. In 2017, dealers and OEMs continued to reduce prices and offer further inducements to purchase vehicles. Qoros expects the downward pressure on vehicle prices to continue for the next few years. The SUV segment in China continues to experience growth as compared to sedans.

Qoros continues to require additional funding 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' Liquidity and Capital Resources*" and "*Item 3D. Risk Factors— Risks Related to Our Strategy and Operations— Some of our businesses have significant capital requirements.*"

ZIM

For further information on the conditions affecting the shipping industry, see "*Item 4.B Business Overview—Our Businesses—ZIM—ZIM's Industry Update.*"

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, 2017:

	Payments Due by Period				
	Total	**Less than One Year**	**One to Three Years**	**Three to Five Years**	**More than Five Years**
			($ millions)		
Kenon's stand-alone contractual obligations[1]	$ 240[2]	$ 240[2]	$ -	$ -	$ -
Overseas Investment Peru Facility	$ 101[3]	$ 101[3]	$ -	$ -	$ -
OPC's consolidated contractual obligations[4]	$ 926	$ 120	$ 125	$ 133	$ 548
Total contractual obligations and commitments	**$** 1,267	**$** 461	**$** 125	**$** 133	**$** 548

(1) Excludes Kenon's back-to-back guarantees to Chery and convertible loans between Ansonia and Quantum.
(2) Represents $200 million, plus interest and fees of $40 million, outstanding under the IC Credit Facility as of December 31, 2017. In January 2018, this facility was repaid.
(3) Represents $43 million of net debt, plus $1 million of accrued interest. In January 2018, this facility was repaid.
(4) For further information on OPC's consolidated contractual obligations, see "*—Tabular Disclosure of Contractual Obligations—OPC*" below.

As of the date of this annual report, Kenon has outstanding back-to-back guarantee obligations to Chery of up to RMB320 million, with respect to debt in principal of RMB288 million, plus certain interest and fees, in respect of certain of Qoros' indebtedness. For further information on, and the risks related to, 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.*"

OPC

The following table sets forth OPC's contractual obligations (including future interest payments) and commercial commitments as of December 31, 2017, on a consolidated basis.

	Payments Due by Period				
	Total	Less than One Year	One to Three Years	Three to Five Years	More than Five Years
			($ millions)		
Trade Payables	$ 58	$ 58	$ -	$ -	$ -
Other payables	6	6	-	-	-
Bonds	126	13	20	22	71
Loans	736	43	105	111	477
Total contractual obligations and commitments	$ 926	120	125	133	548

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:

Name	Age	Function	Original Appointment Date	Current Term Begins	Current Term Expires
Antoine Bonnier	35	Board Member		2017	2018
Laurence N. Charney	71	Chairman of the Audit Committee, Compensation Committee Member, Board Member	2016	2017	2018
Cyril Pierre-Jean Ducau	39	Chairman of the Board, Nominating and Corporate Governance Committee Chairman	2014	2017	2018
N. Scott Fine	61	Audit Committee Member, Compensation Committee Chairman, Board Member	2014	2017	2018
Bill Foo	61	Board Member, Nominating and Corporate Governance Committee Member	2017	2017	2018
Aviad Kaufman	47	Compensation Committee Member, Board Member, Nominating and Corporate Governance Committee Member	2014	2017	2018
Arunava Sen	57	Board Member, Audit Committee Member	2017	2017	2018

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

Name	Age	Position
Barak Cohen	36	Co-Chief Executive Officer
Robert L. Rosen	45	Co-Chief Executive Officer
Mark Hasson	42	Chief Financial Officer

Biographies

Directors

Antoine Bonnier. Mr. Bonnier is currently a Managing Director of Quantum Pacific (UK) LLP and serves as a member of the board of directors of Club Atletico de Madrid SAD, Pacific Drilling S.A. and of Primus Green Energy, Inc., each of which may be associated with the same ultimate beneficiary, Mr. Idan Ofer. Mr. Bonnier was previously a member of the investment team of Quantum Pacific Advisory Limited from 2011 to 2012. Prior to joining Quantum Pacific Advisory Limited in 2011, Mr. Bonnier was an Associate in the Investment Banking Division of Morgan Stanley & Co. During his tenure there, from 2005 to 2011, he held various positions in the Capital Markets and Mergers and Acquisitions teams in London, Paris and Dubai. Mr. Bonnier graduated from ESCP Europe Business School and holds a Master of Science in Management.

Laurence N. Charney. Mr. Charney currently serves as the chairman of our audit committee. Mr. Charney retired from Ernst & Young LLP 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 directorships include board tenure with Pacific Drilling S.A., 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 Chief Executive Officer of Ansonia Holdings Singapore B.V. and the Managing Director of Quantum Pacific Ventures Limited. He is also a member of the board of directors of Pacific Drilling S.A., Quantum Pacific Shipping Services Pte. Ltd. and Ansonia Holdings Singapore B.V., as well as other private companies, each of which may be associated with the same ultimate beneficiary, Mr. Idan Ofer. 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 is the Chief Executive Officer and Chairman of CTD Holdings Inc., a biotechnology company focused on developing novel therapeutics based on cyclodextrin technologies. Mr. Fine is also a director of Pacific Drilling S.A. Mr. Fine has been involved in investment banking for over 35 years, working on a multitude of debt and equity financings, buy and sell side mergers and acquisitions, strategic advisory work and corporate restructurings. Much of his time has been focused on transactions in the healthcare and consumer products area, including time with The Tempo Group of Jakarta, Indonesia. Mr. Fine was the lead investment banker on the IPO of Keurig Green Mountain Coffee Roasters and Central European Distribution Corporation, or CEDC, a multi-billion-Dollar alcohol company. He was also involved in an Equity Strategic Alliance between Research Medical and the Tempo Group. Mr. Fine continued his involvement with CEDC, serving as a director from 1996 until 2014, during which time he 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. He also served as Sole Director of Better Place Inc. from 2013 until 2015. In that role, Mr. Fine successfully managed the global wind down of the company in a timely and efficient manner which was approved by both the Delaware and Israeli courts. Mr. Fine devotes time to several non-profit organizations, including through his service on the Board of Trustees for the IWM American Air Museum in Britain. Mr. Fine has been a guest lecturer at Ohio State University's Moritz School of Law.

Bill Foo. Dr. Bill Foo is a director and corporate advisor of several private, listed and non-profit entities, including Mewah International Inc., CDL Hospitality Trusts, Tung Lok Restaurants (2000) Ltd., M&C REIT Management Ltd and chairing the Salvation Army and Heartware Network Youth Charity organizations. In May 2017, Dr. Foo was appointed to the board of directors of Kenon, having served as a director of IC Power between November 2015 and January 2018. Prior to his retirement, Dr. Foo worked in financial services for over 30 years, including serving as CEO of ANZ Singapore and South East Asia Head of Investment Banking for Schroders. Dr. Foo has also worked in various positions at Citibank and Bank of America and has been a director of several listed and government-related entities, including International Enterprise Singapore (Trade Agency), where he chaired the Audit Committee for several years. Dr. Foo has a Master's Degree in Business Administration from McGill University and a Bachelor of Business Administration from Concordia University and an honorary Doctor of Commerce from James Cook University Australia.

Aviad Kaufman. Mr. Kaufman is the Chief Financial Officer of Quantum Pacific (UK) LLP, the chairman of IC, a board member of Israel Chemicals Ltd., and other private companies, 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.

Arunava Sen. Mr. Sen is CEO and Managing Director of Coromandel Advisors Pte Ltd, a Singapore-based company that provides strategic and transactional advice to global investors in the infrastructure and clean energy sectors. In May 2017, Mr. Sen was appointed to the board of directors of Kenon, having served as a director of IC Power between November 2015 and January 2018. Between August 2010 and February 2015, Mr. Sen was CEO and Managing Director of Lanco Power International Pte Ltd, a Singapore-registered company focused on the development of power projects globally. Previously, Mr. Sen held several senior roles at Globeleq Ltd, a Houston-based power investment company, including COO, CEO—Latin America and CEO—Asia. In 1999, Mr. Sen cofounded and was COO of Hart Energy International, a Houston-based company that developed and invested in power businesses in Latin America and the Caribbean. Mr. Sen currently serves as a member of the investment committee of Armstrong Asset Management Pte Ltd. A qualified Chartered Accountant, Mr. Sen holds a B.Com. degree from the University of Calcutta and an M.S. degree in Finance from The American University in Washington, DC.

Senior Management

Barak Cohen. Mr. Cohen has served as Co-CEO of Kenon since September 2017. Prior to becoming Co-CEO, Mr. Cohen served as Vice President of Business Development and Investor Relations of Kenon since 2015. Prior to joining Kenon in 2015, Mr. Cohen worked in various capacities at Israel Corporation since 2008, most recently as Israel Corporation's Senior Director of Business Development and Investor Relations. 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 Israel Corporation's corporate investment strategy, evaluated new investment opportunities, assisted in transaction execution. Additionally, Mr. Cohen headed Israel Corporation's global investor relations activity. Prior to joining Israel Corporation, Mr. Cohen held positions at Lehman Brothers (UK) and Ernst & Young (Israel). Mr. Cohen is also currently a director of Qoros and OPC. Mr. Cohen holds bachelor's degrees in Economics, summa cum laude, and Accounting & Management, magna cum laude, both from Tel Aviv University.

Robert Rosen. Mr. Rosen has served as Co-CEO of Kenon since September 2017. Prior to becoming Co-CEO, Mr. Rosen served as General Counsel of Kenon since 2014. Prior to joining Kenon in 2014, 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 U.S. 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, 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.

Mark Hasson. Mr. Hasson has served as Chief Financial Officer at Kenon Holdings Ltd. since October 2017. Prior to this role, Mr. Hasson served as Vice President of Finance at Kenon. Prior to joining Kenon in 2017, Mr. Hasson served in various senior finance positions in Singapore and Australia. He holds a Bachelor's degree in Finance and Accounting from the University of Cape Town in South Africa and is a Chartered Accountant (Institute of Chartered Accountants in England and Wales).

B. Compensation

We pay our directors compensation for serving as directors, including per meeting fees.

For the year ended December 31, 2017, the aggregate compensation accrued (comprising remuneration and the aggregate fair market value of equity awards granted) for our directors and executive officers was approximately $6 million.

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.

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, except in the case of our nominating and governance committee, as one of the members of our nominating and corporate governance committee is non-independent under NYSE standards.

Board of Directors

Our constitution gives our board of directors general powers to manage our business. The board of directors, which consists of seven directors, 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. Cyril Pierre-Jean Ducau serves as our Chairman.

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 Antoine Bonnier, Arunava Sen, Aviad Kaufman, Bill Foo, Laurence N. Charney and N. Scott Fine, representing six 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 the nominating and corporate governance and compensation committees, we have determined that we are in compliance with the NYSE's requirements in these respects, except that one of the members of our nominating and corporate governance committee is non-independent under NYSE standards.

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 compensation, qualifications, evaluation and independence of, and making a recommendation to our board for recommendation to the annual general meeting for appointment of, our independent registered public accounting firm,;
- the performance of our internal audit function;
- our compliance with legal and regulatory requirements; and
- review of related party transactions.

The members of our audit committee, Laurence N. Charney, N. Scott Fine and Arunava Sen, are independent directors. 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 each of the SEC and 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 considers 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 also considers recommendations for director candidates submitted by our shareholders. The nominating and corporate governance committee evaluates and recommends 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 considers 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. 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. One of the members of our nominating and corporate governance committee is non-independent under NYSE standards and accordingly we rely on the NYSE exemption for foreign private issuers.

The members of our nominating and corporate governance committee are Cyril Pierre-Jean Ducau, Bill Foo and Aviad Kaufman. Our nominating and corporate governance committee operates under a written charter that satisfies the applicable standards of the NYSE for foreign private issuers.

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 co-Chief Executive Officers 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 co-Chief Executive Officers and other senior executives, 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 all of the members of our compensation committee, Laurence N. Charney, N. Scott Fine and Aviad Kaufman are independent directors as defined under the applicable rules 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, 2017, 2016 and 2015 we, and our consolidated subsidiaries, employed 108, 115 and 118 individuals, respectively, as follows:

	Number of Employees as of December 31,		
Company	**2017**	**2016**	**2015**
OPC	**88**	**79**	**66**
Primus	**14**	**31**	**41**
Kenon	**6**	**5**	**11**
Total	**108**	**115**	**118**

OPC

As of December 31, 2017, OPC employed 88 employees. For further information on OPC's employees, see "*Item 4.B Business Overview—OPC—Employees.*"

Qoros

As of December 31, 2017, Qoros employed approximately 1,640 employees, consisting of headquarter and factory employees predominantly within China.

ZIM

As of December 31, 2017, ZIM employed approximately 3,600 employees (including employees of its subsidiaries).

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, 2017, Primus employed 14 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 directors and certain members of its management under the Share Incentive Plan 2014 in 2017, with a value of $1.1 million.

Equity Awards to Certain Executive Officers—Subsidiaries and Associated Companies

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 4, 2018, by each person or entity beneficially owning 5% or more of our ordinary shares, based upon the 53,826,749 ordinary shares outstanding as of such date, which represents our entire issued and outstanding share capital as of such date. The information set out below is based on public filings with the SEC as of April 4, 2018.

To our knowledge, as of April 4, 2018, 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.

Beneficial Owner (Name/Address)	Ordinary Shares Owned	Percentage of Ordinary Shares
Ansonia Holdings Singapore B.V.[1]	31,156,869	58.0%
XT Investments Ltd.[2]	6,273,128	11.7%
Clal Insurance Enterprises Holdings Ltd.[3]	2,818,563	5.2%
Laurence N. Charney[4]	9,656	—[5]
N. Scott Fine[4]	5,652	—[5]
Directors and Executive Officers[6]	—	—[5]

(1) Based solely on the Schedule 13-D/A (Amendment No. 4) filed by Ansonia Holdings Singapore B.V. with the SEC on January 25, 2017. A discretionary trust, in which Mr. Idan Ofer is the prime beneficiary, indirectly holds 100% of Ansonia Holdings Singapore B.V.

(2) Based solely upon the Schedule 13-D/A (Amendment No. 2) filed by XT Investments Ltd. and XT Holdings Ltd. with the SEC on August 22, 2017. XT Investments Ltd. is a direct wholly-owned subsidiary of XT Holdings Ltd., of which each of Orona Investments Ltd. and Lynav Holdings Ltd. is the direct owner of 50% of the outstanding ordinary shares. Orona Investments Ltd. is indirectly controlled by Mr. Ehud Angel. Lynav Holdings Ltd. is controlled by a discretionary trust in which Mr. Idan Ofer is a prime beneficiary.

(3) Based solely upon the Schedule 13-G filed by Clal Insurance Enterprises Holdings Ltd. on January 2, 2018. According to the Schedule 13-Gs, of the 2,818,563 ordinary shares reported on the Schedule 13-G, (i) 2,451,907 ordinary shares are held for members of the public through, among others, provident funds and/or pension funds and/or insurance policies, which are managed by subsidiaries of Clal Insurance Enterprises Holdings Ltd., which subsidiaries operate under independent management and make independent voting and investment decisions; and (ii) 366,656 ordinary shares are beneficially held for Clal Insurance Enterprises Holdings Ltd.'s own account.

(4) Based solely on Exhibit 99.3 to the Form 6-K furnished by Kenon with the SEC on June 2, 2017.

(5) Owns less than 1% of Kenon's ordinary shares.

(6) Excludes shares held by Laurence N. Charney and N. Scott Fine.

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. For further information, see Note 31 to our financial statements included in this annual report.

OPC

Sales of Electricity and Gas

OPC-Rotem sells electricity through PPAs to some entities that may be considered to be related parties. OPC-Rotem recorded revenues from related parties in the amount of $103 million, $130 million and $147 million in the years ended December 31, 2017, 2016 and 2015, respectively.

OPC-Rotem and OPC-Hadera also sell an immaterial amount of gas to some entities that may be considered related parties.

Qoros

For information on Qoros' commercial arrangements with its equity holders, see Note 29 to Qoros' consolidated financial statements, included in this annual report.

Ansonia

Kenon is party to loan agreements with Kenon's major shareholder Ansonia, which loan agreements were entered into in 2016 to provide loans to Kenon to fund Qoros. The total outstanding principal amount of the loans owing from Kenon to Ansonia was approximately $75 million (including interest) as of December 31, 2017.

Under the terms of these loan agreements, Kenon is required to use the proceeds from realizations of a certain investment in Qoros and repayments of shareholder loans from Qoros to Kenon to repay the loans with Ansonia. Accordingly, $20 million in proceeds retained by Kenon was applied to the partial repayment of the Ansonia loans in January 2018, leaving a balance of approximately $55 million (linked to RMB proceeds received by Kenon) of loans owing to Ansonia. Amounts retained under the new investment, including a portion of any Qoros shareholder loan repayments or amounts retained by Kenon from the sale of its interest in Qoros to the New Qoros Investor, would similarly be required to be applied to the repayment of the Ansonia loans.

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 our legal proceedings, see "*Item 4.B Business Overview*" and Note 21 to our financial statements included in this annual report. 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:		
Year ended December 31, 2015 (since January 6, 2015)	22.13	9.66
Year ended December 31, 2016	12.02	7.40
Year ended December 31, 2017	21.65	10.01
Quarterly:		
Three months ended March 31, 2016	9.80	7.46
Three months ended June 30, 2016	10.90	7.40
Three months ended September 30, 2016	12.02	9.57
Three months ended December 31, 2016	11.70	8.81
Three months ended March 31, 2017	13.11	10.01
Three months ended June 30, 2017	14.00	11.19
Three months ended September 30, 2017	17.19	13.05
Three months ended December 31, 2017	21.65	15.85
Three months ended March 31, 2018[1]	32.28	16.25
Monthly		
October 2017	17.50	15.85
November 2017	20.65	16.50
December 2017	21.65	19.79
January 2018	30.35	21.79
February 2018	31.58	28.36
March 2018[1]	32.28	16.25

(1) In March 2018, Kenon's share price was adjusted to reflect the $12.35 per share cash distribution to Kenon's shareholders.

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:		
Year ended December 31, 2015 (since January 6, 2015)	84.98	37.75
Year ended December 31, 2016	46.34	28.10
Year ended December 31, 2017	74.15	37.55
Quarterly:		
Three months ended March 31, 2016	40.00	29.13
Three months ended June 30, 2016	41.75	28.10
Three months ended September 30, 2016	46.34	36.12
Three months ended December 31, 2016	45.33	33.30
Three months ended March 31, 2017	49.06	37.55
Three months ended June 30, 2017	48.85	40.40
Three months ended September 30, 2017	61.10	46.33
Three months ended December 31, 2017	74.15	55.06
Three months ended March 31, 2018[1]	109.80	56.72
Monthly		
October 2017	60.70	55.06
November 2017	72.95	59.92
December 2017	74.15	69.55
January 2018	102.00	75.02
February 2018	109.80	98.77
March 2018[1]	107.90	56.72

(1) In March 2018, Kenon's share price was adjusted to reflect the $12.35 per share cash distribution to Kenon's shareholders.

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

The following description of our constitution is a summary and is qualified by reference to the constitution, a copy of which has 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 earliest 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 the earliest; 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 2018 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 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. 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 and every other act applicable to Kenon, 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 of 1933, or 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 the constitution 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 attaching 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.

Delaware	Singapore—Kenon Holdings Ltd.
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 stockholder vote. With a limited exception, this amendment would not become effective until 12 months following its adoption.	There are no comparable provisions in Singapore with respect to public companies which are not listed on the Singapore Exchange Securities Trading Limited.
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.

Delaware	Singapore—Kenon Holdings Ltd.
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 constitution. 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 constitution provides 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 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.	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.

Delaware	Singapore—Kenon Holdings Ltd.

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 percent 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.

Delaware	Singapore—Kenon Holdings Ltd.

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 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.

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;

- 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.

Delaware	Singapore—Kenon Holdings Ltd.
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 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.	*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 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.

Delaware	Singapore—Kenon Holdings Ltd.
	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) or not, 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.

Delaware	Singapore—Kenon Holdings Ltd.
	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.

Delaware	Singapore—Kenon Holdings Ltd.
	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.

Delaware	Singapore—Kenon Holdings Ltd.
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, 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" and "Item 10.B Constitution—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 "*—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. Moreover, this summary does not address all the tax consequences that may be relevant to holders of our ordinary shares in light of their particular circumstances, including the alternative minimum tax, the Medicare tax on certain investment income and special rules that apply to certain holders 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 or 10% or more of the total value of shares of all classes of our 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 individuals and other non-corporate U.S. Holders 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.

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. 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. Any gain or loss 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 taxable disposition of our ordinary shares in exchange 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 taxable 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 (determined on the basis of a quarterly average) of its assets 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, 2017, but we may be a PFIC for our current, and any future, taxable year. Our status as a PFIC in any year depends on our assets and activities in that year. The sale of the Inkia Business and the investment in Qoros by the New Qoros Investor (which reduced our equity interest in Qoros to 24%) each may increase the value of our assets that produce, or are held for the production of, passive income and/or our passive income and result in us becoming a PFIC for our current, and any future, taxable year. The determination of PFIC status, however, is factual in nature and generally cannot be made until the close of the taxable year, and 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 taxable 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, including the possibility of making a mark-to-market election, if we are or become classified as a PFIC.

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 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 agreement or 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 agreement or instrument of transfer is executed outside Singapore or no agreement and 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 agreement or 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 agreements and 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 agreements or 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. We also submit to the SEC on Form 6-K the interim financial information that we publish.

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 32—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 co-chief executive officers 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 co-chief executive officers 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 co-chief executive officers 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 co-chief executive officers 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.

In December 2017, our wholly-owned subsidiary Inkia completed the sale of the Inkia Business, and, as a result, our management has excluded the Inkia Business from its assessment of internal control over financial reporting as of December 31, 2017.

Our management has assessed the design and operating effectiveness of our internal control over financial reporting as of December 31, 2017. This assessment was performed under the direction and supervision of our co-chief executive officers 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, 2017, our internal control over financial reporting was effective.

The effectiveness of our internal control over financial reporting as of December 31, 2017 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

During the year ended December 31, 2017, there have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. In December 2017, our wholly-owned subsidiary Inkia completed the sale of the Inkia Business, and, as a result, our management has excluded the Inkia Business from its assessment of internal control over financial reporting as of December 31, 2017.

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 co-chief executive officers 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

KPMG LLP, a member firm of KPMG International, is our independent registered public accounting firm for the audits of the years ending December 31, 2017 and 2016.

Our audit committee charter requires that all audit and non-audit services provided by our independent auditors are pre-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 years ended December 31, 2017 and 2016.

	Year ended December 31,	
	2017	**2016**
	(in thousands of USD)	
Audit Fees[1]	$ 5,170	$ 4,064
Audit-Related Fees	2	1,387[2]
Tax Fees[3]	974	144
All Other Fees	-	26
Total	**$** 6,146	**$ 5,621**

(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.

(2) The audit-related fees for the year ended December 31, 2016 substantially reflect fees billed or accrued in connection with IC Power's filing of a registration statement on Form F-1.

(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

None.

ITEM 16G. Corporate Governance

There are no significant differences between Kenon's corporate governance practices and those followed by domestic companies under the listing standards of the NYSE. 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. One of the members of our nominating and corporate governance committee is non-independent under NYSE standards and accordingly we rely on the NYSE exemption for foreign private issuers in this respect.

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 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†	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)
4.2	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)
4.4	Guarantee Contract, dated as of June 9, 2015, between Kenon Holdings Ltd. and Chery Automobile Co. Ltd. (Incorporated by reference to Exhibit 4.12 to Kenon's Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on April 22, 2016)
4.5	Guarantee Contract, dated as of November 5, 2015, between Kenon Holdings Ltd. and Chery Automobile Co. Ltd. (Incorporated by reference to Exhibit 4.13 to Kenon's Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on April 22, 2016)
4.6	Amendment and Restatement Agreement, dated as of September 2, 2016, relating to the Loan Agreement dated as of April 22, 2016, between Quantum (2007) LLC, as borrower, and Ansonia Holdings Singapore B.V., as lender, as amended (Incorporated by reference to Exhibit 4.17 to Kenon's Annual Report on Form 20-F for the fiscal year ended December 31, 2016, filed on April 19, 2017)

4.7	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. (Incorporated by reference to Exhibit 4.18 to Kenon's Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on April 22, 2016)
4.8	Additional Undertaking Agreement, dated as of September 2, 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. (Incorporated by reference to Exhibit 4.19 to Kenon's Annual Report on Form 20-F for the fiscal year ended December 31, 2016, filed on April 19, 2017)
4.9	Fourth Amended and Restated Limited Liability Company Agreement of Quantum (2007) LLC, dated as of September 2, 2016 (Incorporated by reference to Exhibit 4.20 to Kenon's Annual Report on Form 20-F for the fiscal year ended December 31, 2016, filed on April 19, 2017)
4.10	Release Agreement, dated December 21, 2016, between Kenon Holdings Ltd. and Chery Automobile Co. Ltd. (Incorporated by reference to Exhibit 4.21 to Kenon's Annual Report on Form 20-F for the fiscal year ended December 31, 2016, filed on April 19, 2017)
4.11	Equity Pledge Contract, dated December 21, 2016, between Quantum (2007) LLC, as Pledgor, and Chery Automobile Co. Ltd., as Pledgee (Incorporated by reference to Exhibit 4.22 to Kenon's Annual Report on Form 20-F for the fiscal year ended December 31, 2016, filed on April 19, 2017)
4.12	Further Release and Cash Support Agreement, dated March 9, 2017, between Kenon Holdings Ltd. and Chery Automobile Co. Ltd. (Incorporated by reference to Exhibit 4.23 to Amendment No. 1 to Kenon's Annual Report on Form 20-F for the fiscal year ended December 31, 2016, filed on April 21, 2017)
4.13	The Second Equity Pledge Contract in relation to 700 Million Loan, dated March 9, 2017, between Quantum (2007) LLC, as Pledgor, and Chery Automobile Co. Ltd., as Pledgee (Incorporated by reference to Exhibit 4.24 to Amendment No. 1 to Kenon's Annual Report on Form 20-F for the fiscal year ended December 31, 2016, filed on April 21, 2017)
4.14*	Share Purchase Agreement, dated November 24, 2017, among Inkia Energy, Ltd., IC Power Distribution Holdings, PTE. LTD., Nautilus Inkia Holdings LLC, Nautilus Distribution Holdings LLC and Nautilus Isthmus Holdings LLC
4.15*	Deferred Payment Agreement, dated December 28, 2017, among Nautilus Energy Topco LLC, as Payee, ISQ Global Infrastructure Fund II, L.P., as Guarantor and Inkia Energy Limited, as Payor
4.16*	Amended and Restated Pledge Agreement, dated February 15, 2018, between Kenon Holdings Ltd. and Nautilus Inkia Holdings LLC
4.17*	Qoros Automobile Company Limited Investment Agreement, dated May 23, 2017, as amended, among Hangzhou Chengmao Investment Co., Ltd., Wuhu Chery Automobile Investment Company Limited, Quantum (2007) LLC and Qoros Automobile Company Limited
4.18*	Joint Venture Contract, dated as of December 20, 2017, among Wuhu Chery Automobile Investment Co., Ltd., Quantum (2007) LLC and Hangzhou Chengmao Investment Co., Ltd
8.1*	List of subsidiaries of Kenon Holdings Ltd.
12.1*	Rule 13a-14(a)/15d-14(a) Certification of Co-Chief Executive Officer
12.2*	Rule 13a-14(a)/15d-14(a) Certification of Co-Chief Executive Officer

12.3*	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
13.1*	Certification of Co-Chief Executive Officers 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 Deloitte, Inc., Independent Registered Public Accounting Firm of the Combined Entities (Distribuidora de Electricidad de Oriente, S.A. and Distribuidora de Electricidad de Occidente, S.A.)
15.3*	Consent of KPMG Huazhen LLP, Independent Auditor of Qoros Automotive Co., Ltd.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* 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, 2017, 2016 and 2015 and for the years then ended

Kenon Holdings Ltd

Consolidated Financial Statements
as at December 31, 2017, 2016 and 2015 and for the years then ended

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Qoros Automotive Co., Ltd.
Financial Statements Filed Pursuant to Rule 3-09 of Regulation S-X
Consolidated Financial Statements for the Year Ended December 31, 2017

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KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Telephone +65 6213 3388
Fax +65 6225 0984
Internet www.kpmg.com.sg

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Kenon Holdings Ltd.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Kenon Holdings Ltd. (the 'Company') and subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of profit and loss, other comprehensive income (loss), changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes (collectively, the "consolidated financial statements"). In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries as of December 31, 2017 and 2016. and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2017, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We did not audit the combined financial statements of certain discontinued operations relating to Distribuidora de Electricidad de Occidente. S. A. ('DEOCSA') and Distribuidora de Electricidad de Oriente, S. A. ('DEORSA'). which statements reflect total assets constituting approximately S844 million of consolidated total assets as of December 31, 2016, and constituting approximately $16 million and $36 million of both profit for the year from discontinued operations and profit/(loss) for the year, for the years ended December 31, 2017 and 2016. respectively. Those combined financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for DEOCSA and DEORSA, is based solely on the reports of the other auditors.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ('PCAOB'), the Company's internal control over financial reporting as of December 31, 2017, 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 9, 2018 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

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 audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

KPMG LLP (Registration No. T08LL1267L), an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A) and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting policies used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

KPMG LLP
Public Accountants and
Chartered Accountants

We have served as the Company's auditor since 2015.
Singapore
April 9, 2018

KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Telephone +65 6213 3388
Fax +65 6225 0984
Internet www.kpmg.com.sg

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Kenon Holdings Ltd.:

Opinion on Internal Control Over Financial Reporting

We have audited Kenon Holdings Ltd. (the 'Company') and subsidiaries' internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ('PCAOB'), the consolidated statements of financial position of the Company and subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of profit and loss, other comprehensive income (loss), changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes (collectively, the 'consolidated financial statements'), and our report dated April 9, 2018 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company'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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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 of internal control over financial reporting 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.

KPMG LLP (Registration No. T08LL1267L), an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A) and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Definition and Limitations of Internal Control Over Financial Reporting

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.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
April 9, 2018

Deloitte, Inc.
Contadores Públicos
Autorizados
RUC 16292-152-155203 D.V.
65
Torre Banco Panamá, piso 12

Avenida Boulevard y la
Rotonda
Costa del Este, Panamá
Apartado 0816-01558
Panamá, Rep. de Panamá

Teléfono: (507) 303-4100
Fax: (507) 269-2386
infopanama@deloitte.com
www.deloitte.com/pa

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Distribuidora de Electricidad de Occidente, S.A. and
Distribuidora de Electricidad de Oriente, S.A.
(Guatemalan Entities)

Opinion on the Combined Financial Statements

We have audited the combined statement of financial position of Distribuidora de Electricidad de Occidente, S.A. (DEOCSA) and Distribuidora de Electricidad de Oriente, S.A. (DEORSA, and together with DEOCSA, the "Combined Entities") as of December 31, 2017, and 2016 and the related combined statements of profit or loss and other comprehensive income, changes in shareholders' equity, and cash flows for each of the two years in the period ended December 31, 2017 (not presented herein) (collectively referred to as the "combined financial statements"). In our opinion, the combined financial statements present fairly, in all material respects, the financial position of the Combined Entities as of December 31, 2017 and 2016, and the combined results of their operations and their cash flows for each of the the two years in the period ended December 31, 2017, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

These combined financial statements are the responsibility of the Combined Entities' management. Our responsibility is to express an opinion on the Combined Entities' combined financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Combined Entities in accordance with the U. S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement, whether due to error or fraud. The Combined Entities are not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Combined Entities' internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the combined financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the combined financial statements. We believe that our audits provide a reasonable basis for our opinion.

Deloitte LATCO
Firma miembro de
Deloitte Touche Tohmatsu Limited

Emphasis of a Matter

As discussed in Note 30c of the Combined Entities' combined financial statements, in 2011, the previous owners of DEORSA and DEOCSA acquired the companies through a leveraged buy-out transaction. Years after the transaction, the Guatemalan Tax Authority (Superintendencia de Administración Tributaria, or the "SAT") raised questions concerning tax deductions for interest expenses and amortization of goodwill that derived from that transaction. This culminated in the issuance in February 2015 of two binding tax opinions, one for DEOCSA and another for DEORSA (the "Binding Opinions") addressing the deductions. The government of Guatemala changed in January 2016. After the new government took power, in July 2016, the SAT filed a complaint against DEORSA and DEOCSA (the "Complaint") in disregard of its own conclusions stated in the Binding Opinions, which Opinions remain in force as of this date. The Complaint requests the payment of alleged back taxes, interest, and fines in relation to tax years 2011 and 2012. On August 9, 2016, the court hearing the Complaint ordered the Combined Entities to pay Q.130,499 thousand (US$17,171 thousand) in alleged back taxes immediately, plus interest and fines within 60 days following the court order, as a condition to lift an order freezing the bank accounts of the Combined Entities. Pursuant to this and another court order of 12 December 2016, on August 10, 2016, the Combined Entities paid Q. 130,499 thousand (US$17,171 thousand) to the SAT corresponding to the alleged back taxes, and, on December 13, 2016, they paid Q192,974 thousand (US$25,721 thousand) corresponding to the alleged fines and interest. Due to the actions of the government and in order to avoid the initiation of complaints concerning tax years 2013, 2014, and 2015, and the corresponding imposition of further fines and interest, the Combined Entities followed the instructions of the SAT and paid the alleged back taxes and interest for those years in the following manner: on 9 August 2016, the Combined Entities paid a total of Q. 137,505 thousand (US$18,093 thousand) for the years 2014 and 2015; and on 19 August 2016, they paid a total of US$13,189 thousand (Q.100,236 thousand) for the year 2013. In addition, during 2017 and 2016 the Combined Entities made additional payments of income tax in advance by Q.55,535 thousand (US$7,527 thousand) and Q.40,729 thousand (US$5,393 thousand), respectively, also considering non-deductible the items related to goodwill's amortization and interests (until May 2017) that were subject to the tax claim. Finally, in January 2018 a new payment of Q.9,545 thousand (US$1,298 thousand) was made. The abovementioned measures were adopted in order not to put at risk the continuing operation and prevent irreversible damage to the Combined Entities. All payments were made under protest and subject to a broad reservation of rights, including but not limited to seeking restitution of such payments. The Combined Entities and their legal and tax advisors are of the view that the deductions for interest expenses and amortization of goodwill are legitimate tax deductions and are confident of their position under applicable legal frameworks. The Combined Entities are defending against the SAT Complaint and considering all available remedies with respect to this matter. Hence, the Combined Entities' Management considers, based on the opinion of its tax and legal advisors that the receivable generated by these payments is more likely than not to be recovered as a result of the final outcome of this claim and of the other recourses to be initiated by the Combined Entities. As of December 31, 2017 and 2016, the total tax claim amounts to US$89,516 thousand (Q657,477 thousand) and US$80,023 thousand (Q.601,943 thousand), respectively. This tax claim has been recorded as Non-current tax receivable.

/s/ Deloitte

Panama, Republic of Panama
March 29, 2018
We have served as the Combined Entities' auditor since 2016.

Kenon Holdings Ltd and subsidiaries
Consolidated Statements of Financial Position as at December 31, 2017 and 2016

	Note	As at December 31 2017	2016
		$ thousands	
Current assets			
Cash and cash equivalents	5	1,417,388	326,635
Short-term investments and deposits	6	7,144	89,545
Trade receivables, net	7	44,137	284,532
Other current assets, including derivatives	8	35,752	49,773
Income tax receivable		220	11,459
Inventories	9	-	91,659
Total current assets		1,504,641	853,603
Non-current assets			
Investments in associated companies	10	121,694	208,233
Deposits, loans and other receivables, including derivative instruments	12	106,717	176,775
Deferred payment receivable	13	175,000	-
Deferred taxes, net	27	-	25,104
Property, plant and equipment, net	14	616,164	3,497,300
Goodwill and intangible assets, net	15	1,641	376,778
Total non-current assets		1,021,216	4,284,190
Total assets		2,525,857	5,137,793

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

Kenon Holdings Ltd and subsidiaries
Consolidated Statements of Financial Position as at December 31, 2017 and 2016, continued

	Note	As at December 31 2017	2016
		$ thousands	
Current liabilities			
Loans and debentures	16	447,956	482,813
Trade payables	17	58,895	285,612
Other payables, including derivative instruments	18	82,522	91,303
Guarantee deposits from customers	19	-	56,833
Provisions	20	44,342	119,531
Income tax payable		172,607	8,671
Total current liabilities		806,322	1,044,763
Non-current liabilities			
Loans, excluding current portion	16	503,785	1,972,926
Debentures, excluding current portion	16	84,758	856,670
Derivative instruments	18	-	44,637
Deferred taxes, net	27	52,753	225,354
Trade payables	17	-	44,057
Income tax payable		26,811	-
Other non-current liabilities		81	55,182
Total non-current liabilities		668,188	3,198,826
Total liabilities		1,474,510	4,243,589
Equity	22		
Share capital		1,267,210	1,267,450
Shareholder transaction reserve		3,540	26,559
Translation reserve		(1,592)	(21,745)
Capital reserve		19,297	11,575
Accumulated deficit		(305,337)	(602,598)
Equity attributable to owners of the Company		983,118	681,241
Non-controlling interests		68,229	212,963
Total equity		1,051,347	894,204
Total liabilities and equity		2,525,857	5,137,793

/s/ Cyril Pierre-Jean Ducau	/s/ Barak Cohen	/s/ Robert Rosen	/s/ Mark Hasson
Cyril Pierre-Jean Ducau	**Barak Cohen**	**Robert Rosen**	**Mark Hasson**
Chairman of Board of Directors	**Co-CEO**	**Co-CEO**	**CFO**

Approval date of the consolidated financial statements: April 9, 2018

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

Kenon Holdings Ltd and subsidiaries
Consolidated Statements of Profit & Loss for the years ended December 31, 2017, 2016 and 2015

		For the year ended December 31		
		2017	2016*	2015*
	Note	$ thousands		
Continuing Operations				
Revenue		365,704	324,253	325,899
Cost of sales and services (excluding depreciation)	24	(267,136)	(251,666)	(244,816)
Depreciation		(30,102)	(26,697)	(25,435)
Gross profit		68,466	45,890	55,648
Selling, general and administrative expenses	25	(56,292)	(47,095)	(49,726)
Gain from distribution of dividend in kind		—	—	209,710
Write back/(impairment) of assets and investments	10.C.a	28,758	(72,263)	(6,541)
Dilution gains from reductions in equity interest held in associates		—	—	32,829
Other expenses		(51)	(229)	(802)
Other income		1,410	2,757	3,742
Operating profit/(loss) from continuing operations		42,291	(70,940)	244,860
Financing expenses	26	(70,166)	(47,276)	(36,394)
Financing income	26	2,904	7,724	10,721
Financing expenses, net		(67,262)	(39,552)	(25,673)
Provision of financial guarantee	10.C.b.7	—	(130,193)	—
Share in losses of associated companies, net of tax	10	(110,665)	(186,215)	(187,033)
(Loss)/profit from continuing operations before income taxes		(135,636)	(426,900)	32,154
Income taxes	27	(72,809)	(2,252)	(9,043)
(Loss)/Profit for the year from continuing operations		(208,445)	(429,152)	23,111
Profit and gain from sale of discontinued operations	1.B, 29	476,565	35,150	72,781
Profit/(loss) for the year		268,120	(394,002)	95,892
Attributable to:				
Kenon's shareholders		236,590	(411,937)	72,992
Non-controlling interests		31,530	17,935	22,900
Profit/(loss) for the year		268,120	(394,002)	95,892
Basic/diluted profit/(loss) per share attributable to Kenon's shareholders (in dollars):	28			
Basic/diluted profit/(loss) per share		4.40	(7.67)	1.36
Basic/diluted (loss)/profit per share from continuing operations		(4.00)	(8.08)	0.24
Basic/diluted profit per share from discontinued operations		8.40	0.41	1.12

*** Restated (See Note 2E and 29)**

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

Kenon Holdings Ltd and subsidiaries

Consolidated Statements of Other Comprehensive Income (Loss) for the years ended December 31, 2017, 2016 and 2015

	For the year ended December 31		
	2017	**2016**	**2015**
		$ thousands	
Profit/(loss) for the year	268,120	(394,002)	95,892
Items that are or will be subsequently reclassified to profit or loss			
Foreign currency translation differences in respect of foreign operations	29,320	157	(18,132)
Change in fair value of derivatives used to hedge cash flows	19,489	14,397	(6,365)
Group's share in other comprehensive loss of associated companies	(1,239)	(3,968)	(623)
Income taxes in respect of components other comprehensive (loss)/income	(6,142)	(1,507)	773
Total other comprehensive income/(loss) for the year	41,428	9,079	(24,347)
Total comprehensive income/(loss) for the year	309,548	(384,923)	71,545
Attributable to:			
Kenon's shareholders	270,175	(407,749)	52,423
Non-controlling interests	39,373	22,826	19,122
Total comprehensive income/(loss) for the year	309,548	(384,923)	71,545

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

Kenon Holdings Ltd and subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2017, 2016 and 2015

	Attributable to the Kenon's shareholders						Non-controlling interests	Total
	Share Capital	Shareholder transaction reserve	Translation reserve	Capital reserves	Accumulated deficit	Total		
	$ thousands							
Balance at January 1, 2017	1,267,450	26,559	(21,745)	11,575	(602,598)	681,241	212,963	894,204
Share based payments	(240)	—	—	748	—	508	449	957
Dividend to holders of non-controlling interests in subsidiaries	—	—	—	—	—	—	(33,848)	(33,848)
Capital reduction to non-controlling interests in subsidiaries	—	—	—	—	—	—	(13,805)	(13,805)
Sale of Colombian assets	—	—	—	—	—	—	(8,890)	(8,890)
Non-controlling interests in respect of business combination	—	—	—	—	—	—	(50)	(50)
Sale of subsidiaries - Latin America and Caribbean businesses	—	—	(5,650)	2,045	—	(3,605)	(170,513)	(174,118)
Dilution of investment in subsidiary (see Note 23)	—	—	299	(4,691)	62,210	57,818	42,550	100,368
Fair value of shareholder loan	—	(23,019)	—	—	—	(23,019)	—	(23,019)
Total comprehensive income for the year								
Net profit for the year	—	—	—	—	236,590	236,590	31,530	268,120
Other comprehensive income/(loss) for the year, net of tax	—	—	25,504	9,620	(1,539)	33,585	7,843	41,428
Balance at December 31, 2017	**1,267,210**	**3,540**	**(1,592)**	**19,297**	**(305,337)**	**983,118**	**68,229**	**1,051,347**

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

Kenon Holdings Ltd and subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2017, 2016 and 2015

	Attributable to the Kenon's shareholders						Non-controlling interests	Total
	Share Capital	Shareholder transaction reserve	Translation reserve	Capital reserves	Accumulated deficit	Total		
	$ thousands							
Balance at January 1, 2016	1,267,210	—	(16,916)	2,212	(191,292)	1,061,214	202,341	1,263,555
Share based payments	240	—	—	307	—	547	285	832
Dividend to holders of non-controlling interests in a subsidiary	—	—	—	—	—	—	(35,255)	(35,255)
Acquisition of non-controlling interest in subsidiary	—	—	—	—	670	670	20,325	20,995
Contribution from non-controlling interest	—	—	—	—	—	—	2,441	2,441
Transactions with controlling shareholder (see Note 10.C.b.7)	—	3,540	—	—	—	3,540	—	3,540
Gain in fair value of shareholder loan (see Note 10.C.b.5)	—	23,019	—	—	—	23,019	—	23,019
Total comprehensive income for the year								
Net (loss)/profit for the year	—	—	—	—	(411,937)	(411,937)	17,935	(394,002)
Other comprehensive (loss)/income for the year, net of tax	—	—	(4,829)	9,056	(39)	4,188	4,891	9,079
Balance at December 31, 2016	**1,267,450**	**26,559**	**(21,745)**	**11,575**	**(602,598)**	**681,241**	**212,963**	**894,204**

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

Kenon Holdings Ltd and subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2017, 2016 and 2015

	Attributable to the Kenon's shareholders						Non-controlling interests	Total
	Share Capital	Former Parent company investment	Translation reserve	Capital reserves	Accumulated deficit	Total		
	$ thousands							
Balance at January 1, 2015	—	1,227,325	28,440	(25,274)	—	1,230,491	207,207	1,437,698
Transactions with owners, recognized directly in equity								
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 (see note 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 restatement	—	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**

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

Kenon Holdings Ltd and subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2017, 2016 and 2015

	For the year ended December 31		
	2017	**2016**	**2015**
		$ thousands	
Cash flows from operating activities			
Profit/(loss) for the year	268,120	(394,002)	95,892
Adjustments:			
Depreciation and amortization	178,461	172,381	120,047
(Write back)/impairment of assets and investments	(8,314)	72,263	6,541
Financing expenses, net	275,799	171,118	110,816
Share in losses of associated companies, net	109,980	185,592	186,759
Capital (gains)/losses, net *	(25,529)	2,534	4,506
Gain from changes in interest held in associates	—	—	(32,829)
Gain from distribution of dividend in kind	—	—	(209,710)
Provision for financial guarantee	—	130,193	—
Bad debt expense	7,866	4,896	—
Share-based payments	957	832	876
Income taxes	278,447	59,334	62,378
	1,085,787	405,141	345,276
Change in inventories	1,291	(40,076)	4,361
Change in trade and other receivables	(62,436)	(68,634)	35,491
Change in trade and other payables	(568,364)	22,835	(29,800)
Change in provisions and employee benefits	2,021	(41,243)	(33,426)
Cash generated from operating activities	458,299	278,023	321,902
Income taxes paid, net	(66,830)	(116,429)	(36,218)
Dividends received from investments in associates	382	743	4,487
Net cash provided by operating activities	391,851	162,337	290,171

* Mainly relate to (gains)/losses from disposal of property, plant and equipment.

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

Kenon Holdings Ltd and subsidiaries
Consolidated Statements of Cash Flows, continued
For the years ended December 31, 2017, 2016 and 2017

	Note	For the year ended December 31		
		2017	2016	2015
		$ thousands		
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment and intangible assets		4,727	426	539
Short-term deposits and loans, net		(4,876)	222,451	(83,408)
Cash paid for businesses purchased, less cash acquired		—	(206,059)	(9,441)
Sale of subsidiaries - Latin America and Caribbean businesses, net of cash disposed off	29	792,585	—	—
Sale of Colombian assets, net of cash disposed off		600	—	—
Investment in associates		—	(111,153)	(129,241)
Sale of securities held for trade and available for sale, net		—	17,334	13,217
Acquisition of property, plant and equipment		(227,601)	(280,955)	(515,838)
Acquisition of intangible assets		(10,412)	(9,598)	(16,844)
Proceeds from realization of long-term deposits		4,655	—	—
Interest received		6,825	6,143	7,924
Payment of consideration retained		—	(2,204)	(3,795)
Payment to release financial guarantee		(72,278)	(36,023)	—
Energuate Purchase Adjustment		10,272	—	—
Insurance claim received		80,000	—	—
Net cash provided by/(used in) investing activities		584,497	(399,638)	(736,887)
Cash flows from financing activities				
Dividend paid to non-controlling interests		(29,443)	(32,694)	(12,340)
Proceeds from issuance of shares to holders of non-controlling interests in subsidiaries		100,478	9,468	6,110
Payment of issuance expenses related to long term debt		(34,391)	—	—
Payment of consent fee		(4,547)	—	—
Receipt of long-term loans and issuance of debentures		1,938,877	799,481	333,549
Repayment of long-term loans and debentures		(1,506,553)	(444,976)	(138,270)
Short-term credit from banks and others, net		(126,287)	(5,477)	123,053
Contribution from former parent company		—	—	34,271
Payment of swap unwinding and early repayment fee		(46,966)	—	—
Purchase of non-controlling interest		(13,805)	—	(20,000)
Interest paid		(180,242)	(151,241)	(93,858)
Net cash provided by financing activities		97,121	174,561	232,515
Increase/(decrease) in cash and cash equivalents		1,073,469	(62,740)	(214,201)
Cash and cash equivalents at beginning of the year		326,635	383,953	610,056
Effect of exchange rate fluctuations on balances of cash and cash equivalents		17,284	5,422	(11,902)
Cash and cash equivalents at end of the year		1,417,388	326,635	383,953

The accompanying notes are an integral part of the consolidated 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 their former parent company, Israel Corporation Ltd. ("IC"). The Company was formed to serve as the holding company of several businesses (together referred to as the "Group").

Kenon shares are traded on New York Stock Exchange ("NYSE") and on Tel Aviv Stock Exchange ("TASE") (NYSE and TASE: KEN).

B. Sale of power business

In December 2017, Kenon, through its wholly-owned subsidiary Inkia Energy Limited ("Inkia"), sold its Latin American and Caribbean power business to an infrastructure private equity firm, I Squared Capital ("ISQ"). As a result, the Latin American and Caribbean businesses were classified as discontinued operations. Associated results of operations are separately reported for all periods presented. See note 29 for further information.

C. Definitions

In these consolidated financial statements -

1. Subsidiaries – Companies whose financial statements are fully consolidated with those of Kenon, directly or indirectly.

2. Associates – Companies in which Kenon has significant influence and Kenon's investment is stated, directly or indirectly, on the equity basis.

3. Investee companies – subsidiaries and/or associated companies.

4. 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 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 financial statements were approved for issuance by the Company's Board of Directors on March 27, 2018.

B. Functional and presentation currency

These consolidated financial statements are presented in US dollars, which is Kenon's functional currency, and have been rounded to the nearest thousands, except when otherwise indicated. The US dollar is the currency that represents the principal economic environment in which Kenon operates.

C. Basis of measurement

The consolidated 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 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 financial statements requires management of the Group to make assumptions regarding circumstances and events that involve considerable uncertainty. Management prepares the estimates based on 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.

Following the Group's business combination ("Note 11.A.1"), the Group had implemented additional accounting policies under the group of companies and 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. Deferred tax assets

Deferred tax assets are recorded in relation to 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 2 – Basis of Preparation of the Financial Statements (Cont'd)

6. Business Combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase gain is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognized in profit or loss.

Any contingent consideration is measured at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

7. 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.

8. Contingent Liabilities

From time to time, the Group is involved in routine litigation that arises in the ordinary course of business. Provisions for litigation are recognized as set out in Note 3(P). Contingent liabilities for litigation and other claims do not result in provisions, but are disclosed in Note 21. The outcomes of legal proceedings with the Group are subjected to significant uncertainty and changes in factors impacting management's assessments could materially impact the consolidated financial statements.

E. Revision of the comparative figures

During the last quarter of 2017 the Group sold its IC Power businesses in Latin America. Comparative figures were restated to ensure comparability with current year's presentation (see Note 29).

Note 3 – Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The Group has consistently applied the following accounting policies to all periods presented in these consolidated 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.

The Group recognizes contingent consideration measured at fair value at the acquisition date. The contingent consideration that meets the definition of a financial instrument that is not classified as equity will be measured at fair value through profit or loss; except for non-derivative financial instrument contingent consideration which will be measured through other comprehensive income.

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.

Note 3 – Significant Accounting Policies (Cont'd)

(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 when control ceased. 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, 2017 and 2016.

(3) Non-Controlling Interest ("NCI")

NCI comprises the equity of a subsidiary 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.

NCIs 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 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.

(4) 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 the ability to exercise significant influence, but not control, over the financial and operating policies. 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.

The Group's share of post-acquisition profit or loss is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

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.

(5) 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.

(6) 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.

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.

(7) 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.

(8) Reorganizations under Common Control Transactions

Common control transactions that involve the setup of a new group company and the combination of entities under common control are recorded using the book values of the parent company.

Note 3 – Significant Accounting Policies (Cont'd)

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 are transferred and does not retains 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 under IAS 39 Financial Instruments: Recognition and Measurement and subsequently 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 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, net

(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.

The following useful lives shown on an average basis are applied across the Group:

	Years
Roads, buildings and leasehold improvements	2 – 50
Installations, machinery and equipment:	
Thermal power plants	10 – 35
Hydro-electric plants	70 – 90
Wind power plants	25
Power generation and electrical	20
Dams	18 – 80
Office furniture, motor vehicles and other equipment	3 – 16
Substations, medium voltage equipment and transf.MV/LV	30 – 40
Meters and connections	10 – 25

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, net

(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 relation to 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.
Concessions	Intangible assets granted by the Energy and Mining Ministry of Guatemala to DEORSA and DEOCSA to operate power distribution business in defined geographic areas, and acquired as part of business combination. The Group measures Concessions at cost less accumulated amortization and any accumulated impairment losses.
Customer relationships	Intangible assets acquired as part of a business combination and are recognized separately from 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.

Note 3 – Significant Accounting Policies (Cont'd)

(2) Amortization

Amortization is calculated to charge to expense 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.

The estimated useful lives for current and comparative year are as follows:

- Concessions 33 years*
- Customer relationships 1-12 years
- Software costs 5 years
- Others 5-27 years

* The concessions are amortized over the remaining life of the licenses from the date of the business combination.

Amortization methods and useful lives are reviewed by management of the Group at each reporting date and adjusted if appropriate.

G. 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.

H. Transfer of assets from customers

In the distribution industry, an entity may receive from its customers items of property, plant and equipment that must be used to connect those customers to a network and provide them with ongoing access to supply electricity. Alternatively, an entity may receive cash from customers for the acquisition or construction of such items of property, plant and equipment. In these cases, where the Group determines that the items qualify for recognition as an asset, the transferred assets are recognized as part of the property plant and equipment in the statement of financial position in accordance with IAS 16 and measured the cost on initial recognition at its fair value.

The transfer of an item of property, plant and equipment is an exchange for dissimilar goods or services. Consequently, the Group recognize revenue in accordance with IAS 18. The timing of the recognition of the revenue arising from the transfer will take place once the Company has control on the assets and the customers are connected to the distribution network.

I. Service Concession arrangements

The Group has examined the characteristics, conditions and terms currently in effect under its electric energy distribution license and the guidelines established by IFRIC 12. On the basis of such analysis, the Group concluded that its license is outside the scope of IFRIC 12, primarily because the grantor does not control any significant residual interest in the infrastructure at the end of the term of the arrangement and the possibility of renewal.

The Group accounts for the assets acquired or constructed in connection with the Concessions in accordance with IAS 16 Property, plant and equipment.

J. Leases

(1) 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.

Note 3 – Significant Accounting Policies (Cont'd)

(2) 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 if interest on the remaining balance of the liability.

K. 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.

L. Trade Receivable, net

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.

Evidence of impairment of financial assets

The Group considers evidence of impairment for trade receivables at both a specific asset and collective level. All individually significant trade receivables are assessed for specific impairment. All individually significant trade receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Trade receivables with similar risk characteristics that are not individually significant are collectively assessed for impairment. In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

M. 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. Income earned on the temporary investment of specific credit received for investing in a qualifying asset is deducted from the borrowing costs eligible for capitalization.

N. 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.

Note 3 – Significant Accounting Policies (Cont'd)

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.

(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.

O. 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 Group's senior executives receive remuneration in the form of share-appreciations rights, 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 senior executives of OPC Energy Ltd ("OPC"), 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.

(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 Benefit Plans

The calculation of defined benefit obligation is performed at the end of each reporting period by a qualified actuary using the projected unit credit method. Remeasurements of the defined benefit liability, which comprise actuarial gains and losses and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. Interest expense and other expenses related to defined benefit plan are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(5) Share-based compensation plans

Qualifying employees are awarded grants of the Group's shares under the Group'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 Group 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.

P. Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Note 3 – Significant Accounting Policies (Cont'd)

Q. 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, 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 of the Company are primarily from the sale of electricity to private customers and to Israel Electric Company Ltd. ("IEC").

(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 value-added tax ("VAT"), consumption tax and 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.

(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.

R. Government grants

Government grants related to distribution projects are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recorded at the value of the grant received and any difference between this value and the actual construction cost is recognized in profit or loss of the year in which the asset is released.

Government grants related to distribution assets are deducted from the related assets. They are recognized in statement of income on a systematic basic over the useful life of the related asset reducing the depreciation expense.

S. Deposits received from consumers

Deposits received from consumers, plus interest accrued and less any outstanding debt for past services, are refundable to the users when they cease using the electric energy service rendered by the Group. The Group has classified these deposits as current liabilities since the

Group does not have legal rights to defer these payments in a period that exceed a year. However, the Group does not anticipate making significant payments in the next year.

Note 3 – Significant Accounting Policies (Cont'd)

T. Transfer of assets from customers

In the power distribution industry, an entity may receive from its customer items in the form of property, plant and equipment that are used to connect these customers to a network with continuous access to power supply. Alternatively, an entity may receive cash from customers in return for the acquisition or construction of such items of property, plant and equipment. In such cases, where the Group determines that these items qualify for recognition as an asset, the transferred assets are recognized as part of the property plant and equipment in the statement of financial position in accordance with IAS 16 and measured its cost on initial recognition at its fair value.

U. Guarantee deposits from customers

Deposits received from customers, plus interest accrued and less any outstanding debt for past services, are refundable to the users when they cease using the electric energy service rendered by the Group. The Group has classified these deposits as current liabilities since the Group does not have legal rights to defer these payments in a period that exceed a year. However, the Group does not anticipate making significant payments in the next year.

V. Energy purchase

Costs from energy purchases either acquired in the spot market or from contracts with suppliers are recorded on an accrual basis according to the energy actually delivered. Purchases of electric energy, including those which have not yet been billed as of the reporting date, are recorded based on estimates of the energy supplied at the prices prevailing in the spot market or agreed-upon in the respective purchase agreements, as the case may be.

W. 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).

The Group's finance income and finance costs include:

- Interest income;
- Interest expense;
- The net gain or loss on the disposal of available-for-sale financial assets;
- The net gain or loss on financial assets at fair value through profit or loss;
- The foreign currency gain or loss on financial assets and financial liabilities;
- The fair value loss on contingent consideration classified as financial liability;
- Impairment losses recognized on financial assets (other than trade receivables);
- The net gain or loss on hedging instruments that are recognized in profit or loss; and
- The reclassification of net gains previously recognized in OCI.

Interest income or expense is recognized using the effective interest method.

Note 3 – Significant Accounting Policies (Cont'd)

X. 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.

(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.

Y. 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)

Z. Share capital – ordinary shares

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.

AA. 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 net proceeds from discontinued operation is disclosed in a separate line. The changes based on operating, investing and financing activities are reported in Note 29.

AB. Operating Segment and Geographic Information

The Company's co-CEOs and CFO are considered to be the Group's chief operating decision maker ("CODM"). Based on the internal financial information provided to the CODM, the Group has determined that it has two reportable segments in 2017, which are OPC segment and Qoros segment. In addition to the segments detailed above, the Group has other activities, such as a shipping services and renewable energy businesses categorized as Other.

The CODM evaluates the operating segments performance based on Adjusted EBITDA. Adjusted EBITDA is defined as the net income (loss) excluding depreciation and amortization, financing income, income taxes and other items. Qoros is an associated company of the Group and the CODM evaluates the performance of Qoros based on the share of profit/loss.

The CODM evaluates segment assets based on total assets and segment liabilities based on total liabilities.

The accounting policies used in the determination of the segment amounts are the same as those used in the preparation of the Group's consolidated financial statement, Inter-segment pricing is determined based on transaction prices occurring in the ordinary course of business.

In determining of the information to be presented on a geographic basis, revenues are based on the geographic location of the customer and non-current assets are based on the geographic location of the assets.

The segment information were restated to only present results from continuing operations following the discontinued operations.

AC. 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.

Note 3 – Significant Accounting Policies (Cont'd)

AD. New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these consolidated financial statements. The impact on the consolidated financial statements of the Group is described below:

1) **International Financial Reporting 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 on the financial statements with no plans for early adoption.

The Group has examined IFRS 9 in order to determine the qualitative impacts of the implementation. As of 31 December 2017, the Group considers that the overall impact of the implementation of IFRS 9 will be immaterial to the Group.

The examination of the potential qualitative impacts was conducted, considering the following two main areas of IFRS 9:

a) Classification of financial assets

There are no material impacts expected concerning the classification and measurement of financial assets due to the types of financial assets held by the Group entities. The Group does not hold complex financial assets nor enters in complex structured financing transaction such as securitization transactions or factoring-arrangements.

b) Impairment of financial assets

In general, the most important financial assets of the Group, trade receivables, do not contain a significant financing component. Therefore, the simplified approach as established in IFRS 9 is recommended to be applied. According to IFRS 9, provision matrix may be used to estimate expected credit losses ("ECL") for these financial instruments without the use of hindsight of a default, and the matrix would include expectations of variations in credit risks of customers for the lifetime. Thus, the recognition of losses would be based on the maximum period over which ECL which is the maximum contractual period over which the entity is exposed to credit risk from the first day of the recognition of the receivable. The Group expects that the application of IFRS 9 will impact its deferred payment obligations impairment assessment using the expected credit loss method. Using the expected credit loss method, the Group expects no significant impairment.

2) **International Financial Reporting 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 that those currently in effect. The Standard is to be applied for annual periods commencing on January 1, 2018. The Group has examined the implications of implementation of the standard and does not expect its implementation to have a material effect on the financial statements.

3) **International Financial Reporting 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. The Group examined the expected effects of the implementation of the Standard, but is unable at this stage to reliably estimate the quantitative impact on its financial statements.

Note 3 – Significant Accounting Policies (Cont'd)

4) **International Financial Reporting Standard IFRS 2 *"Share-based payments"*** – The amendment clarify that the measurement of cash-settled share-based payments (SBP) should follow the same approach as for equity-settled SBP; as an exception, for classification purposes, a SBP transaction with employees is accounted for as equity-settled if the terms of the arrangement permit or require an entity to settle the transaction net by withholding a specified portion of the equity instruments to meet the statutory tax withholding requirement, and the entire SBP transaction would otherwise be classified as equity-settled if not for the net settlement feature; and for modification of awards from cash-settled to equity-settled:
   - at the modification date, derecognise the liability for the original cash-settled SBP; and measure the equity-settled SBP at its fair value and recognise in equity to the extent that the goods or services have been received up to that date.
   - recognise in profit or loss immediately the difference between the carrying amount of the liability derecognised and the amount recognised in equity as at modification date.

   As a practical simplification, the amendments can be applied prospectively so that prior periods do not have to be restated. Retrospective, or early, application is permitted if entities have the required information.

5) **International Accounting Standard IAS 28 *"Investments in Associates and Joint Ventures"*** – The amendment clarifies that:
   - a venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss on an investment-by-investment basis.
   - a non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture.

6) **International Financial Reporting Interpretations Committee IFRIC 22 *"Foreign Currency Transactions and Advance Consideration"*** – The Interpretation stipulates that the date of the transaction for the purpose of determining the exchange rate for recording a transaction in foreign currency that includes advance payments will be the date on which the Company first recognizes a non-monetary asset/liability in respect of the advance payment. When there are several payments or receipts in advance, the Company will set a transaction date for each payment/receipt separately. The Interpretation will be applied for annual periods commencing January 1, 2018, with the possibility of early adoption. The interpretation includes various alternatives for the implementation of the transitional provisions, such that companies may choose one of the following alternatives upon initial application: retroactive implementation; A prospective application from the first reporting period in which the entity first applied the Interpretation; Or a prospective application from the first reporting period presented in the comparative figures in the financial statements for the period in which the entity first applied the Interpretation. The Group examined the implications of applying the interpretation on its financial statements and intends to choose the transition alternative of prospective application effective from January 1, 2018. The Group has determined in the past that the "transaction date" used to determine the exchange rate for recording a foreign currency transaction that includes advance payments will be the date on which the Group first recognizes the non - monetary asset/liability in respect of the advance. As a result, it is not expected to have a material effect on the Group's financial statements.

Note 4 – Determination of Fair Value

A. Business Combinations

The Group measures the value of the acquired assets, liabilities, and contingent liabilities considering the fair value basis from the date on which the Group took control. The criteria considered to measure the fair value of the main items were the following:

- Fixed assets were valued considering the market value provided by an appraiser;
- Intangibles consider the valuation of Concessions;
- Deferred taxes were valued based on the temporary differences between the accounting and tax basis of the business combination;
- Non-controlling interests were measured as a proportional basis of the net assets identified on the acquisition date
- Intangibles consider the valuation of its Power Purchase Agreements (PPAs); and,
- Contingent liabilities were determined over the average probability established by third party legal processes.

B. Cash Generating Unit for impairment testing

See Note 15.C.

C. Derivatives

See Note 32 regarding “Financial Instruments”.

D. 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	
	2017	2016
	$ thousands	
Cash in banks	1,313,710	320,199
Time deposits	103,678	6,436
Cash and cash equivalents	1,417,388	326,635

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 32 "Financial Instruments".

Note 6 – Short-Term investments and deposits

	As at December 31	
	2017	2016
	$ thousands	
Restricted cash and short-term deposits (1)	7,085	89,475
Other	59	70
	7,144	89,545

(1) As at December 31, 2017, it mainly corresponds to the amount held in escrow account as collateral for contractual obligations, see note 21.B (a). It earns interest at a market interest rate of 0.07%

Note 7 – Trade Receivables, Net

	As at December 31	
	2017	2016
	$ thousands	
Trade Receivables	44,137	285,100
Less – allowance for doubtful debts	-	(568)
	44,137	284,532

Note 8 – Other Current Assets

	As at December 31	
	2017	2016
	$ thousands	
Advances to suppliers	673	141
Prepaid expenses	1,818	6,039
Derivative instruments	1,471	1,831
Government agencies	7,408	14,677
Contingent consideration (a)	18,004	-
Other receivables (b)	6,378	27,085
	35,752	49,773

(a) This represents the contingent consideration receivable from ISQ as a part of the transaction described in Note 29.

(b) As at December 31, 2016, this includes discontinued operations' receivables of $16 million from insurance claims, transmission line sale, transaction costs and selective consumption tax on heavy fuel oil.

Note 9 – Inventories

	As at December 31	
	2017	2016
	$ thousands	
Fuel and spare parts (a)	-	91,659

(a) Inventories as at December 31, 2016 belongs to discontinued operations.

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		Qoros*	
	As at December 31			
	2017	2016	2017	2016
	$ thousands			
Principal place of business	International		China	
Proportion of ownership interest	32%	32%	50%	50%
Current assets	579,595	465,892	235,237	259,804
Non-current assets	1,222,743	1,237,740	1,259,762	1,273,862
Current liabilities	(686,693)	(530,842)	(870,192)	(773,946)
Non-current liabilities	(1,209,137)	(1,273,447)	(804,062)	(695,484)
Non-controlling interests	(6,509)	(3,125)	-	—
Total net assets attributable to the Group	(100,001)	(103,782)	(179,255)	64,236
Share of Group in net assets	(32,000)	(33,210)	(89,627)	32,118
Adjustments:				
Write back/(impairment) of assets and investments	28,758	(72,263)	—	—
Excess cost	123,242	187,216	—	—
Loans	—	—	61,645	55,798
Financial guarantee	—	—	29,676	29,677
Book value of investment	120,000	81,743	1,694	117,593

* Qoros is a joint venture (See Note 10.C.b). The current assets include cash and cash equivalent of $12 million (2016: $67 million). The current and non-current liabilities excluding trade and other payables and provisions amount to $1 billion (2016: $1.1 billion). In January 2018, the Group's equity interest in Qoros was reduced to 24% (see Note 33.2.A).

Note 10 – Investment in Associated Companies (Cont'd)

2. Condensed financial information with respect to results of operations

	ZIM			Tower*	Qoros**		
	For the year ended December 31						
	2017	2016	2015	2015	2017	2016	2015
	$ thousands						
Revenues	2,978,291	2,539,296	2,991,135	461,778	280,079	377,456	232,114
(Loss) / income ***	6,235	(168,290)	2,253	(737)	(242,395)	(285,069)	(392,427)
Other comprehensive (loss) / income ***	(3,871)	(12,351)	(1,948)	—	31	7	(19)
Total comprehensive (loss) / income	2,364	(180,641)	305	(737)	(242,364)	(285,062)	(392,446)
Kenon's share of comprehensive (loss) / income	756	(57,805)	98	(189)	(121,182)	(142,531)	(196,223)
Adjustments	8,538	9,856	9,418	(609)	(16)	(3)	—
Kenon's share of comprehensive (Loss) / Income presented in the books	9,294	(47,949)	9,516	(798)	(121,198)	(142,534)	(196,223)

* Distributed as dividend-in-kind in July 2015 (see Note 10.C.c). Results of operations for 2015 corresponds to the six months ended June 30, 2015.

** Qoros is a joint venture (See Note 10.C.b). The depreciation and amortization, interest income, interest expense and income tax expenses recorded by Qoros during the year were $102 million, $2 million, $50 million and $14 thousand (2016: $119 million, $2 million, $63 million and $37 thousand; 2015: $75 million, $2 million, $2 million and $92 thousand) respectively.

*** Excludes portion attributable to non-controlling interest.

Note 10 – Investment in Associated Companies (Cont'd)

B. Associated companies that are individually immaterial

	Associated Companies		
	As at December 31		
	2017	2016	2015
	$ thousands		
Book value of investments as at December 31	-	8,897	9,008

C. Additional information

a. ZIM

1. The container shipping industry is dynamic and volatile and has been marked in recent years by instability, which is characterized by slower growth of demand and worsening overcapacity. This situation combined with carriers' ambitions to increase and protect their market share led, freight rates to fall sharply in most of the trades, mainly since the second half of 2015. The first half of 2016 continued to be very challenging. Container freight rates hit historical lows across major trades, as new vessel capacity was added, while market demand remained weak. Since the second half of 2016 and through the third quarter of 2017, freight rates have increased marginally, while partially decreased towards the end of 2017.

   In view of the aforementioned business environment, the volatile bunker prices and in order to improve ZIM's results of operations and liquidity position, Management continues to optimize ZIM's network rationalizations including establishment of new partnerships, invest in upgrading customer services and constantly strive to create and maintain efficiencies and cost reductions. However, an adverse trend could negatively affect the entire industry and also affect ZIM's business, financial position, assets value, results of operations, cash flows and compliance with certain financial covenants.

   As of December 31, 2017 ZIM's total equity amounted to a negative balance of $93 million (compared to negative balance of $101 million as of December 31, 2016) and its working capital amounted to a negative balance of $107 million (compared to negative balance of $65 million as of December 31, 2016).

   During the year ended December 31, 2017, ZIM recorded operating profit of $135 million (compared to operating loss of $52 million during the year ended December 31, 2016 and operating profit of $98 million during the year ended December 31, 2015) and net profit of $11 million (compared to net loss of $164 million during the year ended December 31, 2016 and net profit of $7 million during the year ended December 31, 2015).

   As at December 31, 2017, ZIM complies with its amended financial covenants, ZIM's liquidity amounts to $182 million (Minimum Liquidity required is $125 million).

   In order to improve its financial position and liquidity, during the second half of 2016, ZIM took the following steps:

   (a) ZIM approached some of its creditors for the purpose of rescheduling payments.

   Below are the main components of the agreements reached:

   1) Deferral of payments in a total amount of $116 million (the "Deferred Amounts"), during a period of up to 12 months starting on September 30, 2016, each creditor with relation to its specific contracts. The repayment of the Deferred Amounts will begin as from January 1, 2018 on a straight line basis and will end on December 31, 2020 (the "Repayment Period"). In case any respective agreement expires before the end of the Repayment Period, the unpaid balance of Deferred Amounts will be paid in full upon expiration.

   2) The Deferred Amounts bear interest, at an annual rate of Libor + 2.8% paid quarterly in cash.

   3) ZIM granted security related to its rights and interests deriving from certain of its receivables, for securing the repayment of the Deferred Amounts (using a similar receivable-backed facility as described in No). The balance of the secured Deferred Amounts as of December 31, 2017 amounted to $108 million

   4) In case of excess cash, as defined in the rescheduling agreements, a mechanism of mandatory prepayments of the abovementioned rescheduled amounts and their related accrued interest, will apply.

Further to such rescheduling, certain agreements of containers leases previously classified as operational leases were reclassified as financial leases, resulting in recognition of additional assets and liabilities in a total amount of US$ 73 million.

Note 10 – Investment in Associated Companies (Cont'd)

(b) ZIM obtained amendments to its financial covenants in 2016. Below are the current financial covenants of ZIM:

1) Fixed Charge Cover ratio - The required ratio will be examined on March 31, 2018 onwards, and will gradually increase from 0.78:1 as required on March 31, 2018 to 0.99:1 as required on March 31, 2019 and remain in that level thereafter.

2) Total Leverage ratio - The required ratio will be examined on March 31, 2018 onwards, and will gradually decrease from 23.69:1 as required on March 31, 2018 to 6.64:1 as required on December 31, 2018 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 was required to stand a minimum liquidity of $150 million. Starting December 31, 2016 the minimum Liquidity required is reinstated at $125 million.

As at December 31, 2017, ZIM is in compliance with its financial covenants. According to these consolidated Financial Statements, ZIM's liquidity amounts to $182 million (Minimum Liquidity required is $125 million).

ZIM's financial position, liquidity and the risk of deviation from financial covenants depend on the recovery of the shipping industry and especially the freight rates. Current economic conditions make forecasting difficult, and there is possibility that actual performance may be materially different from Management plans and expectations.

In the opinion of ZIM's management and its Board of Directors, the updated forecast and the abovementioned actions with regards to rescheduling of payments and covenants amendment, 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 following the balance sheet date.

2. Further to the recent trends in the shipping industry, ZIM tested its assets for impairment based on IAS 36, where ZIM operates an integrated liner network, as one cash-generating unit ("CGU"). ZIM estimated its recoverable amount on the basis of fair value less costs to sell, using the discounted cash flow ("DCF") method, measured at Level 3 fair value measurement under IFRS 13. The impairment test resulted with a recoverable amount exceeding the carrying amount of the CGU with a range between $418 million and $543 million, and therefore no impairment was recognized. Although ZIM believes the assumptions used for impairment are reasonable and acceptable, no assurance can be made against the level of bunker prices and freight rates sustainability.

Kenon independently and separately from ZIM, appointed a third-party to perform a valuation of its 32% equity investment in ZIM in accordance with IAS 28 *Investments in Associates* and IAS 36 *Impairment of Assets*. On March 20, 2018 Kenon concluded that as of December 31, 2017, the carrying amount of the investment in ZIM is lower than the recoverable amount, and therefore, no impairment was recognized.

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 cost of disposal ("FVLCOD"). The valuation is predominantly based on publicly available information and earnings of ZIM over the 12-month periods to September 2017. The valuation approach was based on the equity method, recognizing the cost of investment and share of losses in ZIM, and subsequently to assess a maintainable level of earnings to form a view on the appropriate valuation range as at December 31, 2017.

During the recent valuation, due to the uncertainty experienced in shipping sector, and a limited evidence of a sustained industry recovery as at December 31, 2017, the following data points and benchmarks were considered by the independent valuer:

A. The implied EV/EBITDA range based on the indicative range of fair values for Kenon's 32% stake in ZIM and the actual EBITDA for the 12-month to December 31, 2017; and,

B. The implied EV/EBITDA range based on the indicative range of fair values for Kenon's 32% stake in ZIM and the estimated sustainable EBITDA computed based on a 9% margin and actual revenue for the 12-month to September 30, 2017. The estimated maintainable margin was based on a 30% discount applied to analyst estimate of the industry margin.

The independent valuer arrived at a range of equity valued between $120 million and $180 million after adjustments for Net Debt. The fair value measurement was categorized as Level 3 fair value based on the inputs in the valuation technique used.

For the year ended December 31, 2016, Kenon recognized an impairment loss of $72 million in ZIM. Based on the above assessment, Kenon will record a write-back impairment of $29 million in write back/(impairment) of assets and investments,

bringing the carrying value in ZIM as at December 31, 2017 to $120 million.

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. 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.

5. During 2016, ZIM sold a portion of its holdings in an associated company and ceased to have significant influence over such investee. ZIM recognized a disposal gain in an amount of $16 million, Kenon's share of the disposal gain is $5 million and is recognized in share of net income and losses from associated companies.

6. During 2017, ZIM did not sell any of its holdings.

b. Qoros Automotive Co. Ltd. ("Qoros")

1. As at December 31, 2017, 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. Qoros introduces a new strategic partner

   In January 2018, Quantum and Chery diluted their shares in Qoros to an entity related to Baoneng Group, giving it a 51% equity interest in Qoros. Quantum and Chery's equity interest in Qoros were reduced to 24% and 25%, respectively (see Note 33.2.A).

3. As at December 31, 2017, Kenon's investment in Qoros amounts to $1.7 million (December 31, 2016 – $117 million).

4. In January and February 2016, Kenon and Wuhu Chery each, through Quantum, a Kenon subsidiary, provided a RMB275 million ($42 million) convertible loan to Qoros to support its working capital requirements.

   During 2015, Kenon and Chery each, through a subsidiary, provided a RMB800 million ($130 million) convertible loan to Qoros to support its ongoing development.

5. Qoros incurred a net loss of RMB 1.4 billion (approximately $211 million) and had net current liabilities of approximately RMB 3.7 billion (approximately $555 million) for the year ended December 31, 2017 (RMB 1.9 billion (approximately $284 million) and RMB 3.57 billion (approximately $515 million) as of December 31, 2016 respectively).

   Qoros has given careful consideration to the future of its liquidity. With its available sources of finance and the addition of the new strategic partner (see Note 33.2.A), Qoros believes it will have sufficient financial resources to continue as a going concern for the next twelve months.

6. Ansonia Loans

   a. Overview

      On April 22 and September 2, 2016, Ansonia Holdings Singapore B.V. ("Ansonia"), which owns approximately 58% of the outstanding shares of Kenon, entered an agreement to provide loans ("Ansonia loans") in an aggregate amount of up to RMB 450 million ($69 million) with an interest rate of 6% per annum, through Quantum, to support Qoros. Wuhu Chery completed its provision of loans to Qoros in the same amount and on similar conditions. Set forth below is an overview of the Ansonia loans as of December 31, 2017:

Date Granted	RMB million	Plus certain interest	Convertible into Equity Discount Rate [1]	Loan Transfer Date from Quantum to Qoros [2]
Tranche 1 / Apr 2016	150	6%	10%	May 20, 2016
Tranche 2 / Apr 2016	150			June 28, 2016
Tranche 3 / Sep 2016	150		25%	September 6, 2016

Total	**450 ($69 million)**	

1. To facilitate potential investment by a third party in Qoros, Ansonia loans are automatically convertible into equity in Quantum in the event of a third-party financing at Qoros meets certain conditions, or when Ansonia loans are repaid in relation to such third-party financing. The loans will be convertible into equity of Quantum at a 10% (Tranche 1 and 2) and at a 25% discount (Tranche 3) discount to the implied value of Qoros based upon the third-party financing.

2. Loans carry the same term of 9 months from the first transfer date

Note 10 – Investment in Associated Companies (Cont'd)

b. Repayment of the Ansonia loans

i. Ansonia loans to Quantum are non-recourse to Kenon, and limited recourse to Quantum. Quantum's obligations to repay these loans when Quantum receives loan repayments from Qoros; or Quantum sells all or portion of its interest in Qoros.

ii. Qoros has agreed to secure and undertaken to enter into the pledge for the Quantum and Wuhu Chery loans with certain collateral. The pledge is subjected to approvals to be received. Qoros' pledge of this collateral will be released upon a conversion of the shareholder loans into equity (as described below) or upon repayment.

iii. Quantum agreed to assign its rights, title and interests in the collateral securing these loans to Ansonia.

iv. Ansonia loans can be repaid by Quantum without penalty or premium prior to the conversion into Equity of Quantum.

v. Repayment of Ansonia loan of $20 million was made in January 2018 by Quantum. The remaining outstanding balance will be repaid upon repayment of shareholder loans owing from Qoros to Quantum, which is expected to occur within the next 6 months.

c. Conversion of the Ansonia loans into Equity ("Conversion")

Upon a conversion, Kenon's indirect interest in Qoros will be diluted. From the point of the conversion until the third anniversary of such conversion, Ansonia will have the option to convert its equity in Quantum into an equivalent value of equity in Qoros, subject to regulatory acceptance, Qoros', Chery's and Wuhu Chery's approvals. As the plan is to repay the outstanding Ansonia loan within the next 6 months, the conversion is unlikely to happen.

7. Financial Guarantees Provision and Releases

a. On June 30, 2016, Kenon increased its previously recognized provision of $30 million to $160 million in respect to Kenon's "back-to-back" guarantee obligations to Chery (RMB1,100 million), 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 addition to the current liquidity needs of Qoros, its financial position and Kenon's strategic intent, the provision was made due to uncertainty in the Chinese automobile market. As a result, Kenon recognized a $130 million charge to expense for such financial guarantees in its consolidated statement of profit or loss in 2016.

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, and (ii) a back-to-back guarantee of one-half of the principal amount of Chery's guarantee of Qoros' RMB700 million facility, and interest and fees, if applicable.

b. On December 25, 2016. Kenon has agreed to provide a RMB250 million (approximately $36 million) shareholder loan to Qoros, and in relation to this loan, the maximum amount of Kenon's back-to-back guarantee obligations to Chery has been reduced by RMB250 million. As part of the loan to Qoros, Kenon's back-to-back guarantee obligations to Chery with respect to Chery's guarantee of Qoros' RMB3 billion loan facility with the Export-Import Bank of China ("EXIM Bank") have been reduced by one third, and the maximum amount of Kenon's obligations under this back-to-back guarantee (subject to certain obligations to negotiate fees and interest described in the table below) has been reduced from RMB750 million to RMB500 million (approximately $72 million). In addition, Ansonia has committed to fund RMB25 million (approximately $4 million) of Kenon's remaining back-to-back guarantee obligations to Chery in certain circumstances ("Ansonia Commitment").

Chery has agreed to make a corresponding RMB250 million loan to Qoros. The proceeds of these loans were used to support Qoros' ordinary course working capital requirements and Qoros' investments in new initiatives, such as new-energy vehicles, while it continues its fund raising efforts.

As part of this transaction, Quantum pledged approximately 9% of the outstanding shares of Qoros to Chery to secure the amount of the back-to-back guarantee reduction. Chery may also borrow from Quantum up to 5% of Qoros' outstanding shares to meet its pledge obligations under a Qoros RMB 1.2 billion loan facility with EXIM Bank. The number of Qoros shares pledged to Chery is subject to adjustment from time to time. In certain circumstances Quantum must pledge additional shares (to the extent it has unencumbered shares), and in other circumstances the pledged shares may be released and the borrowed shares must be returned, e.g., in the event that Quantum is required to pledge additional shares to secure the RMB1.2 billion EXIM Bank facility (Quantum has previously pledged a significant portion of its Qoros shares to secure

Qoros' obligations under Qoros' RMB 1.2 billion loan facility with EXIM Bank).

Kenon has been informed that, in order to facilitate Kenon's above mentioned reduction in Kenon's back-to-back guarantee obligations to Chery, an affiliate of Kenon's major shareholder has given certain undertakings to Chery with respect to the released guarantee obligations.

Note 10 – Investment in Associated Companies (Cont'd)

c. On March 10, 2017, Kenon announces that it has agreed to fund up to RMB777 million (approximately $114 million) to Qoros in relation to the full release of its remaining RMB825 million (approximately $125 million) back-to-back guarantee obligations to Chery in two tranches, which releases Kenon from commitments to pay any related interest and fees to Chery under the guarantees.

On March 10, 2017, Kenon transferred RMB388.5 million (approximately $57 million) ("First Tranche Loans") to Qoros in relation to a reduction of RMB425 million (approximately $63 million) of Kenon's back-to-back guarantee obligations to Chery, including related interest and fees and the provision of the Second Tranche Loans shall be at Kenon's discretion.

As part of the First Tranche Loans, in relation to 50% reduction of the guarantee, Kenon funded 50% for Kenon and 50% on behalf of Chery.

On April 25, 2017, Kenon funded RMB100 million (approximately $15 million) as part of the remaining provision of RMB388.5 million to Qoros (the "Second Tranche Loans") on similar terms in connection with the remaining RMB425 million reduction in its back-to-back guarantees.

Kenon's remaining liability under its guarantee obligations totals RMB320 million in respect of RMB288.5 million (approximately $44 million) principal amount of debt as at December 31, 2017.

In the event that Chery's obligations under its guarantees are reduced, through amortization of the loans or guarantee releases, Kenon is entitled to the proportionate return from Chery of the loans provided on Chery's behalf (i.e., up to RMB388.5 million (approximately $57 million) with respect to the First Tranche Loans and the Second Tranche Loans) and the release of the pledges described above.

Quantum will pledge approximately 10.3% of the outstanding shares of Qoros to Chery in relation to 50% of the guarantee releases, which pledges are enforceable to the extent Kenon would have been required to make payments under such guarantees but for the guarantee releases.

In addition, Chery may also borrow from Quantum 5% of Qoros' outstanding shares in relation to Kenon's provision of the First Tranche Loans and the Second Tranche Loans. The number of Qoros shares pledged to Chery which are borrowed from Quantum is subject to adjustment from time to time.

Set forth below is an overview of the RMB850 million back-to-back guarantees provided by Kenon in respect of Qoros' indebtedness, reflecting the reduction of the back-to-back guarantees described above:

Loans	Timing	Amount of Loans to Qoros	Amount of Guarantee Obligations Prior to Investment	Release of Kenon Guarantees to Chery	Remaining Guarantee Obligations Post-Investment	Pledge of Qoros Shares in relation to Investment
		in RMB million				
First Tranche	March 2017	388.5	850 [1]	425 [3]	425	5.17%
Second Tranche	April 2017	100	425	105 [3]	320	5.17%
Third Tranche	At Kenon's discretion	288.5	320	320 [3]	—	
Total		**777**	—	**850** [3]	**—**	**10.3%** [2]

1. Kenon's major shareholder Ansonia Holdings Singapore B.V. has committed to fund RMB25 million (approximately $4 million) of Kenon's back-to-back guarantee obligations in certain circumstances.

2. Excludes up to 5% of Qoros shares which Chery may borrow from Quantum to meet its pledge obligations under the Qoros RMB1.2 billion loan facility, as discussed above.

3. Plus interest and fees.

Following the pledges above, and taking account of prior pledges by Quantum of Qoros shares to Qoros' lenders and to

Chery, substantially all of Kenon's interest in Qoros will be pledged, or could be pledged pursuant to the equity borrowing arrangements with Chery described above.

The proceeds of the First Tranche Loans was used to support Qoros' ordinary course working capital requirements, debt service requirements and investments in new initiatives, such as new-energy vehicles, while Qoros continues its fund raising efforts. The transactions enabled Kenon to support Qoros and its fundraising efforts, while reducing its back-to-back guarantee obligations to Chery.

Due to the change in equity holdings of Qoros in 2018, adjustments to the respective parties' pro rata obligations under the Qoros' bank guarantees and pledges were made (see Note 33.2.A).

Note 10 – Investment in Associated Companies (Cont'd)

8. Background of Financial Guarantees

The guarantees by Kenon described below have been amended and released as described in paragraph 7 above

a. In July 2012, Chery provided a guarantee to the banks, in the amount of RMB1.5 billion ($242 million), in relation to 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.

   On February 12, 2015, Kenon has agreed to provide a RMB400 million (approximately $64 million) loan to Qoros to support its ongoing development, and in relation to 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 relation to 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.

b. 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").

c. 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 ($500 million). 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, 2016, Qoros had drawn down the Facility of RMB700 million ($108 million) with an interest rate of 5.39% (RMB 700 million as at December 31, 2015). The fair value of the guarantee has been recorded in the financial statements.

d. 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.

e. 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 part of the reduction of guarantee obligations in Note 10.C.b.7, Kenon has pledged approximately 9% of the outstanding shares of Qoros to Chery to secure the amount of the back-to-back guarantee reduction. Chery may also borrow from Kenon up to 5% of Qoros' outstanding shares to meet its pledge obligations under the abovementioned RMB 1.2 billion loan facility. As of December 31, 2016, in relation to this loan facility of RMB 1.2 billion, Kenon and Chery have each pledged 22.6% of its equity interest in Qoros.

Due to the introduction of the additional investor in January 2018, financial guarantees will be adjusted to the respective parties pro rata obligation based on the change in equity holdings of Qoros (see Note 33.2.A).

9. Business Plans

a. In September 2014, Qoros' board of directors reviewed a 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. As a result, Qoros management performed impairment tests in October 2015 and February 2016. In March 2017, Qoros' board of directors approved a new business development plan for the next five years. As a result, Qoros management performed impairment tests in March 2017 on Qoros' operating assets as of December 31, 2016 and intangible assets.

As at December 31, 2017, Kenon concluded that the recoverable amount of its CGU, based on the 3rd-party transaction with Baoneng Group (see Note 33.2.A), was higher than the carrying value (adjusted for depreciation and amortization). The recoverable amount was determined based on fair value of Qoros' assets less the costs of disposal. Therefore, no impairment was recognized in Qoros' December 31, 2017 financial statements in respect of its CGU.

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 owned 1,669,795 Warrants representing approximately 2.0% of outstanding Ordinary Shares of Tower. On August 5, 2016, Kenon sold 1,699,795 Series 9 Warrants of Tower for proceeds of approximately $11.4 million.

Note 10 – Investment in Associated Companies (Cont'd)

D. Details regarding dividends received from associated companies

	For the Year Ended December 31		
	2017	2016	2015
	$ thousands		
From associated companies	382	743	4,487

E. 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 relation to 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 2016

On December 29, 2015, IC Power Distribution Holdings Pte, Limited (hereinafter - "ICP Distribution"), a wholly owned subsidiary of I.C Power, entered into an agreement with Deorsa-Deocsa Holdings Ltd. to acquire 100% of the shares of Estrella Cooperatief BA, a holding company that indirectly owned two distribution companies in Guatemala (90.6% of Distribuidora de Electricidad de Occidente S.A.-DEOCSA and 92.68% of Distribuidora de Electricidad de Oriente S.A.-DEORSA) and 100% of two smaller related businesses (Redes Electricas de Centroamerica S.A.-RECSA and Comercializadora Guatemalteca Mayorista de Electricidad S.A.-GUATEMEL), collectively referred as "Energuate" for a purchase price equal to (i) the base purchase price, plus (ii) the deferred payment, and (iii) the final adjustment amount. On January 22, 2016, ICP Distribution closed the acquisition of Estrella Cooperatief BA for a total consideration of $266 million which included a base price of $242.5 million paid at the closing date and a deferred payment of $23.7 million paid on April 12, 2016. The consideration agreed was subject to working capital adjustments.

On April 28, 2017, Ernst & Young LLP ("the consultant") issued the Accountant Ruling in connection with the disagreement between Actis and the Company on the final working capital adjustment purchase price-consideration. As a result of the consultant ruling, a $10.2 million adjustment was required to be made in favor of the Company. The Company has recorded such amount as other income in the consolidated statement of profit or loss.

On May 12 and May 17, 2017, Actis paid $272 thousand and authorized the release of $10 million from Escrow account, respectively.

As at December 31, 2017, these subsidiaries were disposed (See Note 29).

Note 11 – Subsidiaries (Cont'd)

1. Consideration transferred

The following table summarizes the acquisition-date fair value of each major class of consideration transferred:

In thousands of $	
Cash consideration	242,536
Deferred payment	23,750
Total consideration transferred	**266,286**

In thousands of $	
Total consideration transferred	266,286
Cash and cash equivalent acquired	(60,227)
Total	**206,059**

2. Identifiable assets acquired and liabilities assumed

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition:

In thousands of $	
Property, plant and equipment	392,495
Intangibles	195,148
Deferred income tax assets, net	20,289
Trade receivables, net	100,508
Cash and cash equivalent	60,227
Other assets	22,457
Credit from bank and others	(288,290)
Deferred income tax liabilities	(54,642)
Trade payables	(108,193)
Guarantee deposits from customers	(51,072)
Other liabilities	(39,418)
Total identifiable net assets acquired	249,509

3. Measurement of fair value

The Company has measured the value of the acquired assets and liabilities at fair value on January 22, 2016, the date in which the Company gained control over Estrella Cooperatief BA. Additional information regarding the fair value measurement of the main items acquired is as follows:

- Fixed assets were valued considering the market value provided by an appraiser;
- Intangibles were measured based on the valuation of its Concessions;
- Deferred taxes were recorded based on the temporary differences between the carrying amount of the assets and liabilities and their tax basis; and,
- Non-controlling interests were measured as a proportion of the net assets identified on the acquisition date.

4. Goodwill

Goodwill arising from the acquisition has been recognized as follows:

In thousands of $	
Total consideration transferred	266,286
Non-controlling interest	20,325
Fair value of identifiable net assets	(249,509)
Goodwill*	**37,102**

(*) This amount is not deductible for tax purposes and was determined in Quetzales.

Goodwill is explained by the strategic interest of the Company to expand its presence in distribution business. The goodwill is attributable mainly to the synergies expected to be achieved from integrating this business into the Group.

5. Recognition of revenues and profit or loss

During the period from the acquisition date to December 31, 2016 the revenues and profit contributed by Estrella Cooperatief BA. to the consolidated results are $515 million and $29 million, respectively. If the acquisition had occurred on 1 January 2016, management estimates that contribution to consolidated revenue would have been $551 million, and to consolidated profit for the period would have been $30 million. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2016.

b. Subsidiaries acquired in 2015

Advanced Integrated Energy Ltd. -

On June 8, 2015, IC Power executed an agreement with Hadera Paper Ltd., pursuant to which IC Power agreed to acquire from Hadera Paper 100% of the shares in Advanced Integrated Energy Ltd. (hereinafter "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 amounted to NIS 60 million (approximately $15.6 million) which involved two transactions:

i. A business combination in the amount of NIS 36 million ($9.4 million) as follows: (i) On August 10, 2015, after fulfilling the conditions precedent contemplated in the aforementioned agreement, IC Power completed the acquisition of AIE and paid NIS 1.7 million (approximately $460 thousand) to Hadera Paper Ltd. for the acquisition of the shares. (ii) IC Power through AIE paid NIS 34 million (approximately $9 million) for the repayment of the loan between Hadera Paper Ltd. and its former shareholder.

The purchase price allocation was as follows: Property, plant and equipment: $9 million; Intangible: $464 thousand; deferred tax liabilities: $123 thousand; and goodwill: $119 thousand.

ii. AIE acquired Hadera Paper's energy center in the aggregate amount of NIS 24,000 (approximately $6 million). The Hadera Paper's energy center generates electricity with a 18MW steam turbine.

During 2016, AIE issued to IC Power several capital notes of NIS 130 million (approximately $33.7 million), according to their terms, the notes bear no interest and are repayable subject to the AIE's sole discretion no earlier than five years after the issuance. Additional investments by IC Power will be required to enable AIE to complete construction of the power plant, which is expected to commence operations in the first half of 2019.

2. I.C. Green Energy Ltd (I.C. Green)

a. As of December 31, 2017, I.C. Green held 90.85% of the shares of Primus Green Energy Inc. ("PGE"). In 2016, I.C. Green granted PGE additional $7.5 million as convertible bridge financing agreement. On December 10, 2016, all of the convertible loans including interest have been consolidated to a convertible bridge financing agreement in the amount of $26 million with interest of 7% annually. During 2017 I.C. Green granted PGE additional $7.4 million as convertible bridge financing agreement. All of the convertible loans including interest have been consolidated to a convertible bridge financing agreement in the amount of $35 million with interest of 7% annually.

Note 11 – Subsidiaries (Cont'd)

B. The following table summarizes the information relating to each of the Group's subsidiaries in 2017, 2016 and 2015 that has material NCI:

	As at and for the year ended December 31								
	2017	2016*				2015*			
	OPC Energy Ltd.	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.
	$ thousands								
NCI percentage	24.18%	25.10%	35.42%	25.10%	25.10%	25.10%	35.42%	25.10%	25.10%
Current assets	204,461	75,485	41,630	108,246	53,843	47,766	43,390	92,120	23,841
Non-current assets	736,123	380,947	144,313	611,928	949,440	344,052	172,917	638,325	847,015
Current liabilities	(99,441)	(73,846)	(26,053)	(55,323)	(85,935)	(36,075)	(22,044)	(188,291)	(25,909)
Non-current liabilities	(667,996)	(311,030)	(100,834)	(511,277)	(618,219)	(289,560)	(121,142)	(356,900)	(556,277)
Net assets	173,147	71,556	59,056	153,574	299,129	66,183	73,121	185,254	288,670
Carrying amount of NCI	41,863	17,961	20,918	38,547	75,081	16,612	25,899	46,499	72,456
Revenues	365,395	40,000	90,017	438,475	49,646	—	111,428	447,679	—
Profit/(loss)	5,896	548	7,511	35,820	9	(4,049)	14,469	44,088	(8,579)
Other comprehensive income/(loss)	8,514	4,825	—	—	10,449	(6,057)	—	(53)	(1,079)
Profit attributable to NCI	1,425	138	2,660	8,991	2	(1,016)	5,125	11,066	(2,153)
OCI attributable to NCI	2,058	1,211	—	—	2,623	(1,520)	—	(13)	(271)
Cash flows from operating activities	110,290	(1,276)	17,737	114,838	25,629	—	42,480	120,438	—
Cash flows from investing activities	(154,194)	(60,468)	(931)	(16,082)	(69,372)	(236,207)	(5,088)	(13,589)	(180,771)
Cash flows from financing activities excluding dividends paid to non-controlling interests	165,107	—	(4,004)	(16,943)	—	138,000	(26,139)	(91,084)	95,000
Dividends paid to non-controlling interests	(4,159)	47,088	(26,440)	(88,911)	62,823	—	(4,401)	(7,530)	—
Effect of changes in the exchange rate on cash and cash equivalents	7,126	373	(348)	198	369	(3,266)	(489)	(5,334)	(2,929)
Net increase/(decrease) in cash equivalents	124,170	(14,283)	(13,986)	(6,900)	19,449	(101,473)	6,363	2,901	(88,700)

* These entities are discontinued operations in 2017.

Note 11 – Subsidiaries (Cont'd)

C. Restrictions

I.C. Power

As at December 31, 2017, IC Power´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 16.

OPC had originally restrictions to transfer cash or paid dividends up to the third anniversary of Construction Completion. On October 13, 2015, OPC and its seniors lenders amended this restriction to pay dividends, which ended on June 30, 2015. Therefore, on October 19, 2015, OPC paid NIS 295 million (equivalent to $77 million). Out of this total, NIS 222 million (equivalent to $58 million) was paid as repayment of capital notes and NIS 72.5 million (equivalent to $19 million) as intercompany loan.

Note 12 – Deposits, Loans and Other Receivables, including Derivative Instruments

Composition:

	As at December 31	
	2017	2016
	$ thousands	
Deposits in banks and others – restricted cash	76,459	16,690
Long-term trade receivable	-	10,120
Financial derivatives not used for hedging	-	1,342
Income tax receivables and tax claims (1)	-	99,892
Other receivables (2)	30,258	48,731
	106,717	176,775

(1) Mainly from discontinued operations.

(2) Mainly relates to OPC's connectivity fees to the gas transmission network and the electricity grid classified as long-term deferred expenses.

Note 13 – Deferred Payment Obligation Receivable

	As at December 31	
	2017	2016
	$ thousands	
Deferred payment receivable	175,000	-

As part of the sale of IC Power's Latin America businesses, proceeds from I Squared Capital ("ISQ") include a four year deferred payment obligation accruing 8% interest per annum.

Note 14 – Property, Plant and Equipment, Net

A. Composition

	As at December 31, 2017					
	Balance at beginning of year	**Additions**	**Disposals**	**Differences in translation reserves**	**Sale of subsidiaries***	**Balance at end of year**
	$ thousands					
Cost						
Land, roads, buildings and leasehold improvements	1,041,723	4,139	(1,615)	4,167	(1,005,625)	42,789
Installations, machinery and equipment	2,445,579	68,410	(70,142)	49,825	(1,994,241)	499,431
Dams	164,469	105	(5)	-	(164,569)	-
Office furniture and equipment and motor vehicles	455,352	43,744	(4,954)	11,589	(500,163)	5,568
	4,107,123	116,398	(76,716)	65,581	(3,664,598)	547,788
Plants under construction	131,178	109,709	(15)	9,356	(85,609)	164,619
Spare parts for installations	68,854	4,364	(186)	1,487	(61,129)	13,390
	4,307,155	230,471	(76,917)	76,424	(3,811,336)	725,797
Accumulated depreciation						
Land, roads, buildings and leasehold improvements	83,737	20,523	(807)	530	(96,690)	7,293
Installations, machinery and equipment	637,794	112,416	(13,466)	8,547	(644,458)	100,833
Dams	48,385	8,097	(250)	-	(56,232)	-
Office furniture and equipment and motor vehicles	39,939	23,824	(1,307)	484	(61,433)	1,507
	809,855	164,860	(15,830)	9,561	(858,813)	109,633
Balance as at December 31, 2017	3,497,300	65,611	(61,087)	66,863	(2,952,523)	616,164

* This amount includes impairment as a result of the sale of Colombian assets. The Company recorded the impairment in cost of sales of $ 10 million.

Note 14 – Property, Plant and Equipment, Net (Cont'd)

	As at December 31, 2016						
	Balance at beginning of year	Additions	Disposals	Differences in translation reserves	Acquisition as part of business combination	Transfers and Reclassifications	Balance at end of year
				$ thousands			
Cost							
Land, roads, buildings and leasehold improvements	288,538	7,759	(1,244)	629	2,441	743,600	1,041,723
Installations, machinery and equipment	1,840,754	46,652	(35,616)	7,350	—	586,439	2,445,579
Dams	138,310	159	(965)	—	—	26,965	164,469
Office furniture and equipment and motor vehicles	52,124	25,866	(8,958)	12,129	375,063	(872)	455,352
	2,319,726	80,436	(46,783)	20,108	377,504	1,356,132	4,107,123
Plants under construction	1,260,375	217,278	(167)	385	7,839	(1,354,532)	131,178
Spare parts for installations	44,299	20,139	(477)	281	7,152	(2,540)	68,854
	3,624,400	317,853	(47,427)	20,774	392,495	(940)	4,307,155
Accumulated depreciation							
Land, roads, buildings and leasehold improvements	71,953	13,169	(1,434)	48	—	1	83,737
Installations, machinery and equipment	530,324	123,275	(16,512)	970	—	(263)	637,794
Dams	46,764	1,742	(121)	—	—	—	48,385
Office furniture and equipment and motor vehicles	21,538	20,591	(2,665)	212	—	263	39,939
	670,579	158,777	(20,732)	1,230	—	1	809,855
Balance as at December 31, 2016	2,953,821	159,076	(26,695)	19,544	392,495	(941)	3,497,300
Prepayments on account of property, plant & equipment	6,057						—
	2,959,878						3,497,300

B. Net carrying values

	As at December 31	
	2017	2016
	$ thousands	
Land, roads, buildings and leasehold improvements	35,496	957,986
Installations, machinery and equipment	398,598	1,807,785
Dams	-	116,084
Office furniture and equipment, motor vehicles and other equipment	4,061	415,413
Plants under construction	164,619	131,178

Spare parts for installations	13,390	68,854
	616,164	3,497,300

C. When there is any indication of impairment, the Group's entities perform impairment tests for their long lived assets using fair values less cost to sell based on independent appraisals or value in use estimations, with similar assumptions as those described (Note 15.D).

D. The amount of borrowing costs capitalized during 2017 was $3 million ($14 million during 2016).

Note 14 – Property, Plant and Equipment, Net (Cont'd)

E. In I.C. Power, property, plant and equipment includes assets acquired through financing leases. As at December 31, 2017 and 2016, the cost and corresponding accumulated depreciation of such assets are as follows:

	As of December 31, 2017			As of December 31, 2016		
	Cost	Accumulated depreciation	Net cost	Cost	Accumulated Depreciation	Net cost
	$ thousands					
Land, roads, buildings and leasehold improvements	-	-	-	42,288	(6,602)	35,686
Installations, machinery and equipment	-	-	-	275,852	(117,368)	158,484
Motor vehicles	-	-	-	410	(46)	364
	-	-	-	318,550	(124,016)	194,534

F. Fixed assets purchased on credit in 2017, 2016 and 2015 were $31 million, $25 million and $46 million respectively.

G. The composition of the depreciation expense from continuing operations is as follows:

	As at December 31	
	2017	2016
	$ thousands	
Depreciation charged to results	30,794	27,286

	As at December 31	
	2017	2016
	$ thousands	
Depreciation charged to cost of sales	30,102	26,697
Depreciation charged to general, selling and administrative expenses	597	468
Depreciation charged to results	30,699	27,165
Amortization of intangibles charged to cost of sales	-	-
Amortization of intangibles charged to general, selling and administrative expenses	95	121
Depreciation and amortization from continuing operations	30,794	27,286

Note 15 – Intangible Assets, Net

A. Composition:

	Goodwill	Concessions licenses	Customer relationships	Software	Others	Total
	$ thousands					
Cost						
Balance as at January 1, 2017	117,550	189,351	41,074	1,771	83,897	433,643
Acquisitions as part of business combinations	296	-	-	195	-	491
Acquisitions – self development	-	-	-	179	10,280	10,459
Disposals	-	-	-	-	(82)	(82)
Sale of subsidiaries*	(97,167)	(189,351)	(41,074)	(1,066)	(93,842)	(422,500)
Translation differences	1,235	-	-	74	256	1,565
Balance as at December 31, 2017	21,914	-	-	1,153	509	23,576
Amortization and impairment						
Balance as at January 1, 2017	21,455	5,434	20,942	1,015	8,019	56,865
Amortization for the year	-	5,759	3,970	209	2,984	12,922
Disposals	-	-	-	25	-	25
Sale of subsidiaries	-	(11,193)	(24,912)	(804)	(11,021)	(47,930)
Translation differences	-	-	-	-	53	53
Balance as at December 31, 2017	21,455	-	-	445	35	21,935
Carrying value						
As at January 1, 2017	96,095	183,917	20,132	756	75,878	376,778
As at December 31, 2017	459	-	-	708	474	1,641

* This amount includes impairment as a result of the sale of Colombian assets. The Company recorded the impairment in cost of sales of $ 10 million ($3 million in Others and $7 million in Goodwill).

Note 15 – Intangible Assets, Net (Cont'd)

A. Composition (Cont'd):

	Goodwill	Concessions licenses	Customer relationships	Software	Others	Total
	$ thousands					
Cost						
Balance as at January 1, 2016	79,581	—	41,074	1,776	68,806	191,237
Acquisitions as part of business combinations	37,102	189,351	—	—	5,796	232,249
Acquisitions – self development	—	—	—	138	9,331	9,469
Disposals	—	—	—	(153)	—	(153)
Reclassification	—	—	—	—	(161)	(161)
Translation differences	867	—	—	10	125	1,002
Balance as at December 31, 2016	117,550	189,351	41,074	1,771	83,897	433,643
Amortization and impairment						
Balance as at January 1, 2016	21,455	—	16,888	937	4,713	43,993
Amortization for the year	—	5,434	4,054	227	3,287	13,002
Disposals	—	—	—	(153)	—	(153)
Translation differences	—	—	—	4	19	23
Balance as at December 31, 2016	21,455	5,434	20,942	1,015	8,019	56,865
Carrying value						
As at January 1, 2016	58,126	—	24,186	839	64,093	147,244
As at December 31, 2016	96,095	183,917	20,132	756	75,878	376,778

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	
	2017	2016
	$ thousands	
Intangible assets with a finite useful life	1,182	280,683
Intangible assets with an indefinite useful life or not yet available for use	459	96,095
	1,641	376,778

Note 15 – Intangible Assets, Net (Cont'd)

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. Goodwill is calculated based on the local currencies of the countries that the subsidiaries operate in and translated into US dollars at the exchange rate at the reporting date.

Goodwill arises from the following Group entities in I.C. Power (cash generating unit):

	As at December 31	
	2017	2016
	$ thousands	
Nejapa*	-	40,693
Kallpa*	-	10,934
Energuate*	-	37,651
Surpetroil*	-	6,699
OPC Rotem (former AIE)	459	118
	459	96,095

* Discontinued operations

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.

	2017	2016
Discount rate	In percent	
Peru*	-	6.7
Energuate*	-	8.9
El Salvador*	-	9.8
Colombia*	-	8.2
Terminal value growth rate	-	2

* Discontinued operations

The discount rate is a post-tax measure based on the characteristics of each CGU with a possible debt leveraging of of 32% in 2016.

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´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 power purchase agreements (PPAs) signed and existing number of customers
- Investment schedule—I.C. Power 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.

- The distribution business profits were determined using specifically-developed internal forecast models that consider factors such as forecasted demand, fuel prices, energy purchases, collection rates, percentage of losses, quality service improvement, among others.

Note 15 – Intangible Assets, Net (Cont'd)

- 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 takes into consideration that the power plants have an appropriate preventive maintenance that permits their proper functioning and the distribution business has the required capital expenditure to expand and perform properly in order to reach the targeted quality levels.

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the CGUs, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value to materially exceed its recoverable amount.

Note 16 – 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 32, in connection with financial instruments.

	As at December 31	
	2017	2016
	$ thousands	
Current liabilities		
Short-term loans from banks, financial institutions and others (1)	317,684	213,417
	317,684	213,417
Current maturities of long-term liabilities:		
Loans from banks, financial institutions and others	123,908	251,803
Non-convertible debentures	6,364	10,617
Liability in respect of financing lease	-	6,976
	130,272	269,396
Total current liabilities	447,956	482,813
Non-current liabilities		
Loans from banks and financial institutions	627,150	1,903,323
Non-convertible debentures	91,122	867,287
Liability in respect of financing lease	-	88,169
Other long-term balances	543	240,213
Total other long-term liabilities	718,815	3,098,992
Less current maturities	(130,272)	(269,396)
Total non-current liabilities	588,543	2,829,596

(1) Balances as at December 31, 2017 mainly relates to loans from related parties (see Note 31.E).

Note 16 – 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 31,2017		As at December 31,2016	
				$ thousands			
				Current	Non-Current	Current	Non-Current
Short-term loans from banks							
I.C. Power Distribution Holdings							
Credit Suisse	LIBOR + 4%	USD	2017	—	—	119,487	—
Samay							
Interbank	2.9%	USD	2017	—	—	31,945	—
DEOCSA							
Various entities	LIBOR + 4.75%	USD	2017	—	—	18,000	—
DEORSA							
Various entities	LIBOR + 4.75%	USD	2017	—	—	12,000	—
CDA							
Banco de Crédito del Perú	0.83%	USD	2017	—	—	14,000	—
PQP							
Banco Industrial Guatemala	4.75%	USD	2017	—	—	6,000	—
Cobee							
Various entities	4.2% / 5.5%	BOB	2016/2017	—	—	4,499	—
Nejapa							
Scotiabank El Salvador	5.50%	USD	2017	—	—	4,200	—
Empresa Energética Corinto Ltd							
Banco de América Central (BAC)	5.25%	USD	2017	—	—	1,586	—
Cepp							
Scotiabank	2.4%	USD	2017	—	—	1,000	—
BHD Bank	2.53%	USD	2017	—	—	200	—
Surenergy							
Banco Davivienda	DTF + 4.5%	COP	2017	—	—	500	—
Short-term loans from banks							
Subtotal				—	—	213,417	—
Loans from Banks and others							
Financial institutions:							
Cerro del Aguila							
Tranche A	LIBOR+4.25% - LIBOR +5.50%	USD	2024	—	—	15,344	320,437
Tranche B	LIBOR+4.25% - LIBOR +6.25%	USD	2024	—	—	—	180,896
Tranche 1D	LIBOR+2.75% - LIBOR +3.60%	USD	2024	—	—	1,760	38,697
Tranche 2D	LIBOR+2.75% - LIBOR +3.60%	USD	2027	—	—	—	21,959

Note 16 – 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 31,2017		As at December 31,2016	
				$ thousands			
				Current	Non-Current	Current	Non-Current
Samay I							
Sumitomo /HSBC / Bank of Tokyo	LIBOR+2.125% - LIBOR +2.625%	USD	2021	—	—	5,047	302,247
Central Cardones							
Tranche One							
BCI / Banco Itaú	LIBOR+1.90%	USD	2021	—	—	3,781	18,228
Tranche Two							
BCI / Banco Itaú	LIBOR+2.75%	USD	2021	—	—	—	13,383
Colmito							
Banco Bice	7.90%	CLP	2028	—	—	625	16,121
Consorcio Eólico Amayo, S.A.(I)							
Banco Centroamericano de Integración Económica	8.45% - LIBOR +4%	USD	2023	—	—	5,307	37,376
Consorcio Eólico Amayo (Fase II), S.A.							
Various entities	LIBOR+5.75%, 8.53%,10.76%	USD	2025	—	—	3,029	28,250
Empresa Energética Corinto, Ltd.							
Banco de América Central (BAC)	8.35%	USD	2018	—	—	3,124	3,402
Tipitapa Power Company, Ltd.							
Banco de América Central (BAC)	8.35%	USD	2018	—	—	2,801	3,328
Jamaica Private Power Company							
Royal Bank of Canada	LIBOR + 5.50%	USD	2017	—	—	824	—
Burmeister & Wain Scandinavian Contractor A/S	3.59%	USD	2018	—	—	338	233
PQP							
Banco Industrial	LIBOR + 4.50%	USD	2021	—	—	2,374	9,632
Surpetroil S.A.S							
Banco de Occidente S.A	IBR + 5.87%	COP	2018	—	—	504	375
Banco Pichincha	DTF + 3%	COP	2017	—	—	100	—
Kanan							
Scotiabank	LIBOR + 3.5%	USD	2021	—	—	46,094	—
Overseas Investments Peru							
Credit Suisse (D)	LIBOR + 5%-6.5%	USD	2017	99,964	—	97,274	—
DEORSA							
Syndicated Loan – various banks	LIBOR + 4.7% - LIBOR + 4.75%	USD	2021/2025	—	—	10,167	67,857
Syndicated Loan - various banks	TAPP minus 5.6% - TAPP minus 6.1%	GTQ	2021/2025	—	—	4,687	30,653

Note 16 – 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 31,2017		As at December 31,2016	
				$ thousands			
				Current	Non-Current	Current	Non-Current
DEOCSA							
Syndicated Loan – various banks	LIBOR + 4.7% - LIBOR + 4.75%	USD	2021/2025	—	—	16,876	107,488
Syndicated Loan - various banks	TAPP minus 5.6% - TAPP minus 6.1%	GTQ	2021/2025	—	—	6,215	43,127
RECSA							
Banco G&T Continental	TAPP + 6.63%	GTQ	2020	—	—	931	3,722
OPC Rotem Ltd							
Lenders Consortium (E)	4.85% - 5.36%	NIS	2031	23,944	463,160	20,290	344,240
OPC Hadera							
Facility B—Amitim and Menora Pension Funds (F)	7.75%	NIS	2029	—	40,092	4,311	47,425
IC Power Asua Development Ltd							
Bank Hapoalim New York	0.75%	USD	2019	—	—	—	12,000
AGS							
Veolia Energy Israel Ltd		NIS	2019	—	—	—	444
Sub total				123,908	503,242	251,803	1,651,520
Liabilities in respect of finance leases:							
Kallpa Generación							
Banco de Crédito del Perú	7.15%	USD	2023	—	—	6,624	81,193
Surpetroil S.A.S.							
Banco de Occidente S.A.	DTF + 3.5%	COP	2017	—	—	223	—
DEORSA							
Arrendadora Agromercantil	TAPP minus 2.47%	GTQ	2017	—	—	129	—
Sub total				—	—	6,976	81,193
Debentures							
Cobee							
Bonds Cobee III-1B	6.50%	USD	2017	—	—	1,750	—
Bonds Cobee III-1C (bolivianos)	9.00%	BOB	2020	—	—	1,586	4,757
Bonds Cobee III-2	6.75%	USD	2017	—	—	5,000	—
Bonds Cobee III-3 (bolivianos)	7.00%	BOB	2022	—	—	—	6,160
Bonds Cobee IV-1A	6.00%	USD	2018	—	—	—	3,988
Bonds Cobee IV-1B	7.00%	USD	2020	—	—	—	3,980
Bonds Cobee IV-1C (bolivianos)	7.80%	BOB	2024	—	—	—	12,030
Cobee Bonds-IV Issuance 3	6.70%	USD	2019	—	—	—	4,973
Cobee Bonds-IV Issuance 4 (bolivianos)	7.80%	BOB	2024	—	—	—	15,039
Cobee Bonds-IV Issuance 5 (bolivianos)	5.75%	BOB	2026	—	—	1,950	17,697

Note 16 – Loans and Debentures (Cont'd)

A. Composition of I.C. Power loans from Banks and Others (Cont'd)

				As at December 31,2017		As at December 31,2016	
				$ thousands			
	Nominal annual Interest rate	Currency	Maturity	Current	Non-Current	Current	Non-Current
Inkia Energy Ltd							
Inkia Bonds	8.38%	USD	2021	—	—	—	447,904
Kallpa Generación							
Kallpa Bonds	4.88%	USD	2026	—	—	—	325,970
Cepp							
Cepp Bonds	6.00%	USD	2019	—	—	—	9,945
Cobee							
Cobee Bonds (Premium)		USD-BOB	2017-2024	—	—	331	4,227
OPC Energy Ltd							
Bonds – Series A (G)	4.45%	NIS	2030	6,364	84,758	—	—
Sub total				6,364	84,758	10,617	856,670
Total				130,272	588,000	482,813	2,589,383

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 16 – Loans and Debentures (Cont'd)

B. Classification based on currencies and interest rates

	Weighted-average interest rate December 31 2017	As at December 31	
		2017	2016
	%	$ thousands	
Current liabilities (without current maturities)			
Short-term loans from financial institutions			
In dollars		-	208,418
In other currencies		-	4,999
		-	213,417
Non-current liabilities (including current maturities)			
Debentures			
In dollars		-	804,052
In other currencies	4.80%	91,122	63,235
		91,122	867,287
Loans from financial institutions (including financing lease)			
In dollars	7.90%	99,964	1,467,369
In shekels	4.80%	527,186	416,710
In quetzales		-	89,464
In other currencies		-	17,948
		627,150	1,991,491
		718,272	2,858,778

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, 2017			As at December 31, 2016		
	Minimum future lease rentals	Interest component	Present value of minimum lease rentals	Minimum future lease rentals	Interest component	Present value of minimum lease rentals
	$ thousands					
Less than one year	-	-	-	13,016	6,040	6,976
From one year to five years	-	-	-	85,849	19,217	66,632
More than five years	-	-	-	15,207	646	14,561
	-	-	-	114,072	25,903	88,169

Note 16 – Loans and Debentures (Cont'd)

Long term loans from banks and others

D. *Overseas Facility* — On May 9, 2016, Overseas Investments Peru S.A., a 100% whole-owned subsidiary of ICP, signed a $100 million Credit Facility with Credit Suisse AG. The proceeds from this facility were fully drawn on August 31, 2016. This facility had an original maturity on November 9, 2017 bears an interest rate of 90-day Libor plus 5.00% (from the funding date to the 6-month anniversary of the funding date); 90-day Libor plus 5.75% (from one day after the 6-month anniversary to the 12-month anniversary of the funding date); and 90-day Libor plus 6.50% thereafter. On September 8, 2017, Overseas Investment Peru signed an amendment changing the final maturity date to May 9, 2019. As of December 31, 2017, the outstanding principal amount under this facility was $ 100 million. ($99.9 million, net of transaction costs) ($97 million, net of transaction costs as of December 31, 2016).

On January 3, 2018, this loan was prepaid for a total amount of $101 million (including the interest accrued), see note 33.3.A.

E. 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, 2017 and 2016, the amount of the reserve is NIS72 million (equivalent to $21 million) and NIS73 million (equivalent to $19 million) respectively.

As of December 31, 2017 and 2016, OPC used NIS5 million ($1.4 million) and NIS4 million ($1.2 million), respectively from the guarantee.

Under the Facility Agreement, OPC and IC Power Asia Development Ltd ("ICPAD") together and the non-controlling interests in Rotem ("Veridis"), issued corporate guarantees in favor of Rotem in amounts of NIS92 million ($26.5 million) and NIS23 million ($6.6 million), respectively.

In December 2017, an amended credit facility agreement was signed, according to which ICPAD was released from the corporate guarantee, in return for the accumulation of an additional fund in Rotem in the amount of NIS 57.5 million ($16.6 million) ("the owners' guarantee fund") and in return from the corporate guarantee of OPC and Veridis of NIS 57.5 million ($16.6 million), according to their relative portion in holdings. The owners' guarantee fund is subject to an adjustment mechanism under which in certain coverage ratios it can exceed a maximum amount of NIS115 million ($33 million). ICPAD's guarantee fund will accumulate in the following manner – NIS20 million ($5.8 million) upon signing the amended credit agreement and the balance will accumulate over 24 months in semi-annual deposits. After the completion of the accumulation of ICPAD's guarantee fund, Veridis and OPC will be released from the corporate guarantee. As at December 31, 2017, ICPAD's guarantee fund amounted to NIS20 million ($5.8 million).

F. OPC Energy Ltd. —On June 22, 2014, OPC entered into a mezzanine financing agreement with Mivtachim Social Insurance and Makefet Fund Pension ("Amitim") and Menora Mivtachim Insurance Ltd ("Menora") in the aggregate amount of NIS350 million ($93 million), consisting of three Facilities: (i) Tranche A bridge loan for NIS150 million, bearing interest of 4.85% p.a. to be repaid until March 31, 2017; (ii) Tranche B long-term loan for NIS200 million, bearing interest of 7.75% p.a., repayable on annual basis until March 2029. These loans are linked to CPI.

During the year ended December 31, 2016, Tranche A was prepaid for a total of NIS162 million (approximately $41 million) and Tranche B was prepaid for a total of NIS38 million (approximately $10 million).

In May 2017, Tranche B was prepaid for a total of NIS23 million (approximately $7 million).

Note 16 – Loans and Debentures (Cont'd)

Debentures

G. In May, 2017, OPC issued Bonds (Series A) to classified investors under a private placement, which were listed for trade on the Institutional Continuous Trading Platform. The bonds, with a par value of NIS 320 million ($92 million), bear annual interest at the rate of 4.95% and are redeemable, principal and interest, every six months, commencing on June 30, 2018 (on June 30th and December 30th of every calendar year) through December 30, 2030. Under the terms, the interest on the bonds will be reduced by 0.5% in the event of their listing for trade on the main list of the TASE. The bonds have received a rating of A3 from Midroog and A- from S&P Global Ratings Maalot Ltd. (hereinafter -– "Maalot").

On August 20, 2017, OPC listed the bonds for trade in the stock exchange under an issuance and the listing of its shares for trade and accordingly, from that date, interest on the bonds (series A) was reduced by 0.5% and is 4.45% per year.

According to the trust deed from May 2017, OPC has registered, in favor of the trustee on behalf of the bond holders, a first-ranking floating charge, unlimited in amount, on all of its assets. The floating charge will not preclude OPC from pledging specific assets and the performance of other asset dispositions by OPC.

Additionally, OPC has created a reserve for the servicing of the debt, out of the issuance consideration, in the amount of 12 months of interest up to the commencement of repayment of the principal of the bonds, and will pay 12 months of principal and interest payments subsequent to the commencement of the bonds' principal repayment. The trust account in which the reserve was deposited will be pledged in favor of the trustee on behalf of the bond holders. As of December 31, 2017, the deposit for the debt service fund amounts to NIS 18 million ($5 million) and is presented in the Statement of Financial Position under "Deposits, loans and other receivables".

The trust deed contains customary clauses for calling for the immediate redemption of the bonds, including events of breach, insolvency, liquidation proceedings, receivership, stay of proceedings and creditors' arrangements, certain types of restructuring, material downturn in the position of OPC. The right to call for immediate redemption also arises upon: (1) the occurrence of certain events of loss of control by Kenon; (2) the call for immediate repayment of other debts (or guarantees) of the Company or of Hadera or Rotem in certain predefined minimum amounts; (3) a change in the area of operation of OPC such that OPC's main area of activity is not in the energy sector in Israel, including electricity generation in power plants and with renewable energy sources; (4) in the event that a rating is discontinued over a certain period of time, and the rating of the bond falls below the level of Baa3 (or BBB); and (5) in the event of suspending trading for a certain time period if the bonds are listed for trade on the main list of the Stock Exchange. All of such conditions, pursuant to the terms set out in the trust deed.

Furthermore, the trust deed includes an undertaking by OPC to comply with covenants on the basis of its stand-alone financial statements: debt coverage ratio of at least 1.05 (to be reviewed commencing in the financial statements as at June 30, 2018), minimum equity of NIS 80,000,000, and an equity-to-balance sheet ratio of at least 12.5%. As at December 31, 2017, the equity attributed to OPC's shareholders amounted to approx. NIS 600 thousand and the equity-to-balance sheet ratio was 65%.

The trust deed also includes an undertaking by OPC to monitor the rating by a rating agency and for mandatory early redemption in the event of the sale of means of control in Rotem and Hadera.

Additionally, restrictions imposed on distributions, provision of loans to related parties and repayment of loans to related parties, are included as set forth in the trust deed, including compliance with certain covenants.

The terms of the bonds also provide for the possible raising of the interest rate in certain cases of lowering the rating, in certain cases of breach of financial covenants, and in certain cases of use of the reserve for servicing the debt where the reserve is not sufficiently funded within the time frame that is set forth in the trust deed. The ability of OPC to expand the series of the bonds has been limited under certain circumstances, including maintaining the rating of the bonds at its level shortly prior to the expansion of the series and the lack of breach. Additionally, should OPC raise additional bonds that are not secured (or that are secured with a pari passu ranking floating charge), these will not have preference over the bonds (Series A) upon liquidation.

H. As at December 31, 2017, the main covenants that certain Group entities must comply with during the term of the debts were as follows:

	Covenant
Group entities	**Debt service to coverage ratio**
OPC Rotem	Not less than 1.25

Compliance with the covenants referred to above is overseen by OPC's management. As of December 31, 2017 OPC complied with all the covenants mentioned above.

Note 17 – Trade Payables

	As at December 31	
	2017	2016
	$ thousands	
Current		
Trade Payables	36,994	264,720
Accrued expenses and other payables	21,901	20,892
	58,895	285,612
Non-current		
Trade Payables*	-	44,057

(*) As of December 31, 2016, non-current trade payables correspond mainly to spare parts, used for major maintenance of facilities of discontinued operations, acquired according to a long-term program (LTP) agreement signed with Siemens. During 2016, these trade payables have not generated interests and no specific guarantee have been granted.

Note 18 – Other Payables including Derivative Instruments

	As at December 31	
	2017	2016
	$ thousands	
Current liabilities:		
Financial derivatives not used for hedging	73	783
Financial derivatives used for hedging	439	11,563
The State of Israel and government agencies	1,208	4,206
Employees and payroll-related agencies	179	4,846
Customer advances and deferred income	-	944
Accrued expenses	14,915	23,563
Dividend payable to non-controlling interest	-	2,893
Interest payable	21	23,038
Transaction costs on sale of subsidiaries	59,000	-
Other	6,687	19,467
	82,522	91,303
Non-current liabilities:		
Financial derivatives not used for hedging	-	1,342
Financial derivatives used for hedging	-	13,701
Other financial derivatives	-	29,594
	-	44,637

Note 19 - Guarantee Deposits from Customers

Deposits in cash are received from distribution customers. These deposits bear interest at a weighted average interest rate published by the Guatemalan Central Bank and are refundable to clients when they cease using the electric energy service. Such deposits relate to the power distribution business sold to ISQ in December 2017.

Note 20 – Provisions

	Financial Guarantee*	Others	Total	Financial Guarantee*	Others**	Total
	2017			2016		
	$ thousands			$ thousands		
Balance at January, 1	118,763	768	119,531	-	41,686	41,686
Reclassified from long-term liabilities	-	-	-	34,263	-	34,263
Provision made during the year	-	-	-	130,193	-	130,193
Provision reversed to profit/(loss) during the year	-	-	-	(4,587)	-	(4,587)
Provision paid/ released	(74,421)	(768)	(75,189)	(36,023)	(40,170)	(76,193)
Effects of foreign currency	-	-	-	(5,083)	(748)	(5,831)
Balance at December, 31	44,342	-	44,342	118,763	768	119,531

* Relates to Kenon's provision of financial guarantees to Chery in respect of an obligation of Qoros (see Note 10.C.b.7).

** Corresponds to a provision made by an I.C. Power's subsidiary as a result of a regulator charge. Expenses related to this provision were recognized in the cost of sales in the amount of $15 million in 2015.

Note 21 – Contingent Liabilities, Commitments and Concessions

A. Claims

I.C. Power

a. OPC Rotem – Tamar

In July 2013, the EA published four generation component tariffs/power cost indicators, ranging from NIS 386 per megawatt hour, or MWh, to NIS 333.2 per MWh, instead of the single tariff that had previously been used. In January 2015, the EA published new tariffs, which 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 Partner, OPC and the Tamar Partners disagreed as to which of the EA's July 2013 tariffs applied to the Tamar's supply agreement and have a similar disagreement with respect to the tariffs published in January 2015. Subsequent to the period of the report, on February 2, 2017, OPC received a letter from Tamar's attorney claiming a debt of $ 24.6 million (including accrued interest) and requesting that such amount be deposited in escrow pursuant to the GSPA. Based on the OPC's legal consultant's opinion it is not more likely than not that OPC will pay this claim and therefore no provision was included in the financial statements.

On June 21, 2017, the Tamar Partners filed a request for arbitration against OPC Rotem in accordance with the gas supply agreement. On July 20, 2017, OPC Rotem submitted its response to such request, rejecting the arguments of Tamar Partners and requesting (i) that it be determined that the relevant tariff in connection with the price of gas for the period in dispute is NIS 333.2 per MWh; (ii) that the amount deposited in escrow, plus the gains accrued thereon, should be released immediately; and (iii) that Tamar Partners bear OPC Rotem's arbitration expenses. As at December 31, 2017, OPC Rotem has classified the amount deposited in escrow as non-current assets, since it is it is unable to assess whether this amount will be returned within the following 12 months.

b. ORL Claim

In November 2017, a request was filed with the Tel Aviv-Jaffa District Court to approve a derivative claim on behalf of Oil Refineries Ltd. ("ORL"). The request is based on the petitioner's contention that the undertaking in the electricity purchase transaction between ORL and OPC-Rotem is an extraordinary interested party transaction that did not receive the approval of the general assembly of ORL shareholders on the relevant dates. The respondents to the request include ORL, Rotem, the Israel Corporation Ltd. and the members of ORL's Board of Directors at the time of entering into the electricity purchase transaction. The requested remedies include remedies such as a "do" order and financial remedies. OPC is studying the request and will respond to it as part of the legal process. OPC and its legal advisors are unable to assess the chances of the receipt of the request, the claim and the expectation of a negative cash flow. Therefore no provision was included in the financial statements.

B. Commitments

I.C. Power

(a) IC Power Asia Development Ltd ("ICPAD")

As of December 31, 2017, ICPAD has issued guarantees for a total amount of $44 million, as follows:

Guarantee party	Description	In thousands of NIS	In thousands of $	Cash Collateral in thousands of $
Advanced Integrated Energy Ltd	IDOM - EPC Agreement	—	10,500	—
Advanced Integrated Energy Ltd	GE - CSA Agreement	—	21,000	—
OPC Rotem Ltd.	Facility agreement	45,000	12,980	6,505

Note 21 – Contingent Liabilities, Commitments and Concessions (Cont'd)

(b) OPC Rotem, Israel

Power Purchase Agreements (PPA)

On November 2, 2009, OPC signed a 20 year power purchase agreement ("the PPA") with Israel Electric Company Ltd. ("IEC") to purchase capacity and energy from OPC over a period of twenty (20) years from the commencement date of commercial operation ("COD") of the plant. The PPA is a "capacity and energy" agreement, meaning, a right of OPC Rotem 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.

PPA with end users

The PPA with IEC provides OPC Rotem with the option to allocate and sell the generated electricity of the power station directly to end users. OPC Rotem 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 set based on the 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 Electricity Authority (EA, previously name PUA) and are updated from time to time.

If the consideration is less than a minimum tariff of the generation component, the Company has the right to terminate the agreements.

The agreements guaranty a certain level of availability of the power plant below which, customers are entitled to compensation.

Natural supply gas agreement

On November 25, 2012, OPC Rotem signed an agreement with Noble Energy Mediterranean Ltd., Delek Drilling Limited Partnership, Isramco 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: June 2029 or until OPC Rotem 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 two additional years under certain conditions or until the date of consuming the total contract quantity, whichever is earlier (the "Tamar Agreement").

The price of the gas is linked to changes in the "Production Cost" Tariff, which is part of the TAOZ, and partially linked to the USD representative exchange rate, and includes "a floor price". According to the Agreement, OPC Rotem shall purchase natural gas with a total contractual quantity of 10.6 BCM (billions of cubic meters). OPC Rotem 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. The agreement between Tamar and OPC Rotem allows cutting back the supply of gas to OPC Rotem during the "interim period" in the event of gas shortage and gives preference in such scenario to certain customers of Tamar Partners over OPC Rotem.

During the years 2015 and 2016, the EA updated the generation component of the TAOZ. This tariff is used to determine the price calculation between the OPC Rotem and the end users, and for the natural gas price indexation. As a result of these adjustments, the generation component was reduced in about 10% starting February 2015 and in about 5% starting September 13, 2015. A decline in generation component will result in a corresponding decline in the rates OPC Rotem charges its customers and, accordingly, its revenues. In December 2016, the EA published its decision regarding an update of the generation component of the TAOZ, which became effective on January 1, 2017, and further reduced the generation component tariff by approximately 0.5% from NIS 265.2 per MWh to NIS 264 per MWh (as opposed to the 8% reduction that was initially proposed in the October 2016 EA draft decision). However, as part of the December 2016 EA decision, TAOZ was also adjusted to reflect a decrease in certain payments made by IPPs to the IEC. As a result of such adjustment, OPC Rotem's tariffs effectively increased by approximately 2% (despite the 0.5% reduction in the generation component tariff).

On January 8, 2018, the EA published a resolution which entered into force and effect on January 15, 2018, regarding the update of tariffs for 2018 ("2018 Tariff Update"), in which the rate of the production component was raised by 6.7% from NIS 265 per MWh to NIS 281.6 per MWh. As a result the 2018 Tariff Update, OPC Rotem may pay a price that is higher than the minimum price stipulated in their gas agreements.

Note 21 – Contingent Liabilities, Commitments and Concessions (Cont'd)

(b) OPC Rotem, Israel (cont´d)

System Management Charges

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, the amount of system management service charges that would be payable by OPC Rotem from the effective date of June 1, 2013 to June 30, 2015, was approximately NIS 159 million (approximately $41 million), excluding interest rate and linkage costs, 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), IEC's final calculation of the amount payable by OPC Rotem was 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. In December 2015, OPC Rotem received an invoice from IEC (in its capacity as the system manager) regarding the NIS 162.6 million (approximately $41.6 million) amount of system management service charges that would be payable by OPC Rotem for such period, including interest rate and linkage costs.

In February 2016, OPC Rotem paid NIS154 million (approximately $40 million) to IEC in satisfaction of this amount (excluding the interest rate, and linkage costs). In August 2016, the EA published a decision to change the method of calculation of the interest rate and to reduce the interest rate payable by IPPs (including OPC Rotem) with respect to system management service charges payable by them from the effective date of June 1, 2013 to September 13, 2015 (amounting to approximately 2.5% of the total amounts payable by IPPs in respect of the system management charges). As a result of the resolution, the system management cost provision was updated to a total amount of NIS 3 million ($768 thousand). As of December 31, 2017, OPC Rotem paid the accrued balance.

(c) OPC Hadera, Israel

Power and Steam Purchase Agreement ("PSPA")

On August 10, 2015, OPC Hadera and Hadera Paper entered into two agreements for the supply of electricity and steam to Hadera Paper's facility:

- Short Term PSPA - Pursuant this agreement, OPC Hadera will supply steam and electricity until COD of the power plant, which shall be done through the existing energy center.

- Long Term PSPA – Pursuant this agreement, OPC Hadera will supply steam and electricity during the period commencing upon COD of the power plant and for a period of 18 years thereafter.

In consideration for electricity purchased under each of the PSPAs, Hadera Paper will pay an electricity tariff which is based on a certain discount in comparison with the electricity tariffs charged by the Israeli Electric Company Ltd. The steam price paid by Hadera Paper is subject to adjustment based upon Hadera Paper's annual steam consumption.

Hadera Paper is under a "take or pay" obligation (hereinafter – "the TOP") regarding a certain annual quantity of steam based on a mechanism set forth in the agreements. Under the PSPAs, OPC Hadera is obligated to certain availability with respect to the supply of electricity and steam, which obligation excludes unavailability due to events predominately not in the control of OPC Hadera. In addition, in certain circumstances, OPC Hadera may be subject to penalties in the event of delays in the COD of the power plant. OPC Hadera's liability is subject to an annual cap, as set out in the agreements.

PPA with end users

OPC Hadera completed the signing of agreements for the sale of most of the generation capacity of the power plant to end users. The agreements are for a period of 10 years, and under most of the agreements the end user has an early termination right in accordance, with the terms set forth in the agreement with right of refusal of OPC Hadera. The consideration was set based on the TAOZ rate, less a discount from the generation component.

If the consideration is less than the minimum tariff set for the generation component, OPC Hadera has the right to terminate the agreements. In addition, the agreements include compensation in the event of a delay of power plant's COD and compensation for the unavailability of the power plant below an agreed minimum level.

Note 21 – Contingent Liabilities, Commitments and Concessions (Cont'd)

(c) OPC Hadera, Israel (cont'd)

Gas Sale and Purchase Agreement ("GSPA")

On January 25, 2012, Hadera Paper entered into a gas sale and purchase agreement (hereinafter- the "GSPA") with Noble Energy Mediterranean Ltd., Delek Drilling Limited Partnership, Isramco Negev 2 Limited Partnership, Dor Gas Exploration Limited Partnership and Everest Infrastructures Limited Partnership (hereinafter- the "Tamar Partners") regarding the natural gas supply to Hadera Paper's existing gas consuming facilities (i.e. the Energy Center) as well as the additional capacity of the power plant under construction. The agreement was amended on October 16, 2012. On August 10, 2015, the GSPA was assigned to OPC Hadera pursuant to the terms of the share purchase agreement. The GSPA will terminate upon the earlier of 15 years following the commencement of supply from the Tamar reservoir (April 2013) or until the date of consuming the total contract quantity (118,000,000 MMBTU). In addition, both parties have an option to extend the GSPA by up to two years in the event the total contract quantity was not yet consumed by the end of the GSPA term.

The price of the gas is linked to the weighted average generation cost tariff, published by the EA, and includes a "floor price". In addition, the GSPA includes the TOP regarding a certain annual quantity of natural gas based on a mechanism set forth in the GSPA.

In addition, on September 6, 2016, OPC Hadera and the Tamar Partners entered into an additional GSPA ("Additional GSPA") for the supply of additional quantities of natural gas (in addition to the original GSPA) as of the commissioning of the intended power plant.

The additional GSPA will terminate upon the earlier of 15 years following the completion of the commissioning of the power plant (which shall be concluded by no later than March 31, 2019) or until the date of consuming the total contract quantity (68,000,000 MMBTU, which shall be adjusted if and when the additional GSPA were to become on a firm supply basis). In addition, both parties have an option to extend the term of the additional GSPA by up to three years in the event the total contract quantity was not yet consumed by the end of the additional GSPA term.

The price of the gas is linked to the weighted average generation cost tariff, published by the EA, and includes a "floor price."

As a part of Tamar Agreement with OPC Hadera, OPC Hadera has provided bank guarantees in the amount of $6 million (approximately NIS 21 million) in favor of Tamar Partners in connection with OPC Hadera's undertaking under this agreement.

Israel Natural Gas Lines Ltd. Agreement for the Transmission of Natural Gas

On July 11, 2007, Hadera Paper signed a gas transmission agreement with Israel Natural Gas Lines Ltd. (hereinafter- "INGL"), which was assigned to OPC Hadera on August 10, 2015, in accordance to the SPA. The agreement as amended on June 7, 2013 and March 31, 2015 is extended until July 14, 2018 and governs the transmission of natural gas to the Energy Center. The agreement was further extended and modified by a third amendment on December 28, 2015 which facilitates transmission of natural gas to the power plant, by means of the construction and installation of a new pressure regulation and measurement (PRMS) station, and includes additional commercial terms. The duration of the agreement, as modified by the third amendment, shall be 16 years from an agreed upon "start date" with an option for extension. The "start date" in accordance with the third amendment, will occur within a window of time as stipulated in the agreement. Such window may be postponed due to reasons attributable to changes in specifications of the PRMS or to the land on which the PRMS is to be constructed.

As part of the agreement, OPC Hadera extended to INGL a bank guarantee in the amount of approximately NIS 296 thousand (approximately $85 thousand) linked to the CPI in connection with OPC Hadera's monthly payment commitment pursuant to the agreement, which replaces the original guarantee provided by the Company.

In addition, the OPC Hadera provided a CPI-linked corporate guarantee in an amount equal to NIS 4 million (approximately $1 million) in connection with the undertaking to construct the new PRMS facility for OPC Hadera under the agreement.

Gas Sale Agreement with Oil Refineries Ltd. ("ORL")

On December 23, 2015, OPC Hadera contracted with ORL for the sale of surplus gas quantities supplied to it pursuant to the Tamar agreement. The agreement is for a period of three years from January 1, 2016, with an option for extension of such period as well as early termination rights. In addition, ORL is under the TOP obligation regarding a certain annual quantity of natural gas based on a mechanism set forth in the agreement. OPC Hadera has an option to stop selling gas if it reaches the commercial operation earlier than expected or in February 2018 with prior written notice.

Note 21 – Contingent Liabilities, Commitments and Concessions (Cont'd)

(c) OPC Hadera, Israel (cont'd)

IDOM Servicios Integrados

On January 21, 2016, an agreement was signed between OPC Hadera and SerIDOM Servicios Integrados IDOM, S.A.U (hereinafter - "IDOM"), for the design, engineering, procurement and construction of a cogeneration power plant in consideration of approximately $156 million (including additions to the Agreement that were signed at a later date), which is payable on the basis of progress and the achievement of milestones. The agreement contains a mechanism for the compensation of OPC Hadera in the event that IDOM fails to meet its contractual obligations, up to the amounts that are set forth in the agreement. IDOM has provided bank guarantees and a corporate guarantee by its parent company to secure said obligations and OPC Hadera has extended to IDOM a guarantee to secure part of OPC Hadera's liabilities.

General Electric International and GE Global Parts

On June 27, 2016, OPC Hadera entered into a long-term service agreement (hereinafter - "the Service Agreement") with General Electric International Ltd. (hereinafter - "GEI") and GE Global Parts & Products GmbH (hereinafter - "GEGPP"), pursuant to which these two companies will provide maintenance treatments for the two gas turbines of GEI, generators and auxiliary facilities of the OPC Hadera Power Plant for a period commencing on the date of commercial operation until the earlier of: (a) the date on which all of the covered units (as defined in the Service Agreement) have reach the end-date of their performance and (b) 25 years from the date of signing the Service Agreement. The cost of the service agreement amounts to $42 million when the consideration will be payable over the term of the Agreement, based on the formula prescribed therein.

The Service Agreement contains a guarantee of reliability and other obligations concerning the performance of the Power Plant and indemnification to OPC Hadera in the event of failure to meet the performance obligations. At the same time, OPC Hadera has undertaken to pay bonuses in the event of improvement in the performance of the plant as a result of the maintenance works, up to a cumulative ceiling for every inspection period. GEI provided its subsidiary with a corporate guarantee of the parent company. To secure these liabilities, IC Power Asia Development Ltd. (hereinafter ICPAD) provided GEI with a corporate guarantee to secure some of OPC Hadera's liabilities. Subsequent to the report date, in 2018, OPC Hadera assumed the corporate guarantee that was provided by ICPAD.

(d) OPC Energy Ltd., Israel

Option agreement with Hadera Paper

On April 5, 2017, OPC Energy signed an option agreement with Hadera Paper, effective from February 9, 2017, concerning the lease of an area of some 68,000 sq.m. in proximity to the Hadera Power Plant, pending the approval of the competent organs. The option period commenced on the date of signing and expires on December 31, 2022. The option period is divided into three periods for which the option fees will be payable: NIS 500 thousand (approximately $144 thousand) for 2017; NIS 1.5 million (approximately $433 thousand) for 2018; and NIS 3 million (approximately $865 thousand) for each of the years 2019 through 2022 (inclusive). As part of the agreement, OPC Energy undertakes to work to obtain statutory authorization for the construction of a power plant on the leased area and to pursue the advancement and approval of the statutory plan within the option period. OPC Energy may terminate the option agreement with an advance notice of 14 days during the first option period (i.e. until December 31, 2017).

Additionally, OPC Energy is required to notify, at least 90 days prior to the end of each option year, of its intention to extent the option for an additional year. Otherwise, the option will expire at the end of the same year. According to the agreement, the option will expire if the National Infrastructure Committee refuses to approve the statutory plan and OPC Energy will not initiate legal proceedings in connection with such refusal. The agreement also prescribes the principles of the lease agreement that would be signed subject to the exercise of the option and stipulates that the option will expire if, at the end of 120 days of the date of signing of the option agreement, the parties fail to agree on the wording of the lease agreement. According to the principles that are set forth in the option agreement in relation to the lease agreement, the lease period will be 25 years less one month, starting on the handing over of possession in the leasehold (i.e. the date of exercising the option) or on the date of commencement of commercial operation, as set forth in the agreement, with an option to extend the engagement. It is further stipulated that the lease agreement will not include a liability limit and that OPC Energy will bear all fees, taxes and payments that are imposed in respect of the construction of a power plant on the leasehold.

Note 21 – Contingent Liabilities, Commitments and Concessions (Cont'd)

(d) OPC Energy Ltd., Israel (cont'd)

Zomet Energy Ltd.

On April 6, 2017, OPC Energy (formerly IC Power Israel) entered into a series of agreements to acquire 95% of the shares of Zomet Energy Ltd. (Zomet) from Ipswich Holdings Netherlands B.V. (47.5%) and Rapac Energy Ltd. (47.5%), and an agreement with Methy Invest S.A. (Methy) for the waiver of its rights in connection with the shares of Ipswich and Rapac. Zomet holds the rights to develop a natural gas fired power station at Plugot Junction (Israel) with an estimated capacity of approximately 396 MW, and the land rights and statutory approvals.

The total transaction consideration under the aforesaid agreements is expected to aggregate approximately $24 million, subject to adjustments pertaining to the volume of the Zomet Project and subject to the payment milestones that are stipulated in the agreement.

On August 7, 2017, OPC Energy received a letter from the Israel Antitrust Authority and the Chairman of the Committee for the Reduction of Concentration ("the Concentration Committee"), addressed to the Electricity Authority, stating that the Concentration Committee recommends not to grant a conditional license for the Zomet project.

Negotiations were held between OPC Energy and the Concentration Committee, including Kenon and interested parties therein. As of the date of this report, the decision of the Concentration Committee is pending and there is no certainty that its decision will permit the completion of the transaction.

In March 2018, OPC completed the acquisition of 95% of the shares of Zomet Energy, although Zomet still requires the necessary regulatory approvals, the approval for a new conditional licenses for electricity generation of the Electricity Authority and the approval of the Anti-Trust Commissioner.

(e) OPC Rotem and OPC Hadera

Energean agreement

On December 6, 2017, OPC Rotem and OPC Hadera signed an agreement with Energean Israel Ltd. (hereinafter - "Energean"), which have holdings in the Karish and Tanin gas reservoirs (hereinafter - "the gas reservoir"), subject to the fulfillment of suspending conditions). The agreements with OPC Rotem and OPC Hadera are separate and independent. According to the terms set forth in the agreements, the total quantity of natural gas that OPC Rotem and OPC Hadera are expected to purchase is about 9 BCM (for OPC Rotem and OPC Hadera together) for the entire supply period (hereinafter - the "Total Contractual Quantity"). The agreement includes, among other things, TOP mechanism under which OPC Rotem and OPC Hadera will undertake to pay for a minimum quantity of natural gas, even if they have not used it.

The agreements include additional provisions and arrangements for the purchase of natural gas, and with regard to maintenance, gas quality, limitation of liability, buyer and seller collateral, assignments and liens, dispute resolution and operational mechanisms.

The agreements are valid for 15 years from the date the agreement comes into effect or until completion of the supply of the total contractual quantity from Energean to each of the subsidiaries (OPC Rotem and OPC Hadera). According to each of the agreements, if after the elapse of 14 years from the date the agreement comes into effect, the contracting company did not take an amount equal to 90% of the total contractual quantity, subject to advance notice, each party may extend the agreement for an additional period which will begin at the end of 15 years from the date the agreement comes into effect until the earlier of: (1) completion of consumption of the total contractual quantity; or (2) at the end of 18 years from the date the agreement comes into effect. The agreement includes circumstances under which each party will be entitled to bring the relevant agreement to an end before the end of the contractual period, in case of prolonged non-supply, damage to collateral and more.

As for the consideration, the price of natural gas is based on an agreed formula, linked to the electricity generation component and includes a minimum price. The total financial volume of the agreements may reach $ 1.3 billion (assuming maximum consumption according to the agreements and according to the gas price formula as at the report date), and depends mainly on the electricity generation component and the gas consumption. On January 14, 2018, the agreement was approved by OPC Energy's shareholders.

(f) Inkia Energy Limited

Under the share purchase agreement, our subsidiary Inkia has agreed to indemnify the buyer and its successors, permitted assigns, and affiliates against certain losses arising from a breach of Inkia's representations and warranties and certain tax matters, subject to

certain time and monetary limits depending on the particular indemnity obligation. These indemnification obligations are supported by (a) a three-year pledge of shares of OPC which represent 25% of OPC's outstanding shares, (b) a deferral of $175 million of the purchase price in the form of a four-year $175 million Deferred Payment Agreement, accruing interest at 8% per year and payable in-kind, and (c) a three-year corporate guarantee from Kenon for all of the Inkia's indemnification obligations.

Note 22 – Share Capital and Reserves

A. Share Capital

	Company No. of shares ('000)	
	2017	**2016**
Authorised and in issue at January, 1	53,720	53,694
Authorised and in issued as part of the spin-off from IC	—	—
	53,720	53,694
Issued for share plan	88	26
Authorised and in issue at December. 31	53,808	53,720

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.

In 2017, 87,911 (2016: 25,692) ordinary shares were granted under the Share Incentive Plan to key management at an average price of $12.51 (2016: $9.34) per share.

Capital reduction

In December 2017, Kenon's shareholders approved a capital reduction to permit a distribution to shareholders of a portion of the proceeds received from the sale of Kenon's Latin American and Caribbean power generation and distribution businesses (the "Sale"). The capital reduction of up to $750 million was approved by the High Court of the Republic of Singapore on February 20, 2018. Kenon's Board of Directors considered a number of factors in determining the amount of the distribution, including the amount of proceeds from the Sale remaining after the repayment of debt, the payment of tax and other expenses, and Kenon's anticipated cash needs after the distribution.

On March 22, 2018, Kenon distributed an aggregate amount of $665 million, or $12.35 per share, to Kenon's shareholders. The share capital and total equity of Kenon will be reduced by $665 million in 2018. Following Kenon's payment of the distribution, repayment of debt, payment of tax and other expenses, Kenon will retain cash in excess of $50 million at the holding company level (see Note 33.1.A).

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 fair value of the shares granted in 2017 is $1 million (2016: $240 thousand, 2015: $ 940 thousand) and was determined based on the fair value of Kenon's shares on the grant date. Kenon recognized $508 thousand as general and administrative expenses in 2017 (2016: $547 thousand, 2015: $566 thousand).

Note 23 – OPC Energy Ltd's Initial Public Offering

On August 10, 2017, OPC Energy Ltd ("OPC") completed the issuance of 31,866,700 ordinary shares on the Tel Aviv Stock Exchange to the public at a price of NIS 12.5 per share (approximately US$ 3.47 per share). The proceeds of the issuance amount to approximately NIS 399 million (approximately $ 111 million), net of issuance costs of NIS 39 million (approximately $11 million). After the completion of the issuance, the public holds 24.2% of OPC's shares, while the Group's equity interest was diluted to 75.8% of the total issued shares of OPC. As a result of the dilution, the Group, registered $57 million, net of capital reserves realization, in equity attributable to equity holders and $42 million in non-controlling interest.

Note 24 – Cost of Sales and Services

	For the Year Ended December 31		
	2017	2016*	2015*
	$ thousands		
Capacity and energy purchases and transmission costs	50,973	57,310	93,196
Fuel, gas and lubricants	137,832	133,012	142,967
Payroll and related expenses	6,269	5,942	4,325
Regulatory expenses	62,908	48,509	-
Third party services	2,670	2,890	-
Other	6,484	4,003	4,328
	267,136	251,666	244,816

* Restated (See note 2.E)

Note 25 – Selling, General and Administrative Expenses

	For the Year Ended December 31		
	2017	2016*	2015*
	$ thousands		
Payroll and related expenses	21,380	14,830	17,085
Depreciation and amortization	691	641	817
Professional fees	20,334	23,863	9,576
Other expenses	13,887	7,761	22,248
	56,292	47,095	49,726

* Restated (See note 2.E)

Note 26 – Financing Income (Expenses), Net

	For the Year Ended December 31		
	2017	2016	2015
	$ thousands		
Financing income			
Interest income from bank deposits	640	2,269	4,772
Net change from change in exchange rates	2,259	5,448	521
Net changes in fair value of Tower options series 9	-	-	2,119
Net change in fair value of derivative financial instruments	-	6	2,720
Other income	5	1	589
Financing income	2,904	7,724	10,721
Financing expenses			
Interest expenses to banks and others	(59,514)	(45,317)	(34,378)
Net change from change in exchange rates	-	-	(648)
Net change in fair value of derivative financial instruments	(1,168)	-	-
Other expenses	(9,484)	(1,959)	(1,368)
Financing expenses	(70,166)	(47,276)	(36,394)
Net financing expenses recognized in the statement of profit and loss	(67,262)	(39,552)	(25,673)

Note 27 – Income Taxes

A. Components of the Income Taxes

	For the Year Ended December 31		
	2017	2016	2015
		$ thousands	
Current taxes on income			
In respect of current year*	64,291	1,687	25
In respect of prior years	44	92	(294)
Deferred tax income			
Creation and reversal of temporary differences	8,474	473	9,312
Total taxes on income	72,809	2,252	9,043

No previously unrecognized tax benefits were used in 2015, 2016 or 2017 to reduce our current tax expense.

* Current taxes on income for the current year includes $61 million taxes payable in connection with a planned restructuring to simplify the holding structure of some of the companies remaining in the Kenon group subsequent to the Inkia transaction. As a result of this restructuring (which was substantially completed in January 2018), Kenon will hold its interest in OPC directly. Kenon does not expect any further tax liability in relation to any future sales of its interest in OPC.

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		
	2017	2016	2015
		$ thousands	
(Loss)/profit from continuing operations before income taxes	(135,636)	(426,900)	32,154
Statutory tax rate	17.00%	17.00%	17.00%
Tax computed at the statutory tax rate	(23,058)	(72,573)	5,466
Increase (decrease) in tax in respect of:			
Elimination of tax calculated in respect of the Group's share in losses of associated companies	20,924	31,651	18,880
Income subject to tax at a different tax rate	63,446	(2,548)	7,218
Non-deductible expenses	12,850	41,960	3,944
Exempt income	(7,006)	-	(35,651)
Taxes in respect of prior years	44	92	(294)
Impact of change in tax rate	-	-	-
Changes in temporary differences in respect of which deferred taxes are not recognized	4,285	1,419	580
Tax losses and other tax benefits for the period regarding which deferred taxes were not recorded	350	2,449	8,335
Differences between the measurement base of income reported for tax purposes and the income reported in the financial statements	13	-	(419)
Other differences	961	(198)	984
Taxes on income included in the statement of profit and loss	72,809	2,252	9,043

Note 27 – Income Taxes (Cont'd)

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.

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	Other*	Total
			$ thousands		
Balance of deferred tax asset (liability) as at January 1, 2016	(123,968)	601	61,943	(73,966)	(135,390)
Changes recorded on the statement of profit and loss	(48,212)	286	28,014	1,741	(18,171)
Changes recorded to equity reserve	—	61	—	(5,249)	(5,188)
Translation differences	(1,495)	15	398	791	(291)
Impact of change in tax rate	7,638	—	(5,620)	(8,875)	(6,857)
Changes in respect of business combinations	(41,456)	748	—	6,355	(34,353)
Balance of deferred tax asset (liability) as at December 31, 2016	(207,493)	1,711	84,735	(79,203)	(200,250)
Changes recorded on the statement of profit and loss	(13,940)	(1,097)	(13,919)	15,845	(13,111)
Changes recorded to equity reserve	-	882	-	(7,024)	(6,142)
Translation differences	(10,046)	24	4,397	1,253	(4,372)
Impact of change in tax rate	575	-	-	-	575
Sale of subsidiaries	140,736	(1,520)	(39,764)	71,095	170,547
Balance of deferred tax asset (liability) as at December 31, 2017	(90,168)	-	35,449	1,966	(52,753)

* This amount includes deferred tax arising from derivative instruments, intangibles, undistributed profits, non-monetary items and trade receivables distribution.

2. The deferred taxes are presented in the statements of financial position as follows:

	As at December 31	
	2017	2016
	$ thousands	
As part of non-current assets	-	25,104
As part of non-current liabilities	(52,753)	(225,354)
	(52,753)	(200,250)

Income tax rate in Israel is 24%, 25% and 26.5% for the years ended December 31, 2017 and December 31, 2016 and 2015, respectively.

On January 4, 2016, Amendment 216 to the Income Tax Ordinance (New Version) – 1961 (hereinafter – "the Ordinance") was passed in the Knesset. As part of the amendment, OPC's and Hadera's income tax rate was reduced by 1.5% to a rate of 25% as from 2016. Furthermore, on December 22, 2016 the Knesset plenum passed the Economic Efficiency Law (Legislative Amendments for Achieving Budget Objectives in the Years 2017 and 2018) – 2016, by which, inter alia, the corporate tax rate would be reduced from 25% to 23% in two steps. The first step will be to a rate of 24% as from January 2017 and the second step will be to a rate of 23% as from January 2018.

As a result of reducing the tax rate to 25%, the deferred tax balances as at January 4, 2016 were calculated according to the new tax rate specified in the Law for the Amendment of the Income Tax Ordinance, at the tax rate expected to apply on the reversal date.

Note 27 – Income Taxes (Cont'd)

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.

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.

Extension of safe habour under Singapore Budget 2016

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 (extended from May 31, 2017 to 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.

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 16. Deferred tax is recognized for temporary differences related to undistributed earnings in subsidiaries that will reverse it in the foreseeable future. During 2017, the Group recorded an expense of $3 million in relation to this timing difference ($1 million in 2016).

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 28 – 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		
	2017	**2016**	**2015**
		$ thousands	
Income/(Loss) for the year attributable to Kenon's shareholders	236,590	(411,937)	72,992
Income for the year from discontinued operations (after tax)	476,565	35,150	72,781
Less: NCI	(24,928)	(13,250)	(12,872)
Income for the year from discontinued operations (after tax) attributable to Kenon's shareholders	451,637	21,900	59,909
(Loss)/Income for the year from continuing operations attributable to Kenon's shareholders	(215,047)	(433,837)	13,083

B. Number of ordinary shares

	For the Year Ended December 31		
	2017	**2016**	**2015**
		('000)	
Weighted Average number of shares used in calculation of basic/diluted earnings per share	53,761	53,720	53,649

Note 29 – Discontinued Operations

(a) I.C. Power (Latin America businesses)

In December 2017, Inkia, a wholly-owned subsidiary of IC Power completed the sale of its Latin American and Caribbean businesses to ISQ, an infrastructure private equity firm.

The sale generated proceeds of approximately $1,332 million consisting of $1,110 million proceeds paid by ISQ plus retained unconsolidated cash at Inkia of $222 million. This reflects the base purchase price of $1,177 million after certain adjustments, including estimated working capital, debt and cash at closing. The purchase price is subject to adjustments, including a final adjustment based on actual working capital, debt and cash amounts as of the closing date.

As part of the transaction, ISQ have assumed Inkia's $600 million of bonds, which were issued in November and December 2017.

At the date of closing, ISQ paid $935 million and entered into a four year $175 million deferred payment obligation accruing 8% interest payable in kind.

In addition, Kenon's subsidiaries is entitled to receive certain payments from ISQ in connection with certain insurance and other claims held by companies within the Inkia's businesses. Included in the financials for FY2017, is $12 million that has been recognized in discontinued operations.

Set forth below are the results attributable to the discontinued operations

	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
		$ thousands	
Revenue	1,777,232	1,517,391	962,677
Cost of sales and services (excluding depreciation and amortization)	(1,235,214)	(1,076,563)	(620,180)
Depreciation and amortization	(135,733)	(132,998)	(85,482)
Gross profit	406,285	307,830	257,015
Income before taxes on income	152,280	92,233	126,116
Taxes on income	(73,141)	(57,083)	(53,335)
Income after taxes on income	79,139	35,150	72,781
Gain on sale of discontinued operations	529,923	-	-
Tax on gain on sale of discontinued operations	(132,497)	-	-
Income from discontinued operations	476,565	35,150	72,781
Net cash flows provided by operating activities	319,637	176,515	229,757
Net cash flows provided by/(used in) investing activities	816,544	(300,833)	(637,994)
Net cash flows (used in)/provided by financing activities	(103,524)	25,308	163,714
Cash and cash equivalents provided by/(used in) discontinued operations	1,032,657	(99,010)	(244,523)

Property, plant and equipment	2,937,005
Goodwill and intangible assets	357,835
Investments in associated companies	9,155
Deferred taxes, net	25,450
Income tax receivable	112,457
Trade and other receivables	379,143
Inventories	91,718
Cash and cash equivalents	138,708
Trade and other liabilities	(2,753,476)
Net asset	1,297,995
Consideration received, satisfied in cash	934,573
Transaction costs	(3,280)
Cash and cash equivalents disposed off	(138,708)
Net cash inflow	792,585

Note 30 – Segment, Customer and Geographic Information

A. General

The following summary describes the Group's reportable segments in 2017:

1. **OPC –** OPC Energy Ltd operates in the Israeli electricity generation sector, including the initiation, development, construction and operation of power plants and the sale and supply of electricity.

2. **Qoros Automotive** – A China-based automotive company that is jointly-owned with a subsidiary of Wuhu Chery, a state controlled holding enterprise and large Chinese automobile manufacturing company.

In addition to the segments detailed above, the Group has other activities, such as the discontinued power businesses in Latin America and Caribbean, container shipping services and renewable energy businesses categorized as Others.

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.

There were no intersegment sales in 2017, 2016 and 2015.

B. Information regarding reportable segments

Financial information of the reportable segments is set forth in the following table.

	OPC	Qoros*	Other	Adjustments	Total
			$ thousands		
2017					
Total sales	365,395	-	309	-	365,704
Income/(loss) before taxes	22,708	(121,198)	(37,146)	-	(135,636)
Income Taxes	(8,945)	-	(63,864)	-	(72,809)
Income/(loss) from continuing operations	13,763	(121,198)	(101,010)	-	(208,445)
Depreciation and amortization	30,102	-	692	-	30,794
Financing income	(1,088)	-	(13,230)	11,414	(2,904)
Financing expenses	33,753	-	47,827	(11,414)	70,166
Other items:					
Share in losses/(income) of associated companies	-	121,198	(10,533)	-	110,665
Write back of impairment of investments	-	-	(28,758)	-	(28,758)
	62,767	121,198	(4,002)	-	179,963
Adjusted EBITDA	85,475	-	(41,148)	-	44,327
Segment assets	939,809	-	1,464,354	-	2,404,163
Investments in associated companies	-	1,694	120,000	-	121,694
					2,525,857
Segment liabilities	742,692	-	731,818	-	1,474,510
Capital expenditure	109,226	-	121,245	-	230,471

* Associated Company – See Note 10.A.2 and 10.C.b.

Note 30 – Segment, Customer and Geographic Information (Cont'd)

	OPC	Qoros*	Other	Adjustments	Total
			$ thousands		
2016					
Total sales	324,188	-	65	-	324,253
Income/(loss) before taxes	20,450	(142,534)	(304,816)	-	(426,900)
Income Taxes	(67)	-	(2,185)	-	(2,252)
Income/(loss) from continuing operations	20,383	(142,534)	(307,001)	-	(429,152)
Depreciation and amortization	26,697	-	589	-	27,286
Financing income	(2,988)	-	(17,081)	12,345	(7,724)
Financing expenses	22,838	-	36,783	(12,345)	47,276
Other items:					
Share in losses/(income) of associated companies	-	142,534	43,681	-	186,215
Provision of financial guarantee	-	-	130,193	-	130,193
Impairment of investments	-	-	72,263	-	72,263
	46,547	142,534	266,428	-	455,509
Adjusted EBITDA	66,997	-	(38,388)	-	28,609
Segment assets	667,631	-	4,261,929	-	4,929,560
Investments in associated companies	-	117,593	90,640	-	208,233
					5,137,793
Segment liabilities	533,684	-	3,709,905	-	4,243,589
Capital expenditure	72,540	-	245,313	-	317,853

* Associated Company – See Note 10.A.2 and 10.C.b.

	OPC	Qoros*	Other	Adjustments	Total
			$ thousands		
2015					
Total sales	325,570	-	329	-	325,899
Income/(loss) before taxes	29,975	(196,223)	198,402	-	32,154
Income Taxes	(8,151)	-	(892)	-	(9,043)
Income/(loss) from continuing operations	21,824	(196,223)	197,510	-	23,111
Depreciation and amortization	25,435	-	1,605	-	27,040
Financing income	(3,140)	-	(7,581)	-	(10,721)
Financing expenses	26,315	-	10,079	-	36,394
Other items:					
Share in losses/(income) of associated companies	-	196,223	(9,190)	-	187,033
Gain from distribution of dividend in kind	-	-	(209,710)	-	(209,710)
Asset impairment	-	-	6,541	-	6,541
	48,610	196,223	(208,256)	-	36,577
Adjusted EBITDA	78,585	-	(9,854)	-	68,731
Segment assets	810,551	-	3,303,204	-	4,113,755
Investments in associated companies	-	158,729	210,293	-	369,022
					4,482,777
Segment liabilities	676,832	-	2,542,390	-	3,219,222
Capital expenditure	18,273	-	556,116	-	574,389

* Associated Company – See Note 10.A.2 and 10.C.b.

Note 30 – Segment, Customer and Geographic Information (Cont'd)

C. Customer and Geographic Information

Major customers

Following is information on the total sales of the Group to material customers and the percentage of the Group's total revenues (in $ thousand):

Customer	2017		2016		2015	
	Total revenues	Percentage of revenues of the Group	Total revenues	Percentage of revenues of the Group	Total revenues	Percentage of revenues of the Group
Customer 1	75,735	20.71%	59,880	18.47%	70,545	21.65%
Customer 2	*	*	*	*	35,760	10.97%
Customer 3	53,605	14.66%	39,355	12.14%	43,904	13.47%
Customer 4	50,447	13.79%	32,446	10.01%	35,650	10.94%
Customer 5	38,212	10.45%	36,391	11.22%	*	*

(*) Represents an amount less than 10% of revenues.

Information based on geographic areas

The Group's geographic revenues are as follows:

	For the year ended December 31		
	2017	2016	2015
	$ thousands		
Israel	365,395	324,188	325,570
Others	309	65	329
Total revenues	365,704	324,253	325,899

The Group's non-current assets* on the basis of geographic location:

	As at December 31	
	2017	2016
	$ thousands	
Peru	-	1,910,421
Guatemala	-	682,985
Israel	617,358	495,639
Others	447	785,033
Total non-current assets	617,805	3,874,078

* Composed of property, plant and equipment and intangible assets.

Note 31 – 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, co-CEOs, chief financial officer, general counsel and vice president of business development, are considered as key management personnel of the Company.

B. Transactions with directors and officers (Kenon's directors and officers):

B. Key management personnel compensation

	2017	2016
	$ thousands	
Short-term benefits	5,632	4,352
Share-based payments	508	547
	6,140	4,899

C. Transactions with related parties (excluding associates):

	For the year ended December 31		
	2017	2016	2015
	$ thousands		
Sales of electricity	102,443	148,119	135,655
Administrative expenses	331	614	329
Sales of gas	31,296	29,873	—
Financing expenses, net	18,444	14,475	10,716

D. Transactions with associates:

	For the year ended December 31		
	2017	2016	2015
	$ thousands		
Sales of electricity	—	—	5,115
Operating expenses	—	—	204
Other income, net	198	178	95

Note 31 – Related-party Information (Cont'd)

E. Balances with related parties:

	As at December 2017			As at December 2016		
	Ansonia	Other related parties *	Total	Ansonia	Other related parties *	Total
		$ thousands			$ thousands	
Cash and short-term deposit	—	—	—	—	2,462	2,462
Trade receivables	—	12,778	12,778	—	12,245	12,245
Loans and Other Liabilities						
In US dollar or linked thereto	75,081	242,598	317,679	45,735	222,971	268,706
Weighted-average interest rates (%)	6.00%	7.69%	7.29%	6.00%	7.24%	6.62%
Repayment years						
Current maturities	75,081	242,598		—	—	
Second year	—	—		45,735	—	
Third year	—	—		—	—	
Fourth year	—	—		—	—	
Fifth year	—	—		—	—	
Sixth year and thereafter	—	—		—	222,971	
	75,081	242,598		45,735	222,971	

* IC, Israel Chemicals Ltd ("ICL"), Oil Refineries Ltd ("ORL").

These balances relate to amounts with entities that are related to Kenon's beneficial owners.

F. Regarding the ZIM's restructuring and IC's part in the restructuring, see Note 10.C.a.

G. Regarding the convertible loan from Ansonia to Quantum, see Note 10.C.b.6.

H. Gas Sale Agreement with ORL, see Note 21.B.(c).

Note 32 – Financial Instruments

A. General

The Group has 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.

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	
	2017	2016
	$ thousands	
	Carrying amount	
Cash and cash equivalents	1,417,388	326,635
Short-term investments and deposits	7,144	89,545
Trade receivables, net	44,137	284,532
Long-term trade receivables	-	10,120
Other current assets	35,752	28,462
Deposits and other long-term receivables including derivative instruments	281,717	66,434
	1,786,138	805,728

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	
	2017	2016
	$ thousands	
Israel	44,058	34,779
South America	-	93,293
Central America	-	155,142
Other regions	79	11,438
	44,137	294,652

Note 32 – 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, 2017			As at December 31, 2016		
	For which impairment was not recorded	For which impairment was recorded		For which impairment was not recorded	For which impairment was recorded	
		Gross	Impairment		Gross	Impairment
		$ thousands			$ thousands	
Not past due	50	—	—	233,787	8	(8)
Past due up to 3 months	40,879	—	—	50,723	—	—
Past due 3 – 6 months	3,208	—	—	9,160	282	(282)
Past due 6 – 9 months	—	—	—	83	—	—
Past due 9 – 12 months	—	—	—	652	—	—
Past due more than one year	—	—	—	247	4,714	(4,714)
	44,137	—	—	294,652	5,004	(5,004)

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 its 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, 2017					
	Book value	Projected cash flows	Up to 1 year	1-2 years	2-5 years	More than 5 years
			$ thousands			
Non-derivative financial liabilities						
Loans from banks and others *	317,684	317,786	317,786	-	-	-
Trade payables	58,895	58,895	58,895	-	-	-
Other payables	77,869	77,964	77,964	-	-	-
Non-convertible debentures **	91,122	125,089	13,153	7,086	34,033	70,817
Loans from banks and others **	627,150	846,652	157,805	50,768	173,222	464,857
Liabilities in respect of financing lease	-	-	-	-	-	-
Financial guarantee ***	44,342	44,342	44,342	-	-	-
Financial liabilities – hedging instruments						
Forward exchange rate contracts	439	439	439	-	-	-
Financial liabilities not for hedging						
Derivatives on exchange rates	73	73	73	-	-	-
	1,217,574	1,471,240	670,457	57,854	207,255	535,674

* Excludes current portion of long-term liabilities.

** Includes current portion of long-term liabilities.

*** Financial Guarantees contractual period in Qoros is dependent on Qoros's timeliness to meet the obligation of current loans payable.

Note 32 – Financial Instruments (Cont'd)

	As at December 31, 2016					
	Book value	Projected cash flows	Up to 1 year	1-2 years	2-5 years	More than 5 years
	$ thousands					
Non-derivative financial liabilities						
Loans from banks and others *	213,417	219,651	219,651	-	-	-
Trade payables	285,612	285,612	285,612	-	-	-
Other payables	160,540	160,540	59,650	10,121	21,718	69,051
Non-convertible debentures **	867,287	1,190,032	58,113	57,217	616,765	457,937
Loans from banks and others **	2,143,499	2,756,851	340,684	244,508	977,251	1,194,408
Liabilities in respect of financing lease	88,169	114,069	13,013	12,171	57,432	31,453
Financial guarantee ***	118,763	118,763	118,763	-	-	-
Financial liabilities – hedging instruments						
Interest SWAP contracts	22,865	22,865	9,930	5,788	4,192	2,955
Forward exchange rate contracts	2,399	2,399	1,627	772	-	-
Financial liabilities not for hedging						
Interest SWAP contracts and options	2,125	2,125	783	570	688	84
Derivatives from debt restructure	29,594	29,594	-	29,594	-	-
	3,934,270	4,902,501	1,107,826	360,741	1,678,046	1,755,888

* 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.

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 relation to future operating expenses.

The Group is exposed to currency risk in relation to 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 32 – 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, 2017		
	Foreign currency		
	Shekel		
	Unlinked	CPI linked	Other
Non-derivative instruments			
Cash and cash equivalents	**158,679**	**—**	**18,593**
Short-term investments, deposits and loans	**60,855**	**—**	**—**
Trade receivables	**42,004**	**—**	**—**
Other receivables	**2,686**	**—**	**3,603**
Long-term deposits and loans	**25,600**	**—**	**—**
Total financial assets	**289,824**	**—**	**22,196**
Loans from banks and others	**—**	**—**	**30,308**
Trade payables	**31,286**	**—**	**86**
Other payables	**3,178**	**—**	**1,316**
Long-term loans from banks and others and debentures	**109,629**	**478,891**	**—**
Total financial liabilities	**144,093**	**478,891**	**31,710**
Total non-derivative financial instruments, net	**145,731**	**478,891**	**(9,514)**
Derivative instruments	**—**	**—**	**(439)**
Net exposure	**145,731**	**478,891**	**(9,953)**

	As at December 31, 2016		
	Foreign currency		
	Shekel		
	Unlinked	CPI linked	Other
Non-derivative instruments			
Cash and cash equivalents	**11,810**	**—**	**24,240**
Short-term investments, deposits and loans	**29,137**	**—**	**26,198**
Trade receivables	**34,779**	**—**	**172,664**
Other receivables	**665**	**—**	**6,964**
Long-term deposits and loans	**20,349**	**—**	**16,412**
Total financial assets	**96,740**	**—**	**246,478**
Loans from banks and others	**—**	**—**	**34,998**
Trade payables	**26,913**	**—**	**128,512**
Other payables	**1,093**	**1,205**	**17,266**
Long-term loans from banks and others and debentures	**444**	**416,266**	**465,262**
Total financial liabilities	**28,450**	**417,471**	**646,038**
Total non-derivative financial instruments, net	**68,290**	**(417,471)**	**(399,560)**
Derivative instruments	**—**	**—**	**(2,421)**
Net exposure	**68,290**	**(417,471)**	**(401,981)**

(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 2015.

	As at December 31, 2017			
	10% increase	5% increase	5% decrease	10% decrease
	$ thousands			
Non-derivative instruments				
Shekel/dollar	13,248	6,940	(6,940)	(13,248)
CPI	(43,536)	(22,804)	22,804	43,536
Dollar/other	(2,559)	(1,269)	1,269	2,559

	As at December 31, 2016			
	10% increase	5% increase	5% decrease	10% decrease
	$ thousands			
Non-derivative instruments				
Shekel/dollar	6,208	3,252	(3,252)	(6,208)
CPI	(37,952)	(19,880)	19,880	37,952
Dollar/other	(44,447)	(21,044)	19,037	36,332

(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 relation to 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	
	2017	2016
	Carrying amount	
	$ thousands	
Fixed rate instruments		
Financial assets	1,438,243	157,121
Financial liabilities	-	(1,530,715)
	1,438,243	(1,373,594)
Variable rate instruments		
Financial assets	-	20,167
Financial liabilities	(239,876)	(2,600,799)
	(239,876)	(2,580,632)

Note 32 – 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, 2017	
	100bp increase	100 bp decrease
	$ thousands	
Variable rate instruments	(2,399)	2,399

	As at December 31, 2016	
	100bp increase	100 bp decrease
	$ thousands	
Variable rate instruments	(25,806)	25,806

E. Fair value

(1) Fair value compared with carrying 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, 2017	
	Carrying amount	Level 2
	$ thousands	
Non-convertible debentures	91,122	105,488
Long-term loans from banks and others (excluding interests)	527,706	649,487

	As at December 31, 2016	
	Carrying amount	Level 2
	$ thousands	
Non-convertible debentures	867,287	947,786
Long-term loans from banks and others (excluding interests)	2,116,740	2,354,612

* 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 32 – 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.

	As at December 31, 2017	As at December 31, 2016
	Level 2	Level 2
	$ thousands	$ thousands
Assets		
Derivatives not used for accounting hedge (a)	1,471	3,173
	1,471	3,173
Liabilities		
Financial guarantee	-	-
Derivatives used for accounting hedge	439	25,264
Derivatives not used for accounting hedge	73	2,125
Other financial derivatives	-	29,594
	512	56,983

(a) Includes $3 million 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.

The following table shows the valuation techniques used in measuring Level 2 fair values as at December 31, 2016 and 2015, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable data	Inter-relationship between significant unobservable inputs and fair value measurement
Interest rate Swaps	The Group applies standard valuation techniques such as: *discounted cash flows* for fixed and variables coupons (estimated with forward curves) using as discounted rates the *projected LIBOR zero coupon curve*. 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

Note 33 – Subsequent Events

1. Kenon

A. Kenon distributed, by way of a capital distribution, an aggregate amount of $665 million, or $12.35 per share, to Kenon's shareholders on March 22, 2018. The share capital and total equity of Kenon will be reduced by $665 million in 2018 (See Note 22).

B. On January 2, 2018, Kenon fully repaid the loan from IC for a total amount of $242 million (including the interest accrued).

2. Qoros

A. On January 8, 2018 Kenon announced that approvals for the ownership changes in Qoros had been obtained from the relevant office of the Chinese Ministry of Commerce and the new shareholding structure was registered with the relevant regulatory authority. As a result, the Baoneng group owns 51% of Qoros, and Kenon and Chery's equity interest in Qoros is 24% and 25% respectively.

The investment is based on an RMB6.5 billion pre-investment valuation of Qoros (approximately $1 billion), excluding RMB1.89 billion (approximately $290 million) of existing shareholder loans.

The Investment Agreement provides for total funding by the Investor of RMB6.63 billion, of which RMB6.5 billion will be ultimately invested in Qoros' equity and RMB130 million (approximately $20 million) of the Investment will be paid to Kenon. In addition, Qoros will be required to repay outstanding shareholder loans to each of Kenon and Chery in the principal amount of RMB944 million (approximately $145 million).

As part of the Investment Agreement, Kenon has a put option to sell its remaining interest in Qoros to the Baoneng group for total consideration of RMB3.12 billion (approximately $480 million), exercisable in two stages. The Baoneng group has an option exercisable over the next two years to increase its stake to 67% by investing further directly into Qoros

As a result of the transaction, Kenon will recognise an estimated gain on dilution of approximately $286 million in its financial statements in the first half of 2018.

Kenon will also value its put option and record that value in its financial statements in the first quarter of 2018. The valuation of the put is in progress and no estimate can currently be given.

Any changes in the equity holdings of Qoros as among Kenon, Chery and Baoneng Group, including as a result of exercising the put option or investment right, will result in adjustments to the respective parties' pro rata obligations under the Qoros' bank guarantees and pledges.

3. IC Power

A. Overseas Investment Peru S.A.

On January 3, 2018, Overseas Investment Peru S.A. fully prepaid its $100 million loan with Credit Suisse with an original maturity in February 2019. The amount paid was $101 million, which include the capital and the interest accrued as of the date of payment.

B. OPC Hadera, Israel

On January 10, 2018, an application was filed with the Tel Aviv-Jaffa District Court for the approval of a derivative claim by a shareholder of ORL against former directors of ORL, which include OPC Energy Ltd., OPC Rotem, OPC Hadera, Israel Chemicals Ltd., as well as against the Israel Corporation Ltd.

The subject of the request is the gas purchase transactions of ORL, Israel Chemicals Ltd., OPC Rotem and OPC Hadera (hereinafter - the "Group Companies"), including their inter-company aspects, including: (1) a transaction of the Group Companies for the purchase of natural gas from Tamar Partners; and (2) transactions of the Group Companies for the purchase of natural gas from Energean.

Note 33 – Subsequent Events (Cont'd)

As for the transaction with Energean, the plaintiff contends that beyond the Group's transaction with a third party (i.e., Energean), a transaction is required among the Group Companies themselves regarding the distribution of the economic benefits achieved in the joint negotiations in a manner that suits the purchasing and bargaining power of each of the group companies.

The plaintiff contends that the alleged absence of such an inter-company transaction (or the alleged absence of a proper procedure regarding the distribution of the benefit) discriminates against ORL (the inter-company dimension is not at market conditions) and ORL does not receive its share in the economic benefits due to its large purchasing power and its contribution to the negotiations with Energean (inter alia, in view of the fact that the transaction was made at similar prices for the Group Companies.)

The main remedies for which the plaintiff is petitioning in relation to the Energean deal are a number of declarative and financial measures, and inter alia, an inter-company process that will reflect the differences in purchasing power between the companies.

With respect to the Tamar transaction, the petitioner claims that the Tamar transaction was not approved by ORL as required and additional claims regarding this transaction, including the question of its being beneficial to ORL and at market conditions; with respect to the Tamar transaction, declaratory remedies and compensatory remedies were requested from ORL and/or the refund of the amounts of the benefits that the OPC Hadera and the other parties to the transaction allegedly received, at the expense of ORL, with an additional coefficient petitioned. OPC Hadera is currently unable to determine the financial impact.

C. IC Power Asia Development Ltd. ("ICPAD") – Investment treaty agreement

IC Power Asia Development Ltd. (hereinafter ICPAD) has instituted a claim against the Government of Guatemala in respect of tax payments made by ICPAD's former subsidiaries DEORSA and DEOCSA which entities were sold as part of the sale of the Latin American and Caribbean businesses.

On February 20, 2018, ICPAD filed a claim against the government of Guatemala under the Agreement between the Government of the State of Israel and the Government of the Republic of Guatemala for the Reciprocal Promotion and Protection of Investments, or the Treaty, seeking restitution on the basis that the government of Guatemala has breached several of its obligations of treatment towards Israeli investors under the Treaty. ICPAD is seeking damages for the taxes paid by former subsidiaries DEORSA and DEOCSA and related costs and expenses, including interest on the taxes paid.

KPMG Huazhen LLP
50th Floor, Plaza 66
1266 Nanjing West Road
Shanghai 200040
China
Telephone +86 (21) 2212 2888
Fax +86 (21) 6288 1889
Internet kpmg.com/cn

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
电话 +86 (21) 2212 2888
传真 +86 (21) 6288 1889
网址 kpmg.com/cn

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 2017 and 2016, 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 2017, 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.

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—毕马威国际合作组织("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。

Independent Auditors' Report (continued)

Auditors' Responsibility (continued)

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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Qoros Automotive Co., Ltd. and its subsidiaries as of 31 December 2017 and 2016, and their consolidated financial performance and their consolidated cash flows for each of the years in the three-year period ended 31 December 2017, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ KPMG Huazhen LLP

Shanghai, China

9 April 2018

Consolidated statements of financial position

In thousands of RMB	*Note*	*2017*	*2016*
Assets			
Property, plant and equipment	13	3,874,993	4,219,023
Intangible assets	14	4,011,628	4,322,900
Prepayments	19	21,679	1,061
Lease prepayments	15	194,890	199,303
Trade and other receivables	16	91,567	91,743
Pledged deposits	17	-	8,403
Equity-accounted investee		1,633	1,987
Non-current assets		8,196,390	8,844,420
Inventories	18	388,580	322,201
VAT recoverable		828,391	807,484
Trade and other receivables	16	37,917	60,091
Prepayments	19	173,046	13,049
Available-for-sale financial assets		-	100,000
Pledged deposits	17	25,636	36,237
Cash and cash equivalents	20	76,954	464,759
Current assets		1,530,524	1,803,821
Total assets		9,726,914	10,648,241

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

Consolidated statements of financial position (continued)

In thousands of RMB	*Note*	*2017*	*2016*
Equity			
Paid-in capital	21	10,425,480	10,425,480
Reserves		53,594	53,386
Accumulated losses		(11,645,360)	(10,032,879)
Total (deficit) / equity		(1,166,286)	445,987
Liabilities			
Loans and borrowings	22	4,227,338	4,248,660
Deferred income	23	161,002	412,083
Trade and other payables	24	1,208,256	112,488
Provisions	25	65,136	55,516
Non-current liabilities		5,661,732	4,828,747
Loans and borrowings	22	2,510,700	2,641,486
Trade and other payables	24	2,704,095	2,684,669
Deferred income	23	16,673	47,352
Current liabilities		5,231,468	5,373,507
Total liabilities		10,893,200	10,202,254
Total (deficit) / equity and liabilities		9,726,914	10,648,241

Approved and authorised for issue by the management on 9 April 2018.

/s/ Feng Li	/s/ Ray Chen
Feng Li	Ray Chen
CEO	*CFO*

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

Consolidated statements of profit or loss and other comprehensive income for the year ended 31 December

In thousands of RMB	*Note*	*2017*	*2016*	*2015*
Revenue	7	1,886,330	2,511,925	1,459,339
Cost of sales		(2,262,283)	(3,008,831)	(1,713,043)
Gross loss		(375,953)	(496,906)	(253,704)
Other income	8	48,375	77,128	36,690
Research and development expenses	9	(321,943)	(204,242)	(278,008)
Selling, general and administrative expenses		(604,939)	(762,966)	(1,559,995)
Other expenses	10	(19,199)	(106,577)	(74,174)
Operating loss		(1,273,659)	(1,493,563)	(2,129,191)
Finance income	11(a)	10,647	16,573	13,429
Finance costs	11(a)	(349,019)	(419,592)	(359,126)
Net finance costs	11(a)	(338,372)	(403,019)	(345,697)
Share of (loss) / profit of equity - accounted investee, net of nil tax		(354)	(45)	7
Loss before tax		(1,612,385)	(1,896,627)	(2,474,881)
Income tax expense	12	(96)	(255)	(575)
Loss for the year		(1,612,481)	(1,896,882)	(2,475,456)
Other comprehensive income				
Items that are or may be reclassified to profit or loss				
Foreign operations - foreign currency translation differences		208	48	(18)
Other comprehensive income , net of nil tax		208	48	(18)
Total comprehensive Income for the year		(1,612,273)	(1,896,834)	(2,475,474)

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

Consolidated statements of changes in equity for the year ended 31 December

In thousands of RMB	*Note*	*Paid-in capital*	*Capital reserve*	*Translation reserve*	*Accumulated losses*	*Total*
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' loans to capital		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
Balance at 1 January 2016		8,331,840	147	(191)	(8,135,997)	195,799
Loss for the year		-	-	-	(1,896,882)	(1,896,882)
Other comprehensive income		-	-	48	-	48
Total comprehensive income		-	-	48	(1,896,882)	(1,896,834)
Conversion of shareholders' loans to capital		2,093,640	53,382	-	-	2,147,022
Total contributions		2,093,640	53,382	-	-	2,147,022
Balance at 31 December 2016		10,425,480	53,529	(143)	(10,032,879)	445,987

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

Consolidated statements of changes in equity for the year ended 31 December (continued)

In thousands of RMB	*Note*	*Paid-in capital*	*Capital reserve*	*Translation reserve*	*Accumulated losses*	*Total*
Balance at 1 January 2017		10,425,480	53,529	(143)	(10,032,879)	445,987
Loss for the year		-	-	-	(1,612,481)	(1,612,481)
Other comprehensive income		-	-	208	-	208
Total comprehensive income		-	-	208	(1,612,481)	(1,612,273)
Balance at 31 December 2017		10,425,480	53,529	65	(11,645,360)	(1,166,286)

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

Consolidated statements of cash flows for the year ended 31 December

In thousands of RMB	*Note*	*2017*	*2016*	*2015*
Cash flows from operating activities				
Loss for the year		(1,612,481)	(1,896,882)	(2,475,456)
Adjustments for:				
Depreciation		369,256	361,764	227,477
Amortisation of				
- intangible assets		311,256	422,492	236,223
- lease prepayments		4,413	4,413	4,412
(Reversal) / Provision of Impairment losses on other receivables		(7,113)	10,859	9,493
Net finance costs		338,372	403,019	345,697
Tax expense		96	255	575
Share of loss / (profit) of equity - accounted, investee, net of tax		354	45	(7)
Loss on disposal of property, plant, and equipment		237	2,679	4,813
Deferred income		(288,988)	(44,496)	(11,079)
		(884,598)	(735,852)	(1,657,852)
Changes in:				
- inventories		(66,379)	(77,347)	(47,332)
- trade and other receivables		29,506	(30,404)	(322,106)
- VAT recoverable		(20,907)	25,019	170,112
- prepayments		(159,997)	23,382	118,224
- trade and other payables		27,035	431,754	560,630
- pledge deposit		18,104	25,576	-
- deferred income		7,228	9,686	300,000
Cash used in operating activities		(1,050,008)	(328,186)	(878,324)
Income taxes paid		(96)	(255)	(575)
Net cash used in operating activities		(1,050,104)	(328,441)	(878,899)

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

Consolidated statements of cash flows for the year ended 31 December (continued)

In thousands of RMB	*Note*	*2017*	*2016*	*2015*
Cash flows from investing activities				
Interest received		10,691	19,131	15,019
Acquisition of available-for - sale financial assets		-	(126,000)	(175,000)
Proceeds from disposal of available-for-sale financial assets		100,000	26,000	175,000
Collection of pledged deposits		900	10,519	508,093
Placement of pledged deposits		-	(10,519)	(330,420)
Acquisition of property, plant and equipment and intangible assets		(64,075)	(595,625)	(1,334,856)
Net cash from (used in) investing activities		47,516	(676,494)	(1,142,164)

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

Consolidated statements of cash flows for the year ended 31 December (continued)

In thousands of RMB	*Note*	*2017*	*2016*	*2015*
Cash flows from financing activities				
Proceeds from advance capital injection		1,096,878	-	-
Proceeds from borrowings	20(c)	1,972,000	2,949,985	5,564,733
Repayment of borrowings	20(c)	(2,150,058)	(1,470,344)	(3,644,550)
Interest paid	20(c)	(303,452)	(310,863)	(393,837)
Collection of guarantee deposit		-	55,451	100,219
Placement of guarantee deposit		-	(12,500)	(100,219)
Net cash from financing activities		615,368	1,211,729	1,526,346
Net increase/(decrease) in cash and cash equivalents		(387,220)	206,794	(494,717)
Cash and cash equivalents at 1 January		464,759	257,270	752,088
Effect of foreign exchange rate changes		(585)	695	(101)
Cash and cash equivalents at 31 December		76,954	464,759	257,270

The accompanying notes are an integral part of these 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 four wholly-owned subsidiaries, Qoros Automotive Europe GmbH incorporated in Germany, Qoros Car Sales Co., Ltd. incorporated in Changshu, Changshu Guanyizhizhong Auto Sales & Service Co., Ltd. incorporated in Changshu and Suzhou Guanqi Auto Sales & Service Co., Ltd. incorporated in Suzhou ("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 management on 9 April 2018.

(b) Going concern basis of accounting

The Group incurred a net loss of RMB 1.6 billion for the year ended 31 December 2017. The Group had net current liabilities of approximately RMB 3.7 billion as of 31 December 2017, including short-term bank loans of RMB 0.6 billion and shareholder loans of RMB 1.9 billion.

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.

In 2017, Wuhu Chery, Quantum and Hangzhou Chengmao Investment Co., Ltd. ("HCI") entered into a series of investment agreements, pursuant to which, within three months after 29 December 2017, the investors shall contribute RMB 6.5 billion in aggregate as additional capital (see note 21). As at 31 December 2017, the Group had already received RMB 1.1 billion from HCI. In the end of March 2018, the Group had received a further payment amounting to RMB 2.2 billion from HCI. The remaining capital contributions from Wuhu Chery and Quantum of RMB 3.2 billion are expected to be received by the Group in the end of April 2018.

2 Basis of preparation (continued)

As at 31 December 2017, based on the Group's cash flow forecast, including the above committed capital contributions from the investors, and the Group's future non-cancellable capital commitments, management considers that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, the financial statements have been prepared on a going concern basis.

(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 (c)).

(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

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 20(c) to satisfy the new disclosure requirements introduced by the amendments to IAS 7, Disclosure initiative, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 Significant accounting policies

The accounting polices set out below have been applied consistently to all periods presented in these financial statements.

(a) 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

4 Significant accounting policies (continued)

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(b) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 4(h)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

4 Significant accounting policies (continued)

(c) Available-for-sale financial assets

Available-for-sale financial assets are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets.

At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve.

When the investments are derecognised or impaired (see note 4(h)), the cumulative gain or loss recognised in equity is reclassified to profit or loss.

(d) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Except for toolings, depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

–	Buildings	30 years
–	Equipment	3 - 20 years
–	Leasehold improvements	3 years

No depreciation is provided on construction in progress.

Toolings are depreciated using the units-of-production method based on the forecasted production volume.

Where parts of an item of property, plant and equipment have different useful lives or forecasted production volume, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. The depreciation methods, the useful life or the forecasted production volume of an asset and its residual value, if any, are reviewed at each reporting date.

4 Significant accounting policies (continued)

(e) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 4(t)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 4(h)). Other development expenditure is recognised as an expense in the period in which it is incurred

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 4(h)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Except for the capitalised development costs, the following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Software 10 years

Capitalised development costs are depreciated using the units-of-production method based on the forecasted production volume.

The amortisation methods, the useful life or the forecasted production volume of an asset, are reviewed at each reporting date.

(f) 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.

(g) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

4 Significant accounting policies (continued)

(h) Impairment of assets

(i) Impairment of investments in available-for-sale financial assets and other receivables

Available-for-sale financial assets and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in associates accounted for under the equity method in the consolidated financial statements (see note 4(b)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 4(h)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 4(h)(ii).
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

4 Significant accounting policies (continued)

- For available-for-sale financial assets, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- lease prepayments;
- intangible assets; and
- investment in associates.

If any such indication exists, the asset’s recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

4 Significant accounting policies (continued)

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

  In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) 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 the estimated costs necessary to make the sale.

4 Significant accounting policies (continued)

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 4(h)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(n) 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)

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

- the same taxable entity; or

- different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Provision and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group 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.

4 Significant accounting policies (continued)

(q) 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) Rendering of services

Revenue is measured at the fair value of the consideration received or receivable under the contract or agreement.

Where the outcome of a transaction involving the rendering of services can be estimated reliably at the balance sheet date, revenue is recognised by reference to the stage of completion based on the proportion of services performed to date to the total services to be performed.

Where the outcome cannot be estimated reliably, revenues are recognised to the extent of the costs incurred that are expected to be recoverable, and an equivalent amount is charged to profit or loss as service cost; otherwise, the costs incurred are recognised in profit or loss and no service revenue is recognised.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) Licencing income

Licencing income from the Group's assets (such as platform technology and patent) is recognized in accordance with the substance of the agreement, including assessment on whether the Group still retains significant risks and rewards of ownership upon the transfer of such assets, and when the Group has no remaining obligations to perform under the agreement.

4 Significant accounting policies (continued)

(r) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income and amortised over the useful life of the related asset on a reasonable and systematic manner as other income.

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Nonmonetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

4 Significant accounting policies (continued)

(u) 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.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

4 Significant accounting policies (continued)

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(w) 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 31 December 2017 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
Amendments to IFRS 2, *Classification and measurement of share-based payment transactions*	1 January 2018
Amendments to IFRS 4, *Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts*	1 January 2018
Amendments to IAS 40, *Transfers of Investment Property*	1 January 2018
IFRIC 22, *Foreign currency transactions and advance consideration*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018
IFRS 9, *Financial instruments (2014)*	1 January 2018
IFRS 16, *Leases*	1 January 2019
IFRIC 23, *Uncertainty over Income Tax Treatments*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the group has identified some aspects of the new standards which may have an impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 9 and IFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the group. The group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

4 Significant accounting policies (continued)

IFRS 9 *Financial instruments*

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, Financial instruments: Recognition and measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the group's financial statements are as follows:

(a) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Group currently does not have any financial assets measured at FVTPL or FVTOCI.

Based on the assessment so far, the Group expects that its financial assets currently measured at amortised cost will continue with their respective classification and measurements upon the adoption of IFRS 9.

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Group on adoption of IFRS 9.

(b) Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12- month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. Based on a preliminary assessment, the application of the new impairment model may not have a significant impact on the Group.

(c) Hedge accounting

IFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. The Group currently does not have any hedge relationship and therefore it may not have any impact on the Group on adoption of IFRS 9.

Based on the above assessment so far, the Group considers that the initial application of IFRS 9 will not have a significant impact on the Group's results of operations and financial position.

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and IAS 11, Construction *contracts*, which specifies the accounting for revenue from construction contracts.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition.

4 Significant accounting policies (continued)

- Step 1: Identify the contract(s) with customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Based on the assessment so far, the Group has identified the following area which is likely to be affected:

(a) Timing of revenue recognition

The Group's revenue recognition policies are disclosed in note 4(q). Currently, revenue arising from the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

The Group has assessed that the new revenue standard is expected to affect the recognition for sales of goods as follows:

- Bundled sales of vehicles: the application of IFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.

The Group plans to use the cumulative effect transition method for the adoption of IFRS 15 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018.

4 Significant accounting policies (continued)

IFRS 16 Leases

As disclosed in note 27, currently the group enters into some operating leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 27(a), at 31 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB147 million for properties and other assets. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group has not yet decided whether it will choose to take advantage of practical expedients, and which transition approach to be taken.

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.

5 Use of estimates and judgements (continued)

(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.

(b) Assumptions and estimation uncertainties

(i) 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.

(ii) 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.

(iii) 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.

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.

Substantially all (99%) of the Groups plant and equipment, intangible assets and lease prepayments are located in Mainland China.

7 Revenue

In thousands of RMB	*2017*	*2016*	*2015*
Sales of goods	1,583,826	2,495,479	1,435,136
Licencing income (note 23)	270,000	-	-
Rental income	23,291	9,150	12,009
Others	9,213	7,296	12,194
Total	1,886,330	2,511,925	1,459,339

The Group has only one customer with whom transactions have exceeded 10% of the Group's revenues (2016: nil, 2015: nil). In 2017, revenues from sales of goods to this customer amounted to approximately RMB 209 million (2016: nil, 2015: nil).

8 Other income

In thousands of RMB	*2017*	*2016*	*2015*
Government grants	46,120	35,796	33,024
Others	2,255	41,332	3,666
Total	48,375	77,128	36,690

9 Research and development expenses

Research and development expenses are the expenses incurred for the research and development activities as follows:

In thousands of RMB	*2017*	*2016*	*2015*
Car platform and models	321,943	204,242	278,008

10 Other expenses

In thousands of RMB	*2017*	*2016*	*2015*
(Reversal) / Provision of Impairment losses	(7,113)	10,859	9,493
Price adjustment on purchase of material and parts (Note 29(c))	-	72,953	42,877
Other taxes and surcharges	12,520	13,106	8,066
Others	13,792	9,659	13,738
Total	19,199	106,577	74,174

11 Loss before income tax

Loss for the year is arrived at after charging:

In thousands of RMB	*2017*	*2016*	*2015*
(a) Net finance costs:			
Interest income from available-for-sale financial assets	69	2	39
Interest income from bank deposits	10,578	16,571	13,390
Finance income	10,647	16,573	13,429
Interest expense	(338,561)	(435,693)	(381,586)
Less: interest expenses capitalised into property, plant and equipment, and development costs	-	24,603	92,975
Net foreign exchange loss	(1,974)	(3,719)	(65,725)
Others	(8,484)	(4,783)	(4,790)
Finance costs	(349,019)	(414,592)	(359,126)
Net finance costs	(338,372)	(403,019)	(345,697)
(b) Personnel expenses:			
Contributions to defined contribution retirement plan	(29,644)	(30,954)	(34,928)
Salaries, wages and other benefits	(264,018)	(253,148)	(448,836)
	(293,662)	(284,102)	(483,764)

11 Loss before income tax (continued)

In thousands of RMB	*2017*	*2016*	*2015*
(c) Other items:			
Amortisation			
- lease prepayment	(4,413)	(4,413)	(4,412)
- intangible assets	(311,256)	(422,492)	(236,223)
	(315,669)	(426,905)	(240,635)
Depreciation			
- property, plant and equipment	(369,256)	(361,764)	(227,477)
Operating lease charges			
- hire of office rentals	(27,664)	(24,026)	(28,579)
- hire of cars	(5,047)	(2,516)	(3,515)
	(32,711)	(26,542)	(32,094)

12 Income taxes

(a) Amounts recognised in profit or loss

In thousands of RMB	*2017*	*2016*	*2015*
Current tax expense - Germany Income Tax			
Current year	96	255	575

Under the Corporate Income Tax Law of the PRC (the "CIT Law"), the statutory corporate income tax rate of the Company and its subsidiaries in China is 25% (2016: 25%).

The statutory corporate income tax rate of Qoros Automotive Europe GmbH, the Group's subsidiary incorporated in Germany, is 15%.

12 Income taxes (continued)

(b) Reconciliation of effective tax rate

In thousands of RMB	*2017*	*2016*	*2015*
Loss before tax	(1,612,385)	(1,896,627)	(2,474,881)
Income tax credit at the applicable PRC income tax rate of 25%	(403,096)	(474,157)	(618,720)
Effect of tax rate differential	45	99	155
Effect of tax losses not recognised	571,104	539,836	521,005
Effect of other temporary differences not recognised	-	-	98,021
Utilisation of previously unrecognised deductible temporary differences	(167,979)	(65,590)	-
Non-deductible expenses	22	67	114
Income tax expense	96	255	575

(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:

In thousands of RMB	*31 December*		
	2017	*2016*	*2015*
Tax losses	10,009,308	7,506,001	5,457,817
Other temporary differences	963,792	2,250,829	2,513,187
Total	10,973,100	9,756,830	7,971,004

Under current tax legislation, the above deductible tax losses will expire in the following years:

In thousands of RMB	*31 December 2017*
2019	2,476,346
2020	2,474,084
2021	2,774,461
2022	2,284,417
	10,009,308

13 Property, plant and equipment

In thousands of RMB	*Leasehold improvements*	*Equipment*	*Building*	*Construction in progress*	*Total*
Cost					
Balance at 1 January 2016	41,411	2,465,516	1,246,143	957,342	4,710,412
Additions	4,577	3,851	895	335,965	345,288
Transfer	-	1,189,159	43,443	(1,269,669)	(37,067)
Disposal	(332)	(4,401)	-	-	(4,733)
Effect of movement in exchange rates	6	103	-	-	109
Balance at 31 December 2016	45,662	3,654,228	1,290,481	23,638	5,014,009
Additions	7,702	94	-	38,132	45,928
Transfer	-	137	14,883	(15,020)	-
Disposal	(89)	(237)	-	-	(326)
Adjustment	(126)	(14,824)	(5,604)	-	(20,554)
Effect of movement in exchange rates	3	220	-	-	223
Balance at 31 December 2017	53,152	3,639,618	1,299,760	46,750	5,039,280
Depreciation					
Balance at 1 January 2016	(26,442)	(322,672)	(86,131)	-	(435,245)
Depreciation for the year	(6,339)	(304,455)	(50,970)	-	(361,764)
Written off on disposal	332	1,722	-	-	2,054
Effect of movement in exchange rates	(1)	(30)	-	-	(31)
Balance at 31 December 2016	(32,450)	(625,435)	(137,101)	-	(794,986)
Depreciation for the year	(10,146)	(315,702)	(43,408)	-	(369,256)
Written off on disposal	89	-	-	-	89
Effect of movement in exchange rates	(2)	(132)	-	-	(134)
Balance at 31 December 2017	(42,509)	(941,269)	(180,509)	-	(1,164,287)
Carrying amount					
Balance at 31 December 2015	14,969	2,142,844	1,160,012	957,342	4,275,167
Balance at 31 December 2016	13,212	3,028,793	1,153,380	23,638	4,219,023
Balance at 31 December 2017	10,643	2,698,349	1,119,251	46,750	3,874,993

In 2017, there is no borrowing costs capitalised (2016: RMB 24,603 thousand; 2015: RMB 59,900 thousand, capitalisation rate per annum in 2016: 5.04%; 2015: 5.72%).

As at 31 December 2017, all equipment and properties were pledged to bank as security as required by a consortium financing agreement. (Note 22(a)(i))

14 Intangible assets

In thousands of RMB	*Software*	*Development costs*	*Total*
Cost			
Balance at 1 January 2016	434,852	4,522,631	4,957,483
Additions	493	221,926	222,419
Transfer	37,067	-	37,067
Adjustment	-	(170,607)	(170,607)
Effect of movement in exchange rates	47	-	47
Balance at 31 December 2016	472,459	4,573,950	5,046,409
Additions	-	-	-
Disposal	(415)	-	(415)
Effect of movement in exchange rates	97	-	97
Balance at 31 December 2017	472,141	4,573,950	5,046,091
Amortisation			
Balance at 1 January 2016	(84,457)	(216,552)	(301,009)
Amortisation for the year	(48,820)	(373,672)	(422,492)
Effect of movement in exchange rates	(8)	-	(8)
Balance at 31 December 2016	(133,285)	(590,224)	(723,509)
Amortisation for the year	(48,482)	(262,774)	(311,256)
Disposal	412	-	412
Effect of movement in exchange rates	(110)	-	(110)
Balance at 31 December 2017	(181,465)	(852,998)	(1,034,463)
Carrying amount			
Balance at 31 December 2015	350,395	4,306,079	4,656,474
Balance at 31 December 2016	339,174	3,983,726	4,322,900
Balance at 31 December 2017	290,676	3,720,952	4,011,628

The amortisation of software and capitalised development cost is included in the selling, general and administrative expenses and cost of sales, respectively, in the consolidated statement of profit or loss and other comprehensive income.

See Note 24 for payables for research and development activities as at reporting date.

There is no borrowing costs capitalised during 2017 (2016: Nil, 2015: RMB 33,075 thousand).

15 Lease prepayments

In thousands of RMB	*2017*	*2016*
Cost		
Balance at 1 January and 31 December	220,631	220,631
Amortisation		
Balance at 1 January	(21,328)	(16,915)
Amortisation for the year	(4,413)	(4,413)
Balance at 31 December	(25,741)	(21,328)
Carrying amount		
Balance at 1 January	199,303	203,716
Balance at 31 December	194,890	199,303

As at 31 December 2017 and 2016, 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)).

16 Trade and other receivables

(a) Trade and other receivables in the consolidated statement of financial position comprised:

In thousands of RMB	*31 December 2017*	*2016*
Trade receivables	14,300	20,168
Bills receivables	-	3,500
Deposits	81,407	76,805
Deferred expenses	21,498	26,275
Receivables due from employees	24	14,813
Receivables due from related parties	20,288	16,284
Others	5,602	14,737
	143,119	172,582
Less: allowance for doubtful debts	(13,635)	(20,748)
	129,484	151,834
Non-current	91,567	91,743
Current	37,917	60,091
	129,484	151,834

(b) Impairment of trade and other receivables

In thousands of RMB	*31 December 2017*	*2016*
Balance at 1 January	(20,748)	(9,889)
Impairment loss recognised	(2,463)	(10,859)
Impairment loss reversed	9,576	-
Balance at 31 December	(13,635)	(20,748)

17 Pledged deposits

Pledged deposits in the consolidated statement of financial position comprised:

In thousands of RMB	*31 December 2017*	*2016*
Non-current	-	8,403
Current	25,636	36,237
	25,636	44,640

Guarantee deposits of RMB 25,636 thousand (31 December 2016: RMB 44,640 thousand) have been pledged with various banks to obtain bank financing or to issue letter of credit facilities for purchases. 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. All of these deposits are to be collected within one year.

18 Inventories

(a) Inventory in the consolidated statement of financial position comprised:

In thousands of RMB	*31 December 2017*	*2016*
Raw materials and consumables	102,309	81,723
Work in progress	5,641	2,861
Finished goods	280,630	237,617
Total	388,580	322,201

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss as follow:

In thousands of RMB	*2017*	*2016*	*2015*
Carrying amount of inventories sold	2,164,541	2,999,396	1,704,515
Total	2,164,541	2,999,396	1,704,515

19 Prepayments

In thousands of RMB	*31 December 2017*	*2016*
Prepayment for purchase of equipment	21,679	1,061
Prepayment for services and materials	171,517	12,435
Prepayment for staff rent	1,498	584
Others	31	30
	194,725	14,110
Non-current	21,679	1,061
Current	173,046	13,049
	194,725	14,110

20 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

In thousands of RMB	*31 December 2017*	*2016*
Cash at bank	76,954	464,759
	76,954	464,759

(b) Investing and financing activities not requiring the use of cash or cash equivalents:

In thousands of RMB	*31 December 2017*	*2016*
Conversion of debt into capital	-	2,147,022

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the company's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the cash flow statement as cash flows from financing activities.

	Loans and borrowings (Note 22)	*Trade and other payables*	*Total*
Balance at 1 January 2017	6,890,146	123,739	7,013,885
Changes from financing cash flows:			
Proceeds from borrowings	1,972,000	-	1,972,000
Repayment of borrowings	(2,150,058)	-	(2,150,058)
Interest paid	-	(303,452)	(303,452)
Total changes from financing cash flows	(178,058)	(303,452)	(481,510)
Other changes:			
Reclassifications	25,950	(25,950)	-
Interest expense (Note 11(a))	-	338,561	338,561
Total other changes	25,950	312,611	338,561
Balance at 31 December 2017	**6,738,038**	**132,898**	**6,870,936**

21 Paid-in capital

In thousands of RMB	*31 December 2017*	*2016*
Wuhu Chery	2,606,370	5,212,740
Quantum	2,502,115	5,212,740
HCI	5,316,995	-
	10,425,480	10,425,480

In 2017, Wuhu Chery, Quantum and HCI entered into equity transaction agreements pursuant to which Quantum and Wuhu Chery sold 26% and 25% equity interests of the Company, respectively, to HCI. As the result of the equity transaction, HCI, Wuhu Chery, and Quantum owns 51%, 25% and 24% equity interests, respectively, in the Company. By the end of 31 December 2017, the equity transaction had been completed and HCI became the immediate holding company of the Group.

In addition, based on the terms of the investment agreements, within three months after the equity transaction, the Group shall increase its registered capital by RMB 6.5 billion among which (i) HCI agrees to contribute RMB 3.31 billion to subscribe for 51% of the aforesaid increased registered capital in cash and/or convertible loans; (ii) Quantum shall contribute RMB 1.56 billion in cash and/or convertible loans to subscribe for 24% of the aforesaid increased registered capital; and (iii) Wuhu Chery shall contribute RMB 1.63 billion in cash and/or convertible loans to subscribe for 25% of the aforesaid increased registered capital.

In connection with the increase in the registered capital, HCI contributed RMB 1.1 billion advances by 31 December 2017. In the case of termination of the investment agreements, this advance is repayable by the Group within 1 to 2 years from the date of termination depending on different circumstances at an interest rate of 4.35% per annum.

22 Loans and borrowings

In thousands of RMB	Note	31 December 2017	2016
Denominated in:			
RMB		6,738,038	6,890,146
		6,738,038	6,890,146
Non-current	22(a)	4,227,338	4,248,660
Current	22(b)	2,510,700	2,641,486
		6,738,038	6,890,146

(a) Non-current loan and borrowings

In thousands of RMB	Note	Banking facility	Accumulated drawdown	Accumulated repayment	Reclassified to current	Balance as at 31 December 2017
Consortium loan I	(i)	3,000,000	2,906,000	(354,245)	(24,417)	2,527,338
Consortium loan II	(ii)	1,200,000	1,200,000	(30,000)	(90,000)	1,080,000
Consortium loan III	(iii)	700,000	700,000	-	(80,000)	620,000
PingAn	(iv)	62,500	62,500	(54,167)	(8,333)	-
Total		4,962,500	4,868,500	(438,412)	(202,750)	4,227,338

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 initially recorded in trade and other receivables at fair value and subsequently measured at amortised cost. The difference between RMB 100 million and fair value on the initial date was deferred and amortised as interest expenses over the loan period using effective interest rate as the guarantee deposit is directly attributable to the loan.

22 Loans and borrowings (continued)

(a) Non-current loan and borrowings (continued)

As at 31 December 2017, the Company has drawn down RMB loans of RMB 2,906 million (31 December 2016: RMB 2,906 million) with an interest rate of 4.90% and repaid RMB 354 million accumulatively.

The loans drawn down from this consortium arrangement contains financial related covenants, that is, debt-to-asset ratio not exceeding 65% and current ratio not below 1.0. 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. In 2016, the Company obtained further confirmation from the banks that the compliance of the financial covenants is not required for the next three years until July 2020.

(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.

Wuhu Chery Automobile Investment Co., Ltd. and Quantum, shareholders of the Company, have each pledged 28.38% of its then equity interest in the Company, which is being equivalent to a registered capital of RMB 1.9 billion respectively to the bank consortium.

As at 31 December 2017, the Company has drawn down in full an amount of RMB 1.2 billion (31 December 2016: RMB 1.2 billion) with the interest rate of 5.39% and repaid RMB 30 million accumulatively.

(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 2017, the Company has drawn down in full an amount of RMB 700 million (31 December 2016: RMB 700 million) with the interest rate of 5.39%.

22 Loans and borrowings (continued)

(a) Non-current loan and borrowings (continued)

(iv) Ping An: On 30 November 2016, the Company entered into a 15-month financing arrangement with Ping An International Financing and Leasing Co., Ltd through a designated bank loan arrangement with Bank of Ningbo. The Company drew down the maximum principal amount of RMB 62.5 million with an interest rate of 6.70%. The Company provided guarantee deposit of RMB 12.5 million with Bank of Ningbo. Under this arrangement, the Company will make a monthly repayment on principal of RMB 4.2 million for the 15-month period ending 28 February 2018. The current portion of the loan is RMB 8.3 million as at 31 December 2017.

(b) Current loan and borrowings

Current loans and borrowings represented unsecured bank loans of RMB 394 million with maturity period within one year with the interest rates from 4.55% to 5.22%; current portion of the long-term loans (Note 22(a)); and shareholder loans payable to Wuhu Chery and Quantum totalling RMB 1.9 billion.

As at 31 December 2017, the Company has unutilised loan facilities of RMB 67.2 million (31 December 2016: RMB 205 million).

23 Deferred income

In thousands of RMB	*Government Grant*	*Licence rights*	*First Free Service*	*Total*
Balance at 1 January 2016	194,245	300,000	-	494,245
Addition	-	-	9,686	9,686
Amortisation	(11,082)	(30,000)	(3,414)	(44,496)
Balance at 31 December 2016	183,163	270,000	6,272	459,435
Addition	-	-	7,228	7,228
Amortisation	(11,080)	(270,000)	(7,908)	(288,988)
Balance at 31 December 2017	172,083	-	5,592	177,675
Non-current	161,002	-	-	161,002
Current	11,081	-	5,592	16,673
	172,083	-	5,592	177,675

23 Deferred income (continued)

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 was recognised as current liability in "deferred income" as the licence agreement had not been effective by then. In 2016, after the licence agreement became effective, this amount was recognized on a straight line basis over the period of the agreement. In 2017, the Group recognized all of the remaining unamortised balance relating to the licence agreement because the Group does not retain significant risks and rewards of ownership and has no remaining obligations to perform under the licence agreement.

According to the Group's policy regarding warranty, the first free maintenance service will be delivered in 6 months after retail sales of vehicle or mileage reached 5000 km. The service is provided by 4S stores and claimed against the Group. Even though the service is provided for free, there is a market price with amount of approximately RMB 431 per vehicle. The revenue from maintenance should be recognised nine months after sales, in consideration of three month for retail.

24 Trade and other payables

	At 31 December	
In thousands of RMB	*2017*	*2016*
Trade payables	745,337	826,070
Bills payables	11,000	43,000
Other payables for		
- research and development activities	242,383	246,763
- property, plant and equipment	131,014	181,717
- marketing and promotion	424,494	519,642
- services	252,404	267,503
Accrued payroll and other employee benefits	44,017	53,628
Interest payable	132,898	37,379
Liabilities due to related parties	558,370	402,188
Advance capital injection from HCI (note 21)	1,096,878	-
Receipt in advance	17,766	39,950
Others	255,790	179,317
	3,912,351	2,797,157
Non-current	1,208,256	112,488
Current	2,704,095	2,684,669
	3,912,351	2,797,157

25 Provisions

The provision balance as at 31 December 2017 and 2016 mainly represents warranties related to cars sold. 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.

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 ability 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 is also subject to potential financial loss in connection with the guarantee provided to Chery Huiyin Motor Finance Service Co., Ltd ("Huiyin"), a subsidiary of Chery, for the financing arrangement between dealers and Huiyin. In case of loan default, the Group may need to compensate Huiyin for an amount up to the actual loss incurred. As at 31 December 2017, the outstanding loan balance were RMB 247 million and none of them were overdue. Refer to note 29(c)(i) for this guarantee arrangement with Huiyin.

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, trade and 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 investors to meet the liquidity requirements in the short and long term.

Consortium loan II and III (see Note 22), contains a “cross-default” provision which provides for an event of default if any other debt of Qoros in excess of RMB 50 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.

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:

	Contractual undiscounted cash flow					
	Within 1 year or on demand	*More than 1 year but less than 2 years*	*More than 2 years but less than 5 years*	*More than 5 years*	*Total*	*Carrying amount at balance sheet date*
As at 31 December 2017						
Trade and other payables	2,704,095	46,096	74,398	1,096,878	3,921,467	3,912,351
Loans and borrowings	2,788,020	1,067,208	3,037,039	627,385	7,519,652	6,738,038
Total	5,492,115	1,113,304	3,111,437	1,724,263	11,441,119	10,650,389
As at 31 December 2016						
Trade and other payables	2,684,669	21,426	103,885	-	2,809,980	2,797,157
Loans and borrowings	2,881,389	852,455	2,646,014	1,489,919	7,869,777	6,890,146
Total	5,566,058	873,881	2,749,899	1,489,919	10,679,757	9,687,303

26 Financial risk management and fair values of financial instruments (continued)

(c) Foreign 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"), Euros ("EUR") and Great British pounds ("GBP"). 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:

	At 31 December	
EUR	*2017*	*2016*
	RMB'000	RMB'000
Cash and cash equivalent	912	1,549
Prepayments	741	784
Trade and other payables	(22,135)	(18,673)
Net statement of financial position exposure	(20,482)	(16,340)

	At 31 December	
USD	*2017*	*2016*
	RMB'000	RMB'000
Cash and cash equivalent	9,411	9,987
Prepayments	131	284
Trade and other payables	(7,652)	(7,922)
Net statement of financial position exposure	1,890	2,349

	At 31 December	
GBP	*2017*	*2016*
	RMB'000	RMB'000
Trade and other payables	(1,229)	(706)
Net statement of financial position exposure	(1,229)	(706)

26 Financial risk management and fair values of financial instruments (continued)

(c) Foreign currency risk (continued)

The following significant exchange rates have been applied during the year:

	Average rate		*Year end spot rate*	
	2017	*2016*	*2017*	*2016*
EUR	7.5546	7.2010	7.8023	7.3068
USD	6.7356	6.7153	6.5342	6.9370
GBP	8.6443	9.0627	8.7792	8.5094

A reasonably possible strengthening (weakening) of the EUR, USD and GBP 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.

	At 31 December			
	2017		*2016*	
	Strengthening	*Weakening*	*Strengthening*	*Weakening*
	RMB'000	RMB'000	RMB'000	RMB'000
EUR (10% movement)	(2,048)	2,048	(1,634)	1,634
USD (10% movement)	189	(189)	235	(235)
GBP (10% movement)	(123)	123	(71)	71

(d) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. Management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise.

Interest rate profile

The following table details the interest rate profile of the Group's net borrowings at the end of the reporting period, after taking into account the effect of swap contracts.

26 Financial risk management and fair values of financial instruments (continued)

(d) Interest rate risk (continued)

	2017		*2016*	
	Interest rate %	RMB'000	*Interest rate %*	RMB'000
Net fixed rate borrowings:				
Bank loans	4.35~6.70	2,316,283	4.35~6.70	2,232,333
Net variable rate borrowings:				
Bank loans	4.90~5.39	4,421,755	4.90~5.39	4,657,813
Total net borrowings		6,738,038		6,980,146
Net fixed rate borrowings as a percentage of total net borrowings		34%		32%

Sensitivity analysis

The Group does not account for any fixed rate borrowings at fair value through profit or loss. Therefore a change in interest rate at the reporting date would not affect profit or loss.

As at 31 December 2017, it is estimated that a change of 100 basis points in interest rates would have increased or decreased equity by RMB 44,218 thousand (2016: RMB 46,578 thousand; 2015: RMB 47,566 thousand). This sensitivity analysis has been determined assuming that the change in interest rates had occurred at the end of reporting period and the change was applied to the Group's variable rate borrowings at that date with exposure to cash flow interest rate risk. The impact on the Group's equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2016 and 2015.

A change of 100 basis points in interest rates would have increased or decreased equity by RMB 44,218 thousand (2016: RMB 46,578 thousand; 2015: RMB 47,566 thousand).

(e) Fair value measurement

(i) Financial assets and liabilities carried at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

26 Financial risk management and fair values of financial instruments (continued)

(e) Fair value measurement (continued)

(i) Financial assets and liabilities carried at fair value (continued)

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has a team headed by the finance manager performing valuations for the financial instruments. The team reports directly to the chief financial officer and the audit commitee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit commitee is held twice a year, to coincide with the reporting dates.

As at 31 December 2017, the Group does not have financial assets or financial liabilities carried at fair value. As of 31 December 2016, the Group had the following financial assets carried at fair value:

		Fair value measurements as at 31 December 2016 categorised into		
	Fair value at 31 December 2016	*Level 1*	*Level 2*	*Level 3*
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Available-for-sale financial assets	100,000	-	100,000	-

(ii) Fair values of financial assets and liabilities carried at other than fair value.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2016 and 2017.

(f) 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

As at 31 December, the future minimum lease payments under non-cancellable operating lease rentals were payable as follows:

	At 31 December	
In thousands of RMB	*2017*	*2016*
Within 1 year	28,202	35,202
After 1 year but within 5 years	94,113	96,197
After 5 years	24,881	49,762
	147,196	181,161

(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 were receivable as follows:

	At 31 December	
In thousands of RMB	*2017*	*2016*
Within 1 year	-	20,016
After 1 year but within 5 years	-	-
	-	20,016

28 Commitments

Capital commitments outstanding not provided for in the financial statements:

	At 31 December	
In thousands of RMB	*2017*	*2016*
Contracted for	216,875	266,103
Authorised but not contracted for	-	-
	216,875	266,103

29 Related parties

(a) Parent company

As at 31 December 2016 and 2015, the Company was jointly-controlled by Wuhu Chery and Quantum. 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.

As at December 31 2017, HCI became the controlling shareholder of the Group.

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	*2017*	*2016*	*2015*
Salaries, benefit and contribution to the defined contribution retirement plan	17,007	12,979	19,700

29 Related parties (continued)

(c) Other related party transactions

In thousands of RMB	*Note*	*2017*	*2016*	*2015*
Loan from Wuhu Chery		244,250	975,000	1,662,783
Loan from Quantum		244,250	975,000	800,000
Conversion of loan to capital				
- Wuhu Chery		-	1,046,820	900,000
- Quantum		-	1,046,820	900,000
Advance capital injection from HCI		1,096,878	-	-
Sale of goods				
- Chery Auto		3,567	11,170	6,717
- Fund & Liberty Car Rental/Leasing Co., Ltd. (“Fund”)		-	-	1,153
- Chery Auto's subsidiary		6,074	4,533	
Purchase of materials and parts				
- Chery Auto		166,327	327,694	189,754
- Chery Auto’s subsidiaries		1,574	2,317	-
Price adjustment on purchase of material and parts				
- Chery Auto	10	-	72,953	42,877
Service fee				
- Chery Auto		1,951	4,817	42,339
- Shanghai SICAR Vehicle Technology Development Co., Ltd. (“SICAR”)		-	-	4,453
Rental and other expenses				
- Chery Huiyin Motor Finance Service Co., Ltd. (“Huiyin”)		32,045	33,644	16,821
- Chery Auto’s subsidy		61	-	18
- Fund		171	2,703	-
- Chery Holdings Ltd.		69	59	-
- Kenon Holdings Ltd.		-	-	2,167
Charge for licence agreement	23	-	-	300,000
Sales proceeds received from Huiyin pursuant to tri-party agreements	(i)	1,022,822	2,425,437	1,173,051

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:

In thousands of RMB	*Note*	*At 31 December 2017*	*At 31 December 2016*
Amounts due from related parties			
- trade receivables from Fund		-	3,790
- trade receivables from Chery Auto's subsidiary		5,692	1,689
- trade receivables from Chery Auto		1,144	1,144
- other receivables from Chery Auto		13,447	9,661
- other receivables from Chery Auto's subsidiary		5	-
- prepayment to Chery Auto's subsidiary		445	-
		20,733	16,284
Amounts due to related parties			
- loan payable to Wuhu Chery		944,250	700,000
- loan payable to Quantum		944,250	700,000
- payables to Chery Auto		554,907	373,058
- payables to Kenon Holdings Ltd.		-	-
- payables to Fund		-	200
- payables to Chery Auto's subsidiary		852	624
- payables to SICAR		1,570	1,570
- receipt in advance from Huiyin	(i)	-	26,408
- receipt in advance from Chery Auto's subsidiary		1,041	328
- advance capital injection from HCI		1,096,878	-
		3,543,748	1,802,188

29 Related parties (continued)

(c) Other related party transactions (continued)

Notes:

(i) In 2014, the Group entered into tri-party arrangements with Huiyin and certain car dealers, who are the Group's direct customers. According to such arrangements, Huiyin provides financing to the dealers for their purchases from the Group. Huiyin is a subsidiary of Chery Group, which is engaged in providing financing to buyers of car manufacturing companies. Huiyin performs credit assessment on dealers and grants short-term (12-month or less) revolving lines of credit to them. The Group accepts purchase orders from these dealers only if they have sufficient unused credit from Huiyin. Upon confirmation of sales orders accepted by the Group, Huiyin remits purchase amount directly to the Group on behalf of individual dealers, and outstanding loan balances payable of dealers due to Huiyin are increased by the equivalent amount at the same time. The Group was not responsible for the repayment of loans between the dealers and Huiyin.

In March 2016, in order to help increase the credit lines of dealers from Huiyin, the Group offered guarantees to Huiyin for selected dealers pursuant to which the Group was responsible for any default of the loans released during the period between March 2016 and February 2017, including both principal and interests, for a maximum amount of RMB 700 million which were the amount of total lines of credit of these dealers with Huiyin. The interest rate of loans offered by Huiyin to dealers before and after the Group committed such guarantee was the same. As at 31 December 2017, the outstanding loan balance were RMB 247 million and none of them were overdue. The guarantee was subsequently extended to December 2018.

(d) Relationship with the related parties under the transactions stated in 29(c) above

Name of the entities	*Relationship with the Group*
Hangzhou Chengmao Investment Co., Ltd.	Parent Company
Wuhu Chery Automobile Investment Co., Ltd.	Investor
Quantum (2007) LLC	Investor
Wuhu Chery Car Rental Co., Ltd	Chery Auto's subsidiary
Chery Investment Co., Ltd in Ordos	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/ Barak Cohen
Name: Barak Cohen
Title: Co-Chief Executive Officer

By: /s/ Robert L. Rosen
Name: Robert L. Rosen
Title: Co-Chief Executive Officer

Date: April 9, 2018

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 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†	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)
4.2	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)
4.4	Guarantee Contract, dated as of June 9, 2015, between Kenon Holdings Ltd. and Chery Automobile Co. Ltd. (Incorporated by reference to Exhibit 4.12 to Kenon's Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on April 22, 2016)
4.5	Guarantee Contract, dated as of November 5, 2015, between Kenon Holdings Ltd. and Chery Automobile Co. Ltd. (Incorporated by reference to Exhibit 4.13 to Kenon's Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on April 22, 2016)
4.6	Amendment and Restatement Agreement, dated as of September 2, 2016, relating to the Loan Agreement dated as of April 22, 2016, between Quantum (2007) LLC, as borrower, and Ansonia Holdings Singapore B.V., as lender, as amended (Incorporated by reference to Exhibit 4.17 to Kenon's Annual Report on Form 20-F for the fiscal year ended December 31, 2016, filed on April 19, 2017)
4.7	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. (Incorporated by reference to Exhibit 4.18 to Kenon's Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on April 22, 2016)

4.8	Additional Undertaking Agreement, dated as of September 2, 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. (Incorporated by reference to Exhibit 4.19 to Kenon's Annual Report on Form 20-F for the fiscal year ended December 31, 2016, filed on April 19, 2017)
4.9	Fourth Amended and Restated Limited Liability Company Agreement of Quantum (2007) LLC, dated as of September 2, 2016 (Incorporated by reference to Exhibit 4.20 to Kenon's Annual Report on Form 20-F for the fiscal year ended December 31, 2016, filed on April 19, 2017)
4.10	Release Agreement, dated December 21, 2016, between Kenon Holdings Ltd. and Chery Automobile Co. Ltd. (Incorporated by reference to Exhibit 4.21 to Kenon's Annual Report on Form 20-F for the fiscal year ended December 31, 2016, filed on April 19, 2017)
4.11	Equity Pledge Contract, dated December 21, 2016, between Quantum (2007) LLC, as Pledgor, and Chery Automobile Co. Ltd., as Pledgee (Incorporated by reference to Exhibit 4.22 to Kenon's Annual Report on Form 20-F for the fiscal year ended December 31, 2016, filed on April 19, 2017)
4.12	Further Release and Cash Support Agreement, dated March 9, 2017, between Kenon Holdings Ltd. and Chery Automobile Co. Ltd. (Incorporated by reference to Exhibit 4.23 to Amendment No. 1 to Kenon's Annual Report on Form 20-F for the fiscal year ended December 31, 2016, filed on April 21, 2017)
4.13	The Second Equity Pledge Contract in relation to 700 Million Loan, dated March 9, 2017, between Quantum (2007) LLC, as Pledgor, and Chery Automobile Co. Ltd., as Pledgee (Incorporated by reference to Exhibit 4.24 to Amendment No. 1 to Kenon's Annual Report on Form 20-F for the fiscal year ended December 31, 2016, filed on April 21, 2017)
4.14*	Share Purchase Agreement, dated November 24, 2017, among Inkia Energy, Ltd., IC Power Distribution Holdings, PTE. LTD., Nautilus Inkia Holdings LLC, Nautilus Distribution Holdings LLC and Nautilus Isthmus Holdings LLC
4.15*	Deferred Payment Agreement, dated December 28, 2017, among Nautilus Energy Topco LLC, as Payee, ISQ Global Infrastructure Fund II, L.P., as Guarantor and Inkia Energy Limited, as Payor
4.16*	Amended and Restated Pledge Agreement, dated February 15, 2018, between Kenon Holdings Ltd. and Nautilus Inkia Holdings LLC
4.17*	Qoros Automobile Company Limited Investment Agreement, dated May 23, 2017, as amended, among Hangzhou Chengmao Investment Co., Ltd., Wuhu Chery Automobile Investment Company Limited, Quantum (2007) LLC and Qoros Automobile Company Limited
4.18*	Joint Venture Contract, dated as of December 20, 2017, among Wuhu Chery Automobile Investment Co., Ltd., Quantum (2007) LLC and Hangzhou Chengmao Investment Co., Ltd
8.1*	List of subsidiaries of Kenon Holdings Ltd.
12.1*	Rule 13a-14(a)/15d-14(a) Certification of Co-Chief Executive Officer
12.2*	Rule 13a-14(a)/15d-14(a) Certification of Co-Chief Executive Officer
12.3*	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer

13.1*	Certification of Co-Chief Executive Officers 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 Deloitte, Inc., Independent Registered Public Accounting Firm of the Combined Entities (Distribuidora de Electricidad de Oriente, S.A. and Distribuidora de Electricidad de Occidente, S.A.)
15.3*	Consent of KPMG Huazhen LLP, Independent Auditor of Qoros Automotive Co., Ltd.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* 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.

Exhibit 4.14

EXECUTION VERSION

SHARE PURCHASE AGREEMENT

by and among

INKIA ENERGY LTD.,

IC POWER DISTRIBUTION HOLDINGS, PTE. LTD.,

NAUTILUS INKIA HOLDINGS LLC,

NAUTILUS DISTRIBUTION HOLDINGS LLC

AND

NAUTILUS ISTHMUS HOLDINGS LLC

Dated as of November 24, 2017

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SHARE PURCHASE AGREEMENT

THIS SHARE PURCHASE AGREEMENT (this "Agreement") is dated as of November 24, 2017, by and among Inkia Energy Limited, an exempted company incorporated under the laws of Bermuda ("Seller 1"), IC Power Distribution Holdings, Pte. Ltd., a company organized and existing under the laws of Singapore ("Seller 2"), Nautilus Inkia Holdings LLC, a company organized and existing under the laws of Cayman Islands ("Buyer 1"), Nautilus Distribution Holdings LLC, a company organized and existing under the laws of Cayman Islands ("Buyer 2"), and Nautilus Isthmus Holdings LLC, a company organized and existing under the laws of Cayman Islands ("Buyer 3"). Each of Seller 1 and Seller 2 is sometimes referred to herein individually as a "Seller" and collectively as "Sellers". Each of Buyer 1, Buyer 2 and Buyer 3 is sometimes referred to herein individually as a "Buyer" and collectively as "Buyers". Each of the Sellers and Buyers is sometimes referred to herein individually as a "Party" and collectively as the "Parties".

RECITALS

WHEREAS, as of the date of this Agreement, Sellers are the record owners of the Acquired Interests in the Acquired Companies as shown on **Schedule 4.2**.

WHEREAS, Sellers desire to sell to Buyers, and Buyers desire to purchase from Sellers, all of the Acquired Interests on the terms and subject to the conditions set forth in this Agreement;

WHEREAS, Buyer Guarantor, simultaneously with the execution and delivery of this Agreement, has agreed pursuant to a guarantee, dated as of the date hereof, by Buyer Guarantor in favor of Sellers (the "Buyer Guarantee") in the form attached hereto as **Exhibit C** to guarantee certain obligations of Buyers under this Agreement; and

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth herein, and subject to the terms and conditions set forth herein, Sellers and Buyers hereby agree as follows:

ARTICLE I
DEFINITIONS

1.1 **Definitions**. Capitalized terms used in this Agreement shall have the respective meanings set forth or referenced in **Annex I** attached hereto.

ARTICLE II
SALE AND PURCHASE

2.1 **Sale and Purchase**. At the Closing (a) Seller 1 shall sell and transfer to (i) Buyer 1 all of the Buyer 1 Acquired Interests and (ii) Buyer 3 all of the Buyer 3 Acquired Interests, (b) Seller 1 and Seller 2 shall sell and transfer to Buyer 2 all of the Buyer 2 Acquired Interests, in each case, free and clear of all Liens and (c) Buyers shall purchase and acquire the Acquired Interests and Buyer 1 shall make the payments described in **Section 2.2**. For the avoidance of doubt, Sellers are not selling, assigning or otherwise transferring to any Buyer, and no Buyer is acquiring or assuming any asset or Liability of any kind of the Sellers, except as expressly provided in this Agreement, the CPAA Agreement, Seller Support Agreements and any other agreement expressly contemplated hereby.

2.2 **Purchase Price**.

(a) Subject to the adjustments set forth in **Section 2.3**, in full consideration for the transfer of the Acquired Interests, Buyer 1 shall pay or cause to be paid to Seller 1 at the Closing, an aggregate amount in cash equal to:

(i) $1,177,000,000 (the "Base Purchase Price");

(ii) plus any Estimated Working Capital Adjustment;

(iii) minus any Estimated Debt Adjustment;

(iv) minus the Closing Date Escrow Amount (if any);

(v) plus the Estimated Excess Cash Adjustment; and

(vi) plus the Estimated Agua Clara Contribution Amount,

(such resulting amount calculated by clauses (i) through (vi), the "Initial Purchase Price").

(b) The Initial Purchase Price will be net of any Tax required to be withheld pursuant to the Withholding Tax Statement and the net amount shall be paid by Buyer 1 to Seller 1 at the Closing by bank wire transfer of immediately available funds to an account or accounts designated by Seller 1 in writing to Buyers at least three (3) Business Days prior to the Closing Date except as otherwise provided in **Section 3.3(a)**; provided that the Deferred Payment Principal Amount shall be paid into the Deferred Payment Escrow Account.

2.3 **Purchase Price Adjustment**.

(a) Estimated Statement. At least twenty (20) calendar days prior to the Closing Date, Sellers shall prepare and deliver, or cause to be prepared and delivered, to Buyers a preliminary statement (the "Preliminary Statement") reflecting the items to be included in the Estimated Statement (as defined below). Following delivery of the Preliminary Statement, Buyers and their representatives shall have the right to review and comment upon such information. Sellers shall consider in good faith any such input of Buyers and their representatives and shall inform Buyers of any material adjustments to be reflected on the Estimated Statement that were not shown on the Preliminary Statement. At least five (5) Business Days prior to the Closing Date, Sellers shall deliver a statement (the "Estimated Statement") setting forth Sellers' good faith estimate of:

(i) the Proportionally Consolidated Group Net Working Capital as of the Effective Time (the "Estimated Closing Proportionally Consolidated Group Working Capital");

(ii) the Proportionally Consolidated Group Debt outstanding as of the Effective Time (the "Estimated Closing Proportionally Consolidated Group Debt");

(iii) the Excess Cash Adjustment (the "Estimated Excess Cash Adjustment");

(iv) the Agua Clara Debt outstanding as of the Effective Time (the "Estimated Agua Clara Debt");

(v) the Agua Clara Contribution Amount as of the Effective Time (the "Estimated Agua Clara Contribution Amount"); and

(vi) the Initial Purchase Price calculated therefrom.

The statements provided pursuant to this **Section 2.3(a)** shall be calculated in the manner set out in **Schedule 2.3(a)** and shall be prepared in accordance with the Closing Accounting Policies.

(b) Closing Statement. Within ninety (90) days after the Closing Date, Buyers shall prepare and deliver, or cause to be prepared and delivered, to Sellers a statement (the "Closing Statement") setting forth Buyers' calculation of:

(i) the Proportionally Consolidated Group Net Working Capital as of the Effective Time (the "Closing Proportionally Consolidated Group Working Capital");

(ii) the Proportionally Consolidated Group Debt outstanding as of the Effective Time (the "Closing Proportionally Consolidated Group Debt");

(iii) the Excess Cash Adjustment (the "Closing Excess Cash Adjustment");

(iv) the Agua Clara Debt outstanding as of the Effective Time (the "Closing Agua Clara Debt");

(v) the Agua Clara Contribution Amount as of the Effective Time (the "Closing Agua Clara Contribution Amount"); and

(vi) the Purchase Price calculated therefrom.

The Closing Statement shall follow the same format (including with respect to each line item) as the Estimated Statement and shall be prepared and calculated in accordance with the Closing Accounting Policies and in accordance with **Schedule 2.3(a)**. The Closing Statement shall not take into account any events occurring after the Closing Date. If Buyers fail to deliver the Closing Statement within such 90-day period, then in addition to any other rights Sellers may have under this Agreement, Sellers shall have the right to elect that the Initial Purchase Price (and each component thereof) be deemed to be the amount of the Purchase Price and be final, conclusive and binding on the Parties and used for purposes of calculating the adjustment pursuant to this **Section 2.3**.

(c) Closing Statement Dispute.

(i) Within sixty (60) days following receipt by Sellers of the Closing Statement, Sellers shall deliver written notice to Buyers of any dispute they have with respect to the preparation or content of the Closing Statement (the "Adjustment Dispute Notice"). If Sellers do not notify Buyers of a dispute with respect to the Closing Statement within such 60-day period, such Closing Statement will be final, conclusive and binding on the Parties.

(ii) In the event Sellers deliver an Adjustment Dispute Notice with respect to only certain of the amounts set forth in the Closing Statement but not others, then any undisputed amount shall be deemed to be final, binding and conclusive. In the event the Sellers deliver an Adjustment Dispute Notice to Buyers, then Sellers and Buyers shall cooperate in good faith for a period of thirty (30) calendar days commencing on 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 Buyers shall provide Sellers reasonable access to the Buyers' and the Group's personnel, properties, Contracts, documents, books, records, files and other data (including Tax Returns) relevant to the calculation of the Closing Statement (subject to the execution of customary work paper access letters and confidentiality agreements if requested).

(iii) If Buyers and Sellers fail to resolve such disputed items within 30 days after Sellers advise Buyers of Sellers' objections in writing, then Buyers and Sellers jointly shall engage the Arbitration Firm to resolve only such disputed items. In the event Buyers and Sellers engage the Arbitration Firm, as promptly as practicable thereafter, Buyers, on the one hand, and Sellers, on the other hand, shall each prepare and submit a presentation to the Arbitration Firm. As soon as practicable thereafter, Buyers and Sellers shall cause the Arbitration Firm to choose one of the Party's positions on each of the disputed items based solely upon the presentation by Buyers and Sellers. The Arbitration Firm (A) may only resolve disagreements as to matters covered by the Adjustment Dispute Notice (which disagreements shall refer to the definitions and specific line items set out in **Schedule 2.3(a)** (if applicable)); (B) shall base its determination solely on (1) the written submissions of the Parties and shall not conduct an independent investigation and (2) the Closing Accounting Policies and the provisions set forth in this **Section 2.3**; and (C) shall not assign any value with respect to a disputed amount that is greater than the highest value for such amount claimed by either Sellers or Buyers or that is less than the lowest value for such amount claimed by either Sellers or Buyers. The Arbitration Firm shall be instructed to render a determination as soon as reasonably possible (which the Parties agree should not be later than thirty (30) calendar days following the day on which the disagreement is referred to the Arbitration Firm). The Arbitration Firm shall conduct the determination activities in a manner wherein (x) each of Sellers and Buyers promptly provide their assertions regarding the specific items in dispute set forth in the Adjustment Dispute Notice to the Arbitration Firm and to each other, substantially simultaneously and (y) all materials submitted are held in confidence and shall not be disclosed to any third parties.

(iv) Buyers, on the one hand, and Sellers, on the other hand, shall each be responsible for fifty percent (50%) of the fees and expenses of the Arbitration Firm; provided, however, that the allocation of such fees and expenses among Buyers and Sellers may be modified by the Arbitration Firm to the extent the Arbitration Firm determines that either Buyers or Sellers took any position with respect to the Closing Statement in bad faith. All determinations made by the Arbitration Firm (including any determination concerning the allocation of fees and expenses pursuant to the immediately preceding sentence) will be final, conclusive and binding on the Parties. The Parties agree that judgment may be entered upon the determination of the Arbitration Firm in any court having jurisdiction over the Party against which such determination is to be enforced. Notwithstanding anything herein to the contrary, the dispute resolution mechanism contained in this **Section 2.3(c)** shall be the exclusive mechanism for resolving disputes regarding the Purchase Price adjustment, if any. Except in the instance of fraud, the Parties further agree not to pursue any legal claim or action against the Arbitration Firm as a result of its determinations pursuant to this **Section 2.3(c)**.

(d) Access. For purposes of complying with the terms set forth in this **Section 2.3**, Buyers, on the one hand, and Sellers, on the other hand, shall cause the Acquired Companies and Subsidiaries to, cooperate with and make available to each other and their respective representatives all information, records, data and working papers, and shall permit access to its facilities and personnel, as may be reasonably requested in connection with the preparation and analysis of the Closing Statement and the resolution of any disputes thereunder.

(e) Payment.

(i) If the Purchase Price (as finally determined pursuant to **Section 2.3(b)** or **Section 2.3(c)**) is less than the Initial Purchase Price, Sellers shall pay to Buyer 1, by bank wire transfer of immediately available funds to the accounts designated in writing by Buyer 1, an amount in cash equal to the difference between the Initial Purchase Price and the Purchase Price within five (5) Business Days from the date on which the Purchase Price is finally determined pursuant to **Section 2.3(b)** or **Section 2.3(c)**.

(ii) If the Purchase Price (as finally determined pursuant to **Section 2.3(b)** or **Section 2.3(c)**) is greater than the Initial Purchase Price, Buyer 1 shall pay or cause to be paid to Seller 1 by bank wire transfer of immediately available funds to the accounts designated in writing by Sellers, an amount in cash equal to the difference between the Purchase Price and the Initial Purchase Price within five (5) Business Days from the date on which the Purchase Price is finally determined pursuant to **Section 2.3(b)** or **Section 2.3(c)**; provided, however, that if the Tax Basis Certificate has not been obtained at least five (5) Business Days prior to the date such payment is due (such that it is valid), Buyer 1 shall pay such amount into the Basis Certificate Escrow Account.

(iii) If the Purchase Price (as finally determined pursuant to **Section 2.3(b)** or **Section 2.3(c)**) is equal to the Initial Purchase Price, neither Buyer 1 nor Seller 1 shall make any payment pursuant to this **Section 2.3**.

2.4 **Withholding Taxes**.

(a) Except as set forth in **Section 2.4(b)**, Buyers shall be entitled to deduct and withhold such amounts that they are required to deduct and withhold under applicable Tax Law from the Initial Purchase Price, any adjustment payment payable pursuant to **Section 2.3(e)**, and any amount payable to Sellers from an Escrow Account or otherwise pursuant to **Section 7.12** or **Section 7.13**, provided however, that Buyers and any of its successors or assignees shall not be permitted to deduct and withhold any amounts in respect of Taxes to the extent such withholding obligation arises from or is attributable to an assignment by Buyer to another person under **Section 12.2**. Except as provided in **Schedule 2.4**, as of the date of this Agreement, Buyers are not aware of any fact or circumstance that would make the payment of the Initial Purchase Price and any adjustment payment payable pursuant to **Section 2.3(e)**, subject to any withholding Tax under applicable Tax Law. Should Buyers determine that such payment or payments are subject to any withholding Tax under applicable Tax law, Buyers shall provide a statement of the Tax required to be withheld from such amounts to Sellers at least five (5) days prior to the scheduled date of payment (a "Withholding Tax Statement"). To the extent that amounts are withheld by Buyers, (a) such withheld amounts shall be remitted by Buyers to the applicable Taxing Authority, (b) Buyers shall provide Sellers with official receipts (or copies thereof) evidencing the payment of any such amounts and (c) such withheld amounts shall be treated for all purposes of this Agreement as having been paid to Sellers. Notwithstanding the foregoing, if Buyers determine that any amounts are required by applicable Tax Law to be deducted or withheld from any of the foregoing payments, Buyers shall, to the extent reasonably practicable and as permitted by applicable Tax Law, give Sellers at least twenty (20) days prior notice of any such deduction or withholding and Sellers and Buyers shall reasonably cooperate with the other Party in order to reduce, limit or avoid such deduction or withholding to the maximum extent permissible under applicable Tax Law, including by affording Sellers the opportunity to provide such Tax forms or other documentation that would eliminate or reduce the amount to be so withheld pursuant to this **Section 2.4**. For the avoidance of doubt, no amounts shall be deducted or withheld from any payments under this Agreement except to the extent shown on a Withholding Tax Statement delivered to Sellers prior to Closing in the case of the Initial Purchase Price and prior to the scheduled date of payment in the case of any adjustment payment payable pursuant to **Section 2.3(e).**

(b) Notwithstanding **Section 2.4(a)**, in the event that Buyers deliver a Withholding Tax Statement showing withholding Taxes in excess of $20 million prior to Closing and Sellers and Buyers have not agreed on the applicable amount of withholding Taxes, then:

(i) Buyers shall deposit into a withholding tax escrow account maintained by the Escrow Agent in accordance with the Escrow Agreement (the "Withholding Tax Escrow Account") the amounts shown on the Withholding Tax Statement and that otherwise would have been deducted pursuant to **Section 2.4(a)** plus a reasonable amount for any interest and penalties that may become due as a result of the failure to timely pay over the withholding Taxes to the applicable Governmental Authority (the "Withholding Tax Escrow Amount") on the Closing Date;

(ii) Buyers and Sellers shall reasonably cooperate with the other Party in order to reduce, limit or avoid such deduction or withholding to the maximum extent permissible under applicable Tax Law, including by affording Sellers the opportunity to provide such Tax forms or other documentation that would eliminate or reduce the amount to be withheld. If Buyers and Sellers agree to the applicable amount of withholding Tax in respect of the Initial Purchase Price, then (A) Buyers and Sellers shall jointly instruct the Escrow Agent to pay such agreed withholding Tax and any applicable interest and penalties to the applicable Governmental Authorities where such withholding Taxes are due, (B) if the withholding Tax, interest and penalty amount is greater than the Withholding Tax Escrow Amount, Sellers shall immediately remit the difference to the Escrow Agent and (C) if the withholding Tax, interest and penalty amount is less than the Withholding Tax Escrow Account, the balance shall be paid to Sellers; and

(iii) In the event that Buyers and Sellers are unable to agree the amount of withholding Taxes within a twenty (20)-day period following the Closing, then Buyers and Sellers jointly shall engage an Arbitration Firm to determine the applicable amount of Taxes to be deducted from the Initial Purchase Price. The Arbitration Firm shall be instructed (a) to render a determination as soon as reasonably possible (which the Parties agree should not be later than ten (10) calendar days following the day on which the disagreement is referred to the Arbitration Firm) and (b) determine the applicable withholding Tax, interest and penalty amount. Buyers, on the one hand, and Sellers, on the other hand, shall each be responsible for fifty percent (50%) of the fees and expenses of the Arbitration Firm. All determinations made by the Arbitration Firm (including any determination concerning the allocation of fees and expenses pursuant to the immediately preceding sentence) will be final, conclusive and binding on the Parties. Following determination by the Arbitration Firm of the applicable Tax, interest and penalty amount to be withheld, (A) Buyers and Sellers shall jointly instruct the Escrow Agent to pay such applicable Tax, interest and penalty amount that is finally determined by the Arbitration Firm pursuant to this **Section 2.4(b)(iii)** to the applicable Governmental Authorities where such withholding Taxes are due, (B) if the withholding Tax, interest and penalty amount is greater than the Withholding Tax Escrow Amount, Sellers shall immediately remit the difference to the Escrow Agent, and (C) if the withholding Tax, interest and penalty amount is less than the Withholding Tax Escrow Account, the balance shall be paid to Sellers.

2.5 **Assumption of Indebtedness**. Buyers and Sellers agree that, as a part of the consideration for the transactions contemplated by this Agreement, Buyer 1 shall assume Seller 1's obligations under the Note Indenture at Closing in accordance with **Sections 3.2(h) and 3.3(e)**.

2.6 **Claims Retained by IC Power Ltd**. The Parties agree that IC Power Ltd. retains all rights it currently has in relation to the Investment Treaty Claims and there shall be no effect on such rights by virtue of this Agreement. For the avoidance of doubt, the Parties expressly acknowledge that this Agreement is being made without prejudice to IC Power Ltd. receiving whatever redress is possible from an arbitration tribunal for its Investment Treaty Claims.

2.7 **Purchase Price Allocation**. The Parties agree that the values set across from the Acquired Companies and Subsidiaries listed on **Schedule 2.7** represent the fair values attributable to such companies in connection with the transactions contemplated by this Agreement.

ARTICLE III
CLOSING AND DELIVERIES

3.1 **Closing**. The closing of the transactions contemplated hereby (the "Closing") will take place remotely via the exchange of documents and signatures on (i) the last Business Day of the calendar month in which each of the conditions set forth in **ARTICLE VIII** (other than those conditions that are to be satisfied at the Closing) are either satisfied or waived, if such conditions are satisfied or waived on or before the fifteenth (15th) calendar day of the month, (ii) the last Business Day of the calendar month immediately following the calendar month in which each of the conditions set forth in **ARTICLE VIII** (other than those conditions that are to be satisfied at the Closing) are either satisfied or waived, if such conditions are satisfied or waived after the fifteenth (15th) calendar day of the month, or (iii) on such other date as Sellers and Buyers mutually agree in writing. All proceedings to be taken and all documents to be executed and delivered by all Parties at the Closing will be deemed to have been taken and executed simultaneously and no proceedings will be deemed to have been taken nor documents executed or delivered until all have been taken, executed and delivered. The date on which the Closing actually occurs is the "Closing Date". The effective time of the Closing will be 11:59 p.m. Eastern Time on the Closing Date (the "Effective Time").

3.2 **Deliveries by the Sellers**. At the Closing, Sellers shall deliver, or cause to be delivered, to Buyers the following items:

(a) Certificates representing the Acquired Interests, duly endorsed (or accompanied by a duly executed share transfer form) for transfer to Buyers or to such account or such Person designated by Buyers in writing prior to the Closing Date;

(b) Certificates of the Secretary of each of the Acquired Companies, given by him or her on behalf of the Acquired Companies, as applicable, and not in his or her individual capacity, certifying as to the memorandum of association and by-laws (if any) of the Acquired Companies;

(c) Certificates from an officer of each Seller, given by him or her on behalf of each of the Acquired Companies, as applicable, and not in his or her individual capacity, to the effect that, the conditions set forth in **Section 8.2(a)** and **Section 8.2(b)** have been satisfied;

(d) Resignations or removals of the directors set forth on **Schedule 3.2(d)**, effective as of the Effective Time, by means of letters sent to the Acquired Company or Subsidiary that employs such directors (in their capacity as directors) and countersigned by the relevant Acquired Company or Subsidiary, which letters shall also contain (i) a statement to the effect that such director does not have any claim against the Acquired Company or such Subsidiary, as applicable, for any reason whatsoever, (ii) a statement to the effect that such Acquired Company or Subsidiary does not have any claim against such director, for any reason whatsoever (excluding any violations of any Anti- Corruption Laws), (iii) a release of the Acquired Company or such Subsidiary, as applicable, from any claim such director may have against the Acquired Company or Subsidiary, and (iv) a release of such director from any claim such Acquired Company or Subsidiary may have against such director (excluding any violations of any Anti- Corruption Laws);

(e) a counterpart to each Local Transfer Agreement duly executed by Seller;

(f) a counterpart to the Transition Services Agreement duly executed by Seller;

(g) the Mutual Release duly executed by Sellers, the Acquired Companies and each Subsidiary;

(h) with respect to the Indenture, dated as of November 9, 2017, between Seller 1, as issuer of the Notes, and Citibank, N.A., as Trustee (the "Note Indenture"), a supplemental indenture duly executed by Seller 1;

(i) a valid and effective "Certificate of Invested Capital" from the *Superintendencia Nacional de Aduanas y de Administración Tributaria* (SUNAT) with respect to Seller 1's Tax basis in Inkia Americas Ltd. that was issued by SUNAT within the 45-day period ending on the Closing Date (the "Tax Basis Certificate");

(j) an assignment agreement, in form and substance reasonably satisfactory to Buyers, providing for the assignment and transfer to Buyers or a Subsidiary thereof of any intercompany Support Obligations set forth on **Schedule 3.2(j)**, duly executed by Seller 1;

(k) an executed copy of the Trust Agreement duly executed by Inkia Americas Holding Ltd. (Bermuda) and Maples FS, as trustee;

(l) an executed copy of the Trust Agreement duly executed by Inkia Salvadorian Panama Ltd. (Cayman), Nejapa Holdings Company Ltd. (Cayman) and Maples FS, as trustee (together with the Trust Agreement referenced in **Section 3.2(k)**, and instruments of assignment of the applicable voting rights contemplated by such Trust Agreement, each dated as of the Closing Date, in each case in form and substance as reasonably agreed between the Sellers and Buyers, the "Trust Agreements");

(m) a counterpart to the CPAA Agreement duly executed by the Sellers and/or each Affiliate of Seller that is party to any such CPAA Agreement;

(n) a counterpart to each Seller Support Agreement, dated as of the Closing Date, duly executed by each Seller and/or each Affiliate of Seller that is party to any such Seller Support Agreements;

(o) if any portion of the Initial Purchase Price is to be deposited in the Escrow Accounts in accordance with this Agreement, a counterpart to the Escrow Agreement, dated as of the Closing Date, and duly executed by Seller 1;

(p) an amendment to the by-laws of IC Power Holdings (Kallpa) Ltd., Compañía de Energía de Centroamerica S.A. de C.V. Cenergica, and Nejapa Power Company S.A., in each case in form and substance reasonably agreed between Sellers and Buyers;

(q) executed copies of director appointment agreements with three independent directors of IC Power Holdings (Kallpa) Ltd., Compañía de Energía de Centroamerica S.A. de C.V. Cenergica and Nejapa Power Company S.A.; and

(r) the original shareholders register of each Acquired Company duly updated to evidence the transfer of the Acquired Interests to Buyers or such other documentation as may be reasonably required under applicable Law to evidence the transfer of the Acquired Interests to Buyers.

3.3 **Deliveries by Buyers**. At the Closing, Buyers shall deliver, or cause to be delivered, to Sellers the following items:

(a) the Initial Purchase Price paid by Buyer 1 in accordance with **Section 2.2** to the Person or Persons entitled thereto less an amount equal to the aggregate amount of all Closing Date Escrow Amounts;

(b) the Closing Date Escrow Amounts, by wire transfer of immediately available dollars, to the Escrow Agent to be held, invested, applied and released as provided in the Escrow Agreement;

(c) a certificate of the Secretary of each Buyer, given by him or her on behalf of such Buyer and not in his or her individual capacity, certifying as to the Organizational Documents of such Buyer and as to the resolutions of the managers of such Buyer authorizing this Agreement and the transactions contemplated hereby;

(d) A certificate of an officer of each Buyer, given by him or her on behalf of such Buyer and not in his or her individual capacity, to the effect that the conditions set forth in **Section 8.1(a)** and **Section 8.1(b)** have been satisfied with respect to such Buyer;

(e) with respect to the Note Indenture, (i) a supplemental indenture, in form and substance reasonably satisfactory to the Trustee (as defined in the Note Indenture), duly executed by Buyer 1 and the Trustee (ii) an officer's certificate of Buyer 1 (as successor issuer), in form and substance reasonably satisfactory to the Trustee (as defined in the Note Indenture) and Sellers' counsel, and (iii) a legal opinion of the successor issuer's counsel in form and substance reasonably satisfactory to the Trustee;

(f) a counterpart to each Local Transfer Agreement duly executed by Buyer 1, Buyer 2 or Buyer 3, as applicable;

(g) a counterpart to the Transition Services Agreement duly executed by Buyer 1, Buyer 2 or Buyer 3, as applicable;

(h) a counterpart to the CPAA Agreement duly executed by Buyer 1 and Buyer 2;

(i) if any portion of the Initial Purchase Price is to be deposited in the Escrow Accounts in accordance with this Agreement, a counterpart to the Escrow Agreement duly executed by Buyer 1, Buyer 2 or Buyer 3, as applicable; and

(j) a counterpart to each Seller Support Agreement duly executed by Buyer 1, Buyer 2 or Buyer 3, as applicable.

3.4 **Basis Certificate Escrow Account**. Buyers and Sellers shall procure that, following delivery of the Tax Basis Certificate to Buyers, any amounts paid into the Basis Certificate Escrow Account (if any) and any earnings thereon shall be promptly paid to Sellers. Buyers and Sellers shall take all actions necessary to instruct and cause the Escrow Agent to make such payments pursuant to the preceding sentence.

3.5 **Casualty and Condemnation Escrow Account**. Buyers and Sellers shall procure that, following final determination (if any) in accordance with **Section 7.12**, any amounts paid into the Casualty and Condemnation Escrow Account (if any) and any earnings thereon due to Sellers in accordance with **Section 7.12** shall be promptly paid to Sellers and the remainder (if any) shall be promptly paid to Buyers. Buyers and Sellers shall take all actions necessary to instruct and cause the Escrow Agent to make such payments pursuant to the preceding sentence.

3.6 **Kanan Project Escrow Account**. Buyers and Sellers shall procure that, in accordance with **Section 7.13**, any amounts paid into the Kanan Project Escrow Account (if any) and any earnings thereon and (a) due to Sellers in accordance with **Section 7.13** shall be promptly paid to Sellers and (b) due to Buyers in accordance with **Section 7.13** shall be promptly paid to Buyers. Buyers and Sellers shall take all actions necessary to instruct and cause the Escrow Agent to make such payments pursuant to the preceding sentence.

3.7 **Withholding Tax Escrow Account**. Buyers and Sellers shall procure that any amounts paid into the Withholding Tax Escrow Account (if any) to be paid to (a) a Governmental Authority in accordance with **Section 2.4(b)(ii)** and **Section 2.4(b)(iii)** shall be promptly paid to such Governmental Authority and (b) Sellers in accordance with **Section 2.4(b)(ii)** and **Section 2.4(b)(iii)** shall be promptly paid to Sellers. Buyers and Sellers shall take all actions necessary to instruct and cause the Escrow Agent to make such payments pursuant to the preceding sentence.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES REGARDING THE ACQUIRED COMPANIES AND THE SUBSIDIARIES

Except as set forth on the applicable Schedules (it being understood that any matter disclosed in any Schedule (i) will be deemed to be disclosed on any other Schedule to the extent that it is reasonably apparent from the face of such disclosure that such disclosure is applicable to such other Schedule or Schedules and (ii) does not represent a determination that such item is material or establish a standard of materiality or that such matter did not arise in the ordinary course of business), the Sellers represents and warrants to Buyers as of the date hereof and as of the Effective Time as follows:

4.1 **Organization and Standing**.

(a) Each Acquired Company and Subsidiary is an entity, duly organized or formed, validly existing and, to the extent such concept is recognized under applicable Law, in good standing, under the Laws of its jurisdiction of incorporation or formation, and has all the requisite power and authority to own, lease and operate its assets and properties and conduct its business as it is presently conducted, in all material respects.

(b) Each Acquired Company and Subsidiary is duly qualified to do business, and, to the extent such concept is recognized under applicable Law, in good standing, in each jurisdiction in which the character of the assets and properties owned, operated or leased by it or in which the conduct of its business requires it to be so qualified, except where the failure to be so qualified or to be in good standing would not have, individually or in the aggregate, a Material Adverse Effect on the Group.

(c) Sellers have made available to Buyers true, complete and correct copies of the Organizational Documents of the Acquired Companies and each of the Subsidiaries.

4.2 **Capitalization**. The authorized Equity Securities of the Acquired Companies that have been issued are set forth in **Schedule 4.2**. All of the Acquired Interests have been duly authorized and are validly issued, fully paid and non-assessable shares. Except as set forth on **Schedule 4.2**, there are no: (a) outstanding Equity Securities, Contracts or commitments obligating the Acquired Companies or any Subsidiary to, directly or indirectly, issue, transfer, sell or otherwise acquire or dispose of any Equity Securities of the Company or any Subsidiary; or (b) Contracts, Organizational Documents, proxies, or other similar instruments or understandings to which the Acquired Companies or any Subsidiary are a party, by which the Acquired Companies or any Subsidiary are bound or to which the Acquired Interests or the Subsidiary Interests are subject with respect to the voting, transfer or other disposition of its Equity Securities.

4.3 **Subsidiaries**.

(a) **Schedule 4.3(a)** sets forth for each Subsidiary: (i) its jurisdiction of formation, (ii) the authorized amount and the number of issued and outstanding Equity Interests of such Subsidiary (such issued and outstanding Equity Interests, the "Subsidiary Interests"), (iii) all Equity Interests or voting interests of the Subsidiaries owned by the Acquired Companies or a Subsidiary, (iv) all Equity Interests or voting interests of the Subsidiaries owned by any Person other than the Acquired Companies, or a Subsidiary and the identity of such Person. Except as set forth on **Schedule 4.3(a)**, all Subsidiary Interests owned by the Acquired Companies or a Subsidiary are duly authorized, validly issued, fully paid and nonassessable and, in each case, owned free and clear of all Liens other than Liens arising under or securing Debt of the Acquired Companies and the Subsidiaries set forth on **Schedule 4.3(a)** or arising under applicable securities Laws.

(b) Except as set forth on **Schedule 4.3(b)**, the Acquired Companies do not, directly or indirectly, own any Equity Securities or voting interests of any other Person other than the Subsidiaries. All of the outstanding Equity Securities or voting interests set forth on **Schedule 4.3(b)** that are owned, directly or indirectly, by the Acquired Companies are duly authorized, validly issued, fully paid and nonassessable and, in each case, owned free and clear of all Liens other than Liens arising under or securing Debt of the Acquired Companies and the Subsidiaries set forth on **Schedule 4.3(b)** or arising under applicable securities Laws.

4.4 **No Conflict; Required Filings and Consents**.

(a) Neither the execution and delivery of this Agreement by Sellers or the Acquired Companies or the other agreements and documents contemplated hereby to be executed and delivered by Sellers or the Acquired Companies, nor the consummation by Sellers or the Acquired Companies of the transactions contemplated herein or therein, nor compliance by Sellers or the Acquired Companies with any of the provisions hereof or thereof, does or will (i) conflict with or result in a breach of any provisions of the Organizational Documents of the Acquired Companies or any of the Subsidiaries, (ii) constitute or result in any material Default under any Material Contract, (iii) result in the creation or imposition of a Lien (other than a Permitted Lien) upon any property or assets of the Acquired Companies or the Subsidiaries, or (iv) subject to receipt by Buyers of the requisite approvals referred to in **Schedule 6.3(b)**, violate, in any material respect, any Consent, Permit, Order or Law applicable to the Acquired Companies or the Subsidiaries or any of their respective properties, assets or businesses, in each case except as set forth on **Schedule 4.4(b)**.

(b) Other than as set forth on **Schedule 4.4(b)**, no Consent of any Person is required to be obtained by Sellers, the Acquired Companies or any Subsidiary in connection with the execution and delivery of this Agreement or the consummation by Sellers of the transactions contemplated by this Agreement, except for any Consents that, if not obtained, would not be material to the Acquired Companies or Subsidiaries or the business, operations or condition of the Acquired Companies or Subsidiaries.

4.5 **Financial Statements; No Undisclosed Liabilities**.

(a) Copies of the following financial statements have been delivered to Buyers or have been made available to Buyers for their review: (i) the audited consolidated balance sheets of Seller 1 and its consolidated subsidiaries as of December 31, 2016 and December 31, 2015, and the related audited consolidated statements of operations, stockholders' equity, and cash flows for the fiscal years then ended, together with the notes thereto (the "Audited Financial Statements"), (ii) the unaudited consolidated balance sheet of Seller 1 and its consolidated subsidiaries as of June 30, 2017 (such balance sheet referred to as the "Balance Sheet" and June 30, 2017, referred to as the "Balance Sheet Date"), and the related unaudited consolidated statements of operations for the 6-month period ended thereon (the "Interim Financial Statements") and (iii) the unaudited consolidated balance sheet of Seller 1 and its consolidated subsidiaries as of September 30, 2017 and the related unaudited consolidated statements of operations for the 9-month period ended thereon (the "9-Month Financial Statements" and, together with the Interim Financial Statements and the Audited Financial Statements, the "Seller Financial Statements").

(b) The Seller Financial Statements have been prepared in accordance with IFRS consistently applied and fairly present, in all material respects, the assets and liabilities, financial position, results of operations, stockholders' equity, and cash flows of the Acquired Companies and the Subsidiaries, on a consolidated basis, as of the dates and for the periods indicated.

(c) Copies of the consolidation file of the Group as of and for the six months ended June 30, 2017, (the "6-Month Consolidation File") and the consolidation file of the Group as of and for the nine months ended September 30, 2017, (the "9-Month Consolidation File") have been delivered or otherwise made available to Buyers by Sellers. The Interim Financial Statements have been prepared based on, and are consistent with, the 6-Month Consolidation File. The 9-Month Financial Statements have been prepared based on, and are consistent with, the 9-Month Consolidation File.

(d) Except for (a) the Liabilities as set forth on the Balance Sheet, (b) the Liabilities incurred by the Acquired Companies and the Subsidiaries since June 30, 2017 in the ordinary course of their respective businesses, consistent with past practice, (c) Liabilities incurred in connection with this Agreement, (d) Liabilities related to the matters set forth on **Schedule 4.5(d)**, and (e) Liabilities solely between Group members incurred in the ordinary course of their respective businesses, consistent with past practice, the Acquired Companies and the Subsidiaries have no Liabilities of the nature required to be disclosed in a balance sheet prepared in accordance with IFRS consistently applied.

(e) There are no Liabilities in excess of $500,000 in the aggregate between any of the Acquired Companies or Subsidiaries, unless both the obligor and obligee Acquired Company or Subsidiary are owned, directly or indirectly, by Sellers in the same proportion of Equity Interests.

4.6 **Insolvency**.

(a) No Acquired Company nor any Subsidiary is involved in any bankruptcy, liquidation, receivership, administration, arrangement or scheme with creditors, moratorium, interim or provisional supervision by the court or court appointee or any other similar or analogous proceedings under Law ("Insolvency Proceedings").

(b) To the Sellers' Knowledge, no order has been made, petition or application presented, notice or any other documents filed or resolution passed for the winding up of any of the Acquired Companies or Subsidiaries, or for the appointment of a liquidator, receiver, administrator, administrative receiver or similar officer over any of the Acquired Companies or Subsidiaries, or all or any of their assets or commencement of any Insolvency Proceedings.

(c) The Acquired Companies and each of the Subsidiaries are Solvent.

4.7 **Absence of Certain Changes**.

(a) Since December 31, 2016, except as set forth on **Schedule 4.7(a)**, there has not been any change, event, condition, effect, fact, circumstance, matter, occurrence or development which has had, or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on (i) the Acquired Companies and Subsidiaries that conduct their respective businesses in the Republic of Peru, taken as a whole, (ii) Energuate or (iii) the Group, taken as a whole.

(b) Since the Balance Sheet Date, except as set forth on **Schedule 4.7(b)**, each Acquired Company and each Subsidiary (i) has conducted its respective business and operated its respective assets and properties in the ordinary course of business and (ii) has not taken any action or consummated any transaction which if taken or consummated from the date of this Agreement until the Closing or the earlier termination of this Agreement would constitute a breach of the covenants set forth in **Section 7.1**.

4.8 **Taxes**. Except as set forth on **Schedule 4.8**:

(a) Each of the Acquired Companies and Subsidiaries has filed all material Tax Returns that it was required to file and has timely paid all material Taxes that it was required to pay (whether or not shown as due and owing on a Tax Return). All such Tax Returns were correct and complete in all material respects. All material Taxes not yet due and payable by the Acquired Companies and Subsidiaries have been properly accrued on the Seller Financial Statements to the extent required by IFRS.

(b) Sellers have delivered to Buyers true, complete and correct copies of all income Tax Returns and material other Tax returns filed by each of the Acquired Companies and Subsidiaries for all periods beginning on or after January 1, 2012. Sellers have also made available to Buyers true, complete and correct copies of all available examination reports or other available similar reports and statements of deficiencies assessed against or agreed to by, or on behalf of, the Acquired Companies or any of the Subsidiaries on or after January 1, 2012.

(c) Each of the Acquired Companies and Subsidiaries has complied in all material respects with all applicable Tax Laws with respect to the withholding of Taxes and timely and properly paid all such material withheld Taxes to the appropriate Taxing Authority in accordance with applicable Tax Laws.

(d) No Acquired Company nor any Subsidiary has any Liability for Taxes of any Person (other than any Liability for Taxes of the Acquired Companies and the Subsidiaries) as the result of being a member of an affiliated, consolidated, aggregate, unitary or combined group for purposes of filing any Tax Return or as a result of being a transferee or successor.

(e) No Acquired Company nor any Subsidiary has agreed to, or requested, or taken any other action that resulted in any extension or waiver of the statute of limitations applicable to any material Tax Return or to any material Taxes payable by or with respect to the Acquired Companies or any of the Subsidiaries, or agreed to any extension of time with respect to a material Tax assessment, reassessment or deficiency, which period (after giving effect to such extension or waiver) has not yet expired.

(f) No Acquired Company nor any Subsidiary is a party to or bound by any Tax indemnity, allocation or sharing agreement (other than any customary agreements with customers, vendors, lenders, lessors or the like entered into in the ordinary course of business and any other agreements for which Taxes is not the principal subject matter).

(g) There are no Liens for Taxes on the assets of any of the Acquired Companies or Subsidiaries, except for Permitted Liens.

(h) There is no Action, as of the date of this Agreement, pending with respect to any of the Acquired Companies or Subsidiaries in respect of any material Tax. No Acquired Company nor any of the Subsidiaries has received written notice of any pending or threatened Action in respect of any material Tax of any Acquired Company or any of the Subsidiaries.

(i) No Acquired Company nor any Subsidiary has entered into a closing agreement or other similar agreement with a Governmental Authority relating to Taxes of such Acquired Company or Subsidiary with respect to a taxable period for which the statute of limitations is still open.

(j) **Schedule 4.8(j)** sets forth a true, complete and correct list of all currently effective income Tax exemptions and currently effective preferential income Tax treatments granted to any Acquired Company or any Subsidiary. No submission made to any Governmental Authority in connection with the procurement of such income Tax exemptions or preferential income Tax treatments contained any misstatement or omission that would have materially affected the granting of such income Tax exemptions or preferential income Tax treatments. No Acquired Company nor any Subsidiary has received written notice of the repeal, cancellation or revocation of any such income Tax exemptions or preferential income Tax treatments.

(k) No Acquired Company nor any Subsidiary will be required to include any material item of income in, or exclude any material item of deduction from, taxable income for any Post-Closing Tax Period or for the portion of any Straddle Period beginning after the Closing Date as a result of any (i) intercompany transaction entered into prior to the Closing Date outside the ordinary course of business, (ii) installment sale or open transaction disposition made at or prior to the Closing outside the ordinary course of business, (iii) prepaid amount received at or prior to the Closing outside the ordinary course of business, or (iv) change in accounting method made prior to Closing that would be applicable to a Post-Closing Tax Period or the portion of any Straddle Period beginning after the Closing Date.

(l) Sellers have delivered or made available to Buyers true, complete and correct copies of any transfer pricing studies, statements filed with a Governmental Authority relating to transfer pricing matters and related materials relating to any material transactions covering any tax period starting on or after January 1, 2012 by, for or in respect of any Acquired Company or any Subsidiary.

(m) No jurisdiction where the Acquired Companies or the Subsidiaries do not file a Tax Return has made a claim in writing that any Acquired Company or Subsidiary is or may be required to file a Tax Return or is subject to Tax in such jurisdiction.

(n) No Acquired Company nor any Subsidiary has made a U.S. entity classification election under Treasury Regulation Section 301.7701-3(c).

(o) No Acquired Company nor any Subsidiary has entered into a record retention agreement relating to Taxes with any Governmental Authority that is still in effect.

(p) The amount of the net operating losses reflected on all of the Peruvian income Tax Returns filed by Kallpa Generación S.A., Cerro del Aguila and Samay I S.A. for periods beginning on or after January 1, 2012 is true and correct.

Notwithstanding any other representations and warranties in this **ARTICLE IV**, the representations and warranties in this **Section 4.8** and **Section 4.13** are the sole and exclusive representations and warranties of the Acquired Companies and Subsidiaries relating to Tax matters, including compliance with and liabilities arising under Tax Laws. No provision of this Agreement (including this **Section 4.8**) will be construed as providing a representation or warranty with respect to the existence, amount, expiration date or limitations (or availability of) any Tax attribute of the Acquired Companies and their Subsidiaries, except to the extent provided by the representations and warranties in **Sections 4.8(k)**, **(n)** and **(p)**. Schedule 4.8 contains a complete list of the specific proceedings with respect to which no indemnity will be available to Buyers pursuant to **Section 10.3**.

4.9 **Real Property**. **Schedule 4.9** contains a complete and accurate description of (a) all of the material Real Property owned by the Acquired Companies or the Subsidiaries (the "Owned Real Property"), (b) all of the material Real Property leased by the Acquired Companies or the Subsidiaries (the "Leased Real Property") and (c) all of the material Real Property in or to which any Acquired Company or any Subsidiary has any Real Property Rights. Except as disclosed in **Schedule 4.9**, the Acquired Companies and Subsidiaries have good and marketable title to the Owned Real Property, free and clear of all Liens except for Permitted Liens. Each Acquired Company and Subsidiary has good and valid leasehold rights to the Leased Real Property required to conduct its business as currently conducted subject to the General Enforceability Exceptions. Each Acquired Company and each Subsidiary has valid and enforceable rights under any Real Property Agreements required to conduct its business as currently conducted subject to the General Enforceability Exceptions. The Real Property listed on **Schedule 4.9** comprises all material Real Property used in the conduct of the business and operations of the Acquired Companies and the Subsidiaries as now conducted.

4.10 **Sufficiency of Assets; Tangible Personal Property**.

(a) The Acquired Companies and the Subsidiaries own, lease, license or have valid, enforceable contractual rights for all of the assets (personal, tangible and intangible) that are necessary to conduct and operate their respective businesses as presently conducted and operated.

(b) The Acquired Companies and the Subsidiaries have good and valid title to, or valid enforceable rights to use (under Contracts or otherwise), all of their property and assets (personal, tangible and intangible), free and clear of all Liens, except for Permitted Liens.

(c) Except as set forth on **Schedule 4.10(c)** all items of equipment owned, leased or used by the Acquired Companies or the Subsidiaries in the conduct and operation of their respective businesses are suitable for the purposes for which they are employed, are in customary operating condition and repair, subject to ordinary wear and tear, and have been maintained by the Acquired Companies and the Subsidiaries in accordance with Good Utility Practices.

4.11 **Compliance with Laws**. Except as set forth on **Schedule 4.11** and except for those matters that are the subject of the representations included in **Sections 4.8**, **4.12**, **4.13(f)**, **4.20**, and **4.21**:

(a) Neither the Acquired Companies nor any Subsidiary is, or in the past two (2) years has been, in material violation of any material Law, Order or Permit applicable to any Acquired Company or any Subsidiary, their respective businesses or by which the Acquired Interests or Subsidiary Interests are bound or subject, including any material Laws in respect of social performance; and

(b) No Acquired Company or Subsidiary has received written notification from any Governmental Authority that has not yet, to the Sellers' Knowledge, been resolved asserting that such Acquired Company or Subsidiary is in material violation of, or is under investigation with respect to any material violation of, any material Law, Order or Permit.

4.12 **Permits**.

(a) **Schedule 4.12(a)** contains a true, complete and correct list of all Material Permits held by any Acquired Company or any Subsidiary as of the date of this Agreement. True, complete and correct copies of all such Material Permits have been made available to Buyers. Except as disclosed in **Schedule 4.12(a)**, all such Material Permits are in full force and effect and the Acquired Companies and the Subsidiaries are in compliance in all material respects with their respective obligations thereunder. There are no proceedings pending or, to the Sellers' Knowledge, threatened which would reasonably be expected to result in the amendment, suspension, revocation or termination of any such Material Permit. The Acquired Companies and the Subsidiaries hold all Material Permits required to conduct their respective businesses as presently conducted and in accordance with applicable Law, Contracts and Permits in all material respects.

(b) **Schedule 4.12(b)** contains a true, complete and correct list of all material Permits that (based on Laws currently in effect) will be required by any Acquired Company or any Subsidiary to develop, construct, own and operate the Development Projects (the "Future Development Permits"). To the Sellers' Knowledge, there are no facts, circumstances, events or conditions that would reasonably be expected to prevent or delay obtaining any Future Development Permits from being issued in due course as and when required in accordance with any Acquired Company's or Subsidiary's current plan for developing, constructing, owning and operating any assets or business currently in development by that Acquired Company or Subsidiary, in each case, without any material adverse conditions being imposed in any such Future Development Permit or otherwise affecting the Acquired Company or Subsidiary or its current plan for developing, constructing, owning and operating any assets or business currently in development by that Acquired Company or Subsidiary.

4.13 **Employee Matters**.

(a) All material amounts due and payable by any Acquired Company or any Subsidiary to their respective employees as remuneration of any nature have been paid to such employees in the ordinary course of business. To the extent required by IFRS consistently applied, each Acquired Company and Subsidiary has adequate reserves reflected in the Seller Financial Statements for all employment Liabilities, including those in respect of severance and remuneration.

(b) Except as set forth on **Schedule 4.13(b)**, no Acquired Company or Subsidiary is party to or subject to any collective bargaining agreements or labor agreements in respect of the Acquired Companies or any Subsidiary, (ii) no employee of the Acquired Companies or any Subsidiary is represented by any labor union, works council, or labor organization with respect to their employment with the Acquired Companies or any Subsidiary, (iii) to the Sellers' Knowledge, there are no labor union organizing activities with respect to any employees of the Acquired Companies or any Subsidiary relating to their employment with the Acquired Companies or any Subsidiary and (iv) to the Sellers' Knowledge, no labor union, works council or labor organization has made a written demand of the Acquired Companies or any Subsidiary for recognition that is pending as of the date hereof and there are no representation proceedings or written petitions seeking a representation proceeding currently pending against or involving the Acquired Companies or any Subsidiary with respect to any of their respective employees.

(c) Except as set forth on **Schedule 4.13(c)**, (i) since January 1, 2015, there have been no strikes, work stoppages, work slowdowns or lockouts pending or, to the Sellers' Knowledge, threatened against or involving any of the Acquired Companies or any Subsidiaries; and (ii) except as would not, individually or in the aggregate, result in any material Liability to the Acquired Companies or Subsidiaries, (A) there are no unfair labor practice charges, grievances or complaints pending, and, to the Sellers' Knowledge, since January 1, 2015 none have been threatened by or on behalf of any employee or group of employees of any of the Acquired Companies or Subsidiaries with respect to their employment with the Acquired Companies or Subsidiaries, and (B) since January 1, 2015 there has been no mass layoff, plant closing or reduction in force with respect to employees or any group of employees of any of the Acquired Companies or Subsidiaries with respect to their employment with the Acquired Companies or Subsidiaries.

(d) Except as set forth in **Schedule 4.13(d)**, neither the execution, delivery and performance of this Agreement, nor the consummation of the transactions contemplated hereby and thereby will (either alone or upon the occurrence of any additional or further acts or events) result in any payment (whether of severance pay or otherwise) or any acceleration or vesting of any compensation or equity awards becoming due from any Acquired Company or Subsidiary to any current or former director, officer, or employee thereof. To the Sellers' Knowledge, no senior executive of any Acquired Company or any Subsidiary has any plans to terminate their employment or arrangement with such company.

(e) All employer and employee contributions to each "employee benefit plan" (as defined in Section 3(3) of ERISA and whether or not subject thereto) that is sponsored or maintained by the Acquired Companies or the Subsidiaries in respect of any of their current or former employees (each a "Benefit Plan") required by applicable Law or by the terms of such Benefit Plan have been made, or if applicable, accrued in accordance with applicable accounting principles. The fair market value of the assets of each Benefit Plan that is required to be funded, together with any book reserve and accrued contributions, is not less than the accrued benefit obligations with respect to all current and former participants in such Benefit Plan according to the actuarial assumptions and valuations most recently used to determine employer contributions to such Benefit Plan and each Benefit Plan required to be registered has been registered and has been maintained in material compliance with applicable regulatory authorities.

(f) The Acquired Companies and the Subsidiaries are in compliance with all applicable Laws with respect to outsourcing schemes used by the Acquired Companies or any Subsidiary in connection with services rendered to them by contractors, except where such non-compliance would not adversely affect the business, operation or condition of any such Acquired Company or Subsidiary or the operations of such Acquired Company or Subsidiary in any material respect. Each individual who provides outsourcing services to any Acquired Company or any Subsidiary has been properly classified as a common law employee or independent contractor and exempt or non-exempt worker for purposes of all applicable Laws and benefit plans, except as would not, individually or in the aggregate, result in any material Liability to the Acquired Companies or Subsidiaries.

(g) No Acquired Company, Subsidiary or any ERISA Affiliate sponsors, maintains, participates in, contributes to or has any liability in respect of any defined benefit pension plan subject to Title IV of ERISA or Section 412 of the U.S. Tax Code, any "multiemployer plan" within the meaning of Section 4001(a)(3) of ERISA or post- employment welfare benefits, other than post-retirement group health plan benefits required pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") or similar applicable law.

(h) Set forth on **Schedule 4.13(h)** is a true, complete and correct list, as of the date hereof, of all directors and officers of the Acquired Companies or any Subsidiary, and all employees, directors and officers located in the U.S. and Mexico, together with their title, position and work location.

4.14 **Material Contracts**.

(a) The following Contracts to which the Acquired Companies or any Subsidiary are a party or by which any of their respective properties or assets are bound shall be referred to as "Material Contracts":

(i) Any Contract with (A) any Seller or any of its Affiliates (excluding the Acquired Companies and the Subsidiaries) or (B) any current officer or director of any of the Acquired Companies or Subsidiaries (excluding any employment contract or similar arrangement of such current officer or director), in each case, that will not be terminated (without any material Liability of any kind on the part of any Acquired Company or any Subsidiary) prior to the Effective Time;

(ii) (A) any Contract of any current employee, officer, director or independent contractor relating to their employment or provision of services on a full-time, part-time, consulting or other basis, in each case to the extent providing for an annual compensation in excess of $100,000, and (B) each material Benefit Plan;

(iii) (A) any Power Purchase Contract relating to the purchase or sale of power in excess of 5 megawatts of energy generation or capacity, and (B) any Contract relating to the transmission or interconnection of electricity pursuant to which the Acquired Company or Subsidiary received annual payments in excess of $100,000;

(iv) Any Contract with any labor union or other Person representing any employee of any of the Acquired Companies or Subsidiaries in connection with such employee's employment with the Acquired Companies or Subsidiaries, including any collective bargaining agreements;

(v) Any Contract with Governmental Authorities, excluding any Contract of the nature set forth in **Section 4.14(a)(iii)**, involving annual payments in excess of the Relevant Material Contract Amount;

(vi) Any Contract establishing a partnership, limited liability company, joint venture Contract or other similar collaboration;

(vii) Any Contract providing for indemnification to or from any Person with respect to Liabilities relating to any current or former business of any Acquired Company or any Subsidiary or any predecessor Person, excluding customary indemnifications included in any financing or related documentation in connection with corporate finance activities of the Group, in excess of the Relevant Material Contract Amount;

(viii) Any Contract providing for capital expenditures in excess of the Relevant Material Contract Amount to be made after the Effective Time;

(ix) Any Contract under which any Acquired Company or Subsidiary is obligated to purchase, sell or lease real or personal property having a value in excess of the Relevant Material Contract Amount;

(x) Any shareholders, voting or similar Contract relating to the Equity Securities of the Acquired Companies or any of the Subsidiaries, or by which the Equity Securities of the Acquired Companies or any of the Subsidiaries are bound;

(xi) Any Contract for any letters of credit, guarantees or other Support Obligations entered into by or on behalf of any Acquired Company or any Subsidiary involving amounts in excess of the Relevant Material Contract Amount;

(xii) Any Contract under which any Acquired Company or any Subsidiary has (A) created, incurred or assumed any Debt with a principal amount in excess of the Relevant Material Contract Amount, (B) extended credit to, or agreed to make any Investment in, any Person in an amount in excess of the Relevant Material Contract Amount or (C) granted a Lien on any of its material assets, tangible or intangible;

(xiii) Any Contract (A) for the purchase or sale of any asset, property or product or that grants a right or option to purchase or sell any asset, property or product or (B) for the provision or receipt of any services or that grants a right or option to provide or receive any services, in each case, having a value in excess of the Relevant Material Contract Amount;

(xiv) Any Contract that materially restricts or otherwise limits (A) the Company's or any Subsidiary's freedom to compete in any line of business or in any geographic area or (B) the Company's or any Subsidiary's ability to solicit or hire any Person for employment;

(xv) Any Contract that is a Real Property Agreement; and

(xvi) Any Contract that is otherwise material to the business, operations or condition of (A) the Acquired Companies and Subsidiaries that conduct their respective businesses in the Republic of Peru, taken as a whole, (B) Energuate or (C) the Group, taken as a whole, (each of (A), (B) and (C) a "Reference Group"), and for purposes of this **Section 4.14(a)(xvi)** only, "material" means any such Contract that could reasonably be expected to represent a Liability of the Reference Group after the Effective Time greater than (x) in the case of the Acquired Companies and Subsidiaries that conduct their respective businesses in the Republic of Peru, taken as a whole, $12 million, (y) in the case of Energuate, $6 million, and (z) in case of the Group, taken as a whole, $22 million, in each case, that are not otherwise disclosed or required to be disclosed under any of the prior clauses of this **Section 4.14(a)**.

(b) Set forth on **Schedule 4.14(a)** is a true, complete and correct list of each Material Contract. True, complete and correct copies of all Material Contracts, including all amendments, supplements, schedules and exhibits thereto, have been made available to Buyers.

(c) Each of the Material Contracts is in full force and effect and is a legal, valid, binding and enforceable obligation of the Acquired Companies or the Subsidiaries, as applicable, and, to Sellers' Knowledge, the other parties thereto, subject only to the General Enforceability Exceptions, and there is no Default by the Acquired Companies or the Subsidiaries, as applicable, or, to the Sellers' Knowledge, any other party thereto under any Material Contract.

(d) No Acquired Company nor any Subsidiary has given or received notice or any other communication regarding any actual, alleged, possible or potential material Default under, or intent to cancel or terminate, any Material Contract.

4.15 **Books and Records**. The minute books and other similar corporate records of the Acquired Companies as made available to Buyers are accurate and complete in all material respects. The minute books of each Acquired Company contain accurate and complete records, in all material respects, of all meetings, and material actions taken by written consent, of its stockholders or other equity holders, its board of directors or similar governing body and any committees thereof. Each Acquired Company maintains its own books and records.

4.16 **Internal Controls**. Each Acquired Company and Subsidiary maintains books and records that in reasonable detail accurately reflect the transactions and dispositions of the assets of such Acquired Company or Subsidiary and maintains adequate internal control over financial reporting which are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Seller Financial Statements, including that (a) such Acquired Company's or Subsidiary's transactions are executed with management's authorization; (b) such Acquired Company's or Subsidiary's transactions are recorded as necessary to permit preparation of the Seller Financial Statements and to maintain accountability for such Acquired Company's or Subsidiary's assets; (c) access to such Acquired Company's or Subsidiary's assets is permitted only in accordance with management's authorization; and (d) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

4.17 **Legal Proceedings**. Except as set forth on **Schedule 4.17**, there are no Actions pending or, to the Sellers' Knowledge, threatened against the Acquired Companies or the Subsidiaries that would, individually be reasonably be expected to result in Liabilities in excess of the Relevant Material Contract Amount. Except as set forth on **Schedule 4.17**, no Acquired Company nor any Subsidiary is subject to any Order which materially restricts the operation of its business or which would reasonably be expected to have a Material Adverse Effect.

4.18 **Intellectual Property**.

(a) **Schedule 4.18(a)** contains a true, complete and correct list of all Company Intellectual Property, including all registrations or applications for registration of any Intellectual Property owned by the Acquired Companies or the Subsidiaries.

(b) Except as set forth on **Schedule 4.18(b)**, the Acquired Companies and the Subsidiaries own, free and clear of all Liens other than Permitted Liens, or have valid and enforceable licenses to use all material Intellectual Property used by them in the ordinary course of business. Except as set forth on **Schedule 4.18(b)**, (i) the conduct of the respective businesses of the Acquired Companies and the Subsidiaries does not infringe, in any material respect, upon or otherwise violate any Person's Intellectual Property, (ii) to the Sellers' Knowledge, no Person is infringing or otherwise violating any Intellectual Property of the Acquired Companies or the Subsidiaries, (iii) no Acquired Company or Subsidiary has received any written notice (A) challenging the ownership, use, validity or enforceability of any material Intellectual Property or (B) of any Default under any material Contract pursuant to which a third party grants any Acquired Company or Subsidiary, or pursuant to which any Acquired Company or Subsidiary grants a third party, the right to use any material Intellectual Property.

4.19 **Insurance. Schedule 4.19** sets forth, as of the date of this Agreement, all material third party policies of insurance maintained by or on behalf of the Acquired Companies, the Subsidiaries or their respective businesses. Except as set forth on **Schedule 4.19**, each such insurance policy is in full force and effect, all premiums due and payable thereunder have been paid in full, no Acquired Company nor any Subsidiary is in breach of such insurance policies and the Acquired Companies and the Subsidiaries have otherwise complied with the terms and conditions of such insurance policies in all material respects. The insurance policies maintained by or on behalf of the Acquired Companies, the Subsidiaries or their respective businesses are sufficient to comply in all material respects with all applicable Laws, Permits and Material Contracts. Neither the Acquired Companies nor any Subsidiary has received any notice from the insurer under any such insurance policies disclaiming coverage, reserving rights with respect to a particular claim or such insurance policy in general or cancelling or materially amending any such insurance policy. Except as set forth on **Schedule 4.17**, there are no pending insurance claims with respect to the Acquired Companies, the Subsidiaries or their respective businesses.

4.20 **Environmental Matters**. Notwithstanding anything to the contrary contained in this Agreement (including any other representations and warranties contained in this Agreement), the representations and warranties in this **Section 4.20** are the sole and exclusive representations and warranties made by the Sellers relating to environmental matters, including Environmental Laws and Hazardous Materials. Except as set forth on **Schedule 4.20**:

(a) the Acquired Companies and the Subsidiaries are, and at all times since January 1, 2015 have been, in compliance in all material respects with all applicable Environmental Laws, including compliance with the terms and conditions of all material Permits required by applicable Environmental Laws;

(b) there are no Actions or Orders pending or, to the Sellers' Knowledge, threatened against any Acquired Company or any Subsidiary with respect to any violation of or Liability under any applicable Environmental Law;

(c) no Hazardous Materials have been Released into the soil, surface water or ground water at, on or under any Acquired Company's or any Subsidiary's Real Property or any Acquired Company's or any Subsidiary's facilities that would reasonably be expected to result in any actual or potential material Liability, and to the Sellers' Knowledge, no Hazardous Materials are present in, on or under any Acquired Company's or any Subsidiary's Real Property or any Acquired Company's or any Subsidiary's facilities that are required by Environmental Laws to be investigated or remediated by any Acquired Company or Subsidiary;

(d) no Acquired Company nor any Subsidiary has since January 1, 2015 received from any Governmental Authority any written notice of any actual or alleged material violation, demand, complaint or claim under any Environmental Law or Permit required by Environmental Law or written notice of any investigation with respect to actual or potential material Liability under any Environmental Law or Permit required by Environmental Law;

(e) the Acquired Companies and the Subsidiaries hold all environmental Permits required to conduct their respective businesses as presently conducted and in accordance with applicable Law, all such Permits are in full force and effect and not subject to any appeal or challenge nor, to the Sellers' Knowledge, has any such appeal or challenge been threatened in writing, and the Acquired Companies and the Subsidiaries are in compliance in all material respects with their respective obligations thereunder;

(f) (i) there are no material capital projects or expenditures that are either pending or planned by any Seller, any Acquired Company or any of the Subsidiaries that, to the Sellers' Knowledge, are necessary to comply with any current or reasonably anticipated Environmental Law or any Permit required by Environmental Law, or that would reasonably be expected to require new, or changes to existing Permits under Environmental Law; and (ii) to the Sellers' Knowledge, there are no facts, circumstances, events or conditions that would reasonably be expected to prevent or delay obtaining any Permit required under any Environmental Law from being issued in due course as and when required in accordance with any Acquired Company's or Subsidiary's current plan for developing, constructing, owning and operating any assets or business currently in development by that Acquired Company or Subsidiary, in each case, without any material adverse conditions being imposed in any such Permit or otherwise materially affecting the Acquired Company or Subsidiary or its current plan for developing, constructing, owning and operating any assets or business currently in development by that Acquired Company or Subsidiary;

(g) no Acquired Company nor any of the Subsidiaries is presently subject to any material Liability relating to any Environmental Laws or any Hazardous Materials pursuant to any Contract, including by virtue of any breach thereof; and

(h) all copies of material correspondence to or from Governmental Authorities since January 1, 2015, and any material environmental investigations, studies, audits, reviews or other analyses performed by a third party and in the possession of Sellers, in each case, in relation to the Company, any Subsidiary or any Real Property have been made available to Buyers.

4.21 **Compliance with Anti-Corruption Laws**.

(a) None of the Sellers, Acquired Companies, Subsidiaries, nor the Compliance Group Members is a Restricted Party. To Sellers' Knowledge, none of the Compliance Group Employees and Third Parties is a Restricted Party.

(b) None of the Acquired Companies, Subsidiaries, nor any Compliance Group Member, is in violation or has been in violation of any Anti-Corruption Laws since five years prior to the date hereof, except in the case of Energuate and any related Compliance Group Member, since January 22, 2016.

(c) To Sellers' Knowledge: (i) no Compliance Group Employees and Third Parties are in violation or have been in violation of any Anti-Corruption Laws since the date five years prior to the date hereof, and (ii) none of Energuate or any related Compliance Group Employees and Third Parties are in violation or have been in violation of any Anti-Corruption Laws from the date five years prior to the date hereof to January 22, 2016.

(d) No funds or assets directly or indirectly invested in the Sellers, any Acquired Companies or any Subsidiaries or any of their Affiliates constitute the property of or are beneficially owned, directly or indirectly, by any Person which is (i) identified on any Sanction List, or otherwise qualifies as a Restricted Party or (ii) in violation of any Anti-Corruption Laws.

(e) Each Seller, each Acquired Company and each of their Subsidiaries have instituted and maintain policies and procedures designed to promote and achieve compliance with all Anti-Corruption Laws.

(f) Each Seller, each Acquired Company and their Subsidiaries, have used such Commercially Reasonable Efforts as required by applicable Anti-Corruption Laws to comply and to ensure that Compliance Group Members and Compliance Group Employees and Third Parties comply with all Anti-Corruption Laws.

(g) For the last five (5) years, no Acquired Company nor any of their Subsidiaries or Affiliates, no Compliance Group Member, and, to Sellers' Knowledge, no Compliance Group Employees and Third Parties Member has, is or has been the subject of any (a) administrative, civil, or criminal action, investigation, indictment, suit, or proceeding, or (b) suspension, debarment, or audit (other than a routine contract audit) by any other party alleging any violation of Anti-Corruption Laws.

4.22 **No Brokers**. Except for Merrill Lynch International, no broker, finder or similar agent has been employed by or on behalf of Sellers, the Acquired Companies or any Subsidiary, and no Person with which Sellers, the Acquired Companies or any Subsidiary has had any dealings or communications of any kind is entitled to any brokerage commission, finder's fee or other payment, directly or indirectly, in connection with this Agreement or the transactions contemplated hereby. No Acquired Company or Subsidiary has any Liability for amounts payable to Merrill Lynch International.

4.23 **Change of Control**. Except as set forth on **Schedule 4.23**, the acquisition of the Acquired Interests will not result in a Default under any Material Contract or material Permit or any Debt of any Acquired Company or Subsidiary.

4.24 **Data Room**. To Sellers' Knowledge, the documents contained in the electronic data site maintained on behalf of Sellers in connection with the transactions contemplated by this Agreement contained, in all material respects, true and correct copies of such documents represented to be contained therein.

4.25 **Customers and Suppliers.**

(a) **Schedule 4.25(a)** sets forth a list of the top twenty (20) suppliers and vendors (by monetary value of goods and services provided) of DEOCSA and DEORSA during the 2017 calendar year. As of the date of this Agreement, neither DEOCSA nor DEORSA has received notice that any such supplier or vendor intends to cancel or terminate its agreements with DEOCSA or DEORSA, as applicable.

(b) **Schedule 4.25(b)** set forth a list of the top twenty (20) customers (by monetary value of goods and services purchased) of DEORSA and DEOCSA during the 2017 calendar year. As of the date of this Agreement, neither DEOCSA nor DEORSA has received notice that any such customer intends to cancel or terminate its agreements with DEOCSA or DEORSA, as applicable.

(c) 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 Electrica*) and the Guatemalan Institute of Electrification (*Instituto Nacional de Electrificación*), in each case, in all material respects and other than non-material, ordinary course deviations from such terms and conditions.

4.26 **No Other Representations and Warranties**. EXCEPT AS EXPRESSLY SET FORTH IN THIS **ARTICLE IV** AND **ARTICLE V**, SELLERS MAKE NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AT LAW OR IN EQUITY, IN RESPECT OF THEMSELVES, THE ACQUIRED INTERESTS OR OTHERWISE WITH RESPECT TO ANY ACQUIRED COMPANY OR ANY SUBSIDIARY OR ANY OF THEIR RESPECTIVE ASSETS, LIABILITIES OR OPERATIONS, INCLUDING WITH RESPECT TO MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE, AND ANY SUCH OTHER REPRESENTATIONS OR WARRANTIES ARE HEREBY EXPRESSLY DISCLAIMED AND IF MADE, SUCH OTHER REPRESENTATIONS OR WARRANTIES MAY NOT BE RELIED UPON BY BUYERS OR ANY OF THEIR AFFILIATES AND REPRESENTATIVES. BUYERS HEREBY ACKNOWLEDGE AND AGREE THAT, EXCEPT TO THE EXTENT SPECIFICALLY SET FORTH IN THIS **ARTICLE IV** AND **ARTICLE V**, BUYERS ARE ACQUIRING THE ACQUIRED INTERESTS ON AN "AS IS, WHERE IS" BASIS.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF SELLER

Sellers represents and warrants to Buyers as of the date hereof and as of the Effective Time as follows:

5.1 **Organization**. Each of the Sellers is a private company limited by shares duly organized, validly existing and, to the extent such concept is recognized under applicable Law, in good standing, under the Laws of its jurisdiction of incorporation or formation.

5.2 **Authority, Validity and Effect**. Each of the Sellers has the requisite power and authority to execute and deliver this Agreement and all agreements and documents contemplated hereby to be executed and delivered by it, to carry out its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and such other agreements and documents and the consummation of the transactions contemplated herein and therein have been duly and validly authorized by all necessary corporate or other action on the part of Sellers. This Agreement has been duly and validly executed and delivered by each of the Sellers and constitutes the legal, valid and binding obligation of Sellers, enforceable against Sellers in accordance with its terms, except as limited by the General Enforceability Exceptions.

5.3 **No Conflict; Required Consent**. Neither the execution and delivery of this Agreement by Sellers or the other agreements and documents contemplated hereby to be executed and delivered by Sellers, nor the consummation by Sellers of the transactions contemplated herein or therein, nor compliance by Sellers with any of the provisions hereof or thereof, does or will (i) conflict with or result in a breach of any provisions of the Organizational Documents of such Seller, (ii) except as set forth on **Schedule 5.3**, constitute or result in a Default under any Contract or result in the creation or imposition of any Lien upon any property or assets of such Seller that would reasonably be expected to have a Material Adverse Effect on such Seller or (iii) violate any Consent, Permit, Order or Law applicable to such Seller.

5.4 **Title**.

(a) Seller 1 (a) is the record and beneficial owner of the Buyer 1 Acquired Interests and the Buyer 2 Acquired Interests, and (b) has good and valid title to the Buyer 1 Acquired Interests and the Buyer 2 Acquired Interests, free and clear of all Liens. There are no (i) outstanding Equity Securities, Contracts or commitments obligating Seller 1 to, directly or indirectly, issue, transfer, sell or otherwise acquire or dispose of any Equity Securities of any Acquired Company or any Subsidiary or (ii) Contracts, proxies or other similar instruments or understandings to which Seller 1 is a party or by which Seller 1 is bound with respect to the voting, transfer or other disposition of any Acquired Interests, in each case, other than this Agreement.

(b) Seller 2 (a) is the record and beneficial owner of the Buyer 3 Acquired Interests, and (b) has good and valid title to the Buyer 3 Acquired Interests, free and clear of all Liens. There are no (i) outstanding Equity Securities, Contracts or commitments obligating Seller 2 to, directly or indirectly, issue, transfer, sell or otherwise acquire or dispose of any Equity Securities of any Acquired Company or any Subsidiary or (ii) Contracts, proxies or other similar instruments or understandings to which Seller 2 is a party or by which Seller 2 is bound with respect to the voting, transfer or other disposition of any Acquired Interests, in each case, other than this Agreement.

5.5 **Legal Proceedings**. There is no Action pending against any Seller that relates to this Agreement or the transactions contemplated hereby or, to Sellers' Knowledge, threatened against any Seller that challenges the validity or enforceability of this Agreement or seeks to enjoin or prohibit consummation of, or seeks other material equitable relief with respect to, the transactions contemplated by this Agreement or that would reasonably be expected to impair or delay Sellers' ability to consummate the transactions contemplated by this Agreement.

5.6 **No Brokers**. Except for Merrill Lynch International, no broker, finder or similar agent has been employed by or on behalf of Sellers, the Acquired Companies or any Subsidiary, and no Person with which Sellers, the Acquired Companies or any Subsidiary has had any dealings or communications of any kind is entitled to any brokerage commission, finder's fee or other payments, directly or indirectly, in connection with this Agreement or the transactions contemplated hereby. No Acquired Company nor any Subsidiary has any Liability for amounts payable to Merrill Lynch International.

5.7 **No Other Representations and Warranties**. EXCEPT AS EXPRESSLY SET FORTH IN **ARTICLE IV** AND THIS **ARTICLE V**, SELLERS MAKE NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AT LAW OR IN EQUITY, IN RESPECT OF THEMSELVES, THE ACQUIRED INTERESTS OR OTHERWISE WITH RESPECT TO ANY ACQUIRED COMPANY OR ANY SUBSIDIARY OR ANY OF THEIR RESPECTIVE ASSETS, LIABILITIES OR OPERATIONS, INCLUDING WITH RESPECT TO MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE, AND ANY SUCH OTHER REPRESENTATIONS OR WARRANTIES ARE HEREBY EXPRESSLY DISCLAIMED AND IF MADE, SUCH OTHER REPRESENTATIONS OR WARRANTIES MAY NOT BE RELIED UPON BY BUYERS OR ANY OF THEIR AFFILIATES AND REPRESENTATIVES. BUYERS HEREBY ACKNOWLEDGE AND AGREE THAT, EXCEPT TO THE EXTENT SPECIFICALLY SET FORTH IN **ARTICLE IV** AND THIS **ARTICLE V**, BUYERS ARE ACQUIRING THE ACQUIRED INTERESTS ON AN "AS IS, WHERE IS" BASIS.THE DISCLOSURE OF ANY MATTER OR ITEM IN ANY SCHEDULE HERETO WILL NOT BE DEEMED TO CONSTITUTE AN ACKNOWLEDGMENT THAT ANY SUCH MATTER IS REQUIRED TO BE DISCLOSED.

ARTICLE VI
REPRESENTATIONS AND WARRANTIES OF BUYERS

Except as set forth on the applicable Schedules (it being understood that any matter disclosed in any Schedule (i) will be deemed to be disclosed on any other Schedule to the extent that it is reasonably apparent from the face of such disclosure that such disclosure is applicable to such other Schedule or Schedules and (ii) does not represent a determination that such item is material or establish a standard of materiality or that such matter did not arise in the ordinary course of business), Buyers represent and warrant to Sellers, jointly and severally, as of the date hereof and as of the Effective Time, as follows:

6.1 **Organization**. Buyer 1 is a company organized and existing under the laws of Cayman Islands, Buyer 2 is a company organized and existing under the laws of Cayman Islands, and Buyer 3 is a company organized and existing under the laws of Cayman Islands, and each Buyer is duly organized, validly existing and, to the extent such concept is recognized under applicable Law, in good standing, under the Laws of its jurisdiction of incorporation or formation.

6.2 **Authority, Validity and Effect**. Each Buyer has the requisite power and authority to execute and deliver this Agreement and all agreements and documents contemplated hereby to be executed and delivered by it, to carry out its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and such other agreements and documents and the consummation of the transactions contemplated herein and therein have been duly and validly authorized by all necessary corporate or other action on the part of each Buyer. This Agreement has been duly and validly executed and delivered by each Buyer and constitutes the legal, valid and binding obligation of each Buyer, enforceable against each Buyer in accordance with its terms, except as limited by the General Enforceability Exceptions.

6.3 **No Conflict; Required Consents**.

(a) Neither the execution and delivery of this Agreement by Buyers or the other agreements and documents contemplated hereby to be executed and delivered by Buyers, nor the consummation by Buyers of the transactions contemplated herein or therein, nor compliance by Buyers with any of the provisions hereof or thereof, does or will (i) conflict with or result in a breach of any provisions of the Organizational Documents of Buyers, (ii) constitute or result in a Default under any Contract or result in the creation or imposition of any Lien upon any property or assets of any Buyer that would reasonably be expected to have a Material Adverse Effect on such Buyer or (iii) violate any Consent, Permit, Order or Law applicable to any Buyer.

(b) Other than as set forth on **Schedule 6.3(b)**, no Consent of any Person is required to be made or obtained by any Buyer in connection with the execution and delivery of this Agreement or the consummation by Buyers of the transactions contemplated by this Agreement.

6.4 **Independent Investigation; No Reliance**. In connection with its investment decision, Buyers and/or their representatives have inspected and conducted such reasonable independent review, investigation and analysis (financial and otherwise) of the Acquired Companies and the Subsidiaries as desired by Buyers. The purchase of the Acquired Interests by Buyers and the consummation of the transactions contemplated hereby by Buyers are not done in reliance upon any representation or warranty or omission by, or information from, Sellers, the Acquired Companies, the Subsidiaries or any of their respective Affiliates, employees or representatives, whether oral or written, express or implied, including any implied warranty of merchantability or of fitness for a particular purpose, except for the representations and warranties specifically and expressly set forth in **ARTICLE IV** and **ARTICLE V** (in each case, subject to the disclosures set forth on the Schedules), and each Buyer acknowledges that the Acquired Companies and Sellers expressly disclaim any other representations and warranties. Such purchase and consummation are instead done entirely on the basis of Buyers' own investigation, analysis, judgment and assessment of the present and potential value and earning power of the Acquired Companies and the Subsidiaries, as well as those representations and warranties made by Sellers, specifically and expressly set forth in **ARTICLE IV** and **ARTICLE V** (in each case, subject to the disclosures set forth on the Schedules). Each Buyer acknowledges that neither the Acquired Companies nor Sellers have made any representations or warranties to Buyers regarding the probable success or profitability of the Acquired Companies, the Subsidiaries or their respective businesses. Each Buyer further acknowledges that none of Sellers, the Acquired Companies, the Subsidiaries nor any other Person has made any representation or warranty, express or implied, as to the accuracy or completeness of any information regarding the Acquired Companies, the Subsidiaries, their respective businesses or the transactions contemplated by this Agreement not specifically and expressly set forth in **ARTICLE IV** and **ARTICLE V** (in each case, subject to the disclosures set forth on the Schedules).

6.5 **Financial Capacity**. Buyer 1 has furnished to Sellers a true and complete copy of a fully executed equity commitment letter, dated as of the date hereof, by and between Buyer 1 and the Investor (together with all exhibits, schedules, annexes, supplements and amendments thereto, the "Equity Commitment Letter") pursuant to which the Investor has committed to invest, directly or indirectly, in Buyer 1 the cash amounts set forth therein subject to the terms and conditions set forth therein. The Equity Commitment Letter has not been amended or modified in any manner prior to the date of this Agreement. Neither Buyer 1 nor any of its Affiliates has entered into any agreement, side letter or other arrangement relating to the financing of the Initial Purchase Price, other than as set forth in the Equity Commitment Letter. The aggregate proceeds of the financing set forth in the Equity Commitment Letter, when funded, will be sufficient to consummate the transactions contemplated hereby, including the payment of the Initial Purchase Price on the Closing Date. The commitments contained in the Equity Commitment Letter have not been withdrawn or rescinded in any respect. The Equity Commitment Letter is in full force and effect and represents a valid, binding and enforceable obligation of Buyer 1 and, to Buyers' Knowledge, each other Party, to provide the financing contemplated thereby except as limited by the General Enforceability Exceptions. Assuming the accuracy of the representations and warranties of Sellers contained in **ARTICLE IV** and **ARTICLE V**, as of the date of this Agreement, no event has occurred which, with or without notice, lapse of time or both, would constitute a breach or default on the part of Buyer 1 or, to Buyers' Knowledge, any other Party under the Equity Commitment Letter, other than any such default or breach that has been irrevocably waived by the Investor or otherwise cured. Buyer 1 has fully paid (or caused to be paid) any and all amounts that are required to be paid on or prior to the date of this Agreement in connection with the financing of the Initial Purchase Price. There are no conditions precedent or other contingencies related to the funding of the full amount of the Initial Purchase Price under the Equity Commitment Letter, except as set forth therein. Buyer 1 understands and acknowledges that under the terms of this Agreement, Buyer 1's obligation to consummate the purchase of the Acquired Interests is not in any way contingent upon or otherwise subject to Buyer 1's consummation of any financing arrangements, Buyer 1's obtaining of any financing or the availability, grant, provision or extension of any financing to Buyer 1.

6.6 **Solvency**. After giving effect to the transactions contemplated by this Agreement, and assuming the accuracy of the representations and warranties set forth in **ARTICLE IV**, Buyer 1 will be Solvent.

6.7 **Legal Proceedings**. There is no Action pending against any Buyer that relates to this Agreement or the transactions contemplated hereby or, to the knowledge of Buyers, threatened against any Buyer that challenges the validity or enforceability of this Agreement or seeks to enjoin or prohibit consummation of, or seeks other material equitable relief with respect to, the transactions contemplated by this Agreement or that would reasonably be expected to impair or delay Buyers' ability to consummate the transactions contemplated by this Agreement.

6.8 **Compliance with Anti-Corruption Laws**. None of the cash or property that Buyer 1 will pay or will contribute to Sellers for the Acquired Interests in the Acquired Companies has been or shall be derived from, or related to, any activity by a Restricted Party, and is in compliance with all material respects with the USA Patriot Act of 2001, as amended, to the extent applicable to any such Person, or any applicable Anti-Money Laundering Law.

6.9 **No Brokers**. Other than Credit Suisse, no broker, finder or similar agent has been employed by or on behalf of any Buyer, and no Person with which any Buyer has had any dealings or communications of any kind is entitled to any brokerage commission, finder's fee or other payment, directly or indirectly, in connection with this Agreement or the transactions contemplated hereby.

6.10 **No Other Representations and Warranties**. EXCEPT AS EXPRESSLY SET FORTH IN THIS **ARTICLE VI**, BUYERS MAKE NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AT LAW OR IN EQUITY, AND ANY SUCH OTHER REPRESENTATIONS OR WARRANTIES ARE HEREBY EXPRESSLY DISCLAIMED AND IF MADE, SUCH OTHER REPRESENTATIONS OR WARRANTIES MAY NOT BE RELIED UPON BY SELLERS OR ANY OF THEIR RESPECTIVE AFFILIATES AND REPRESENTATIVES.

ARTICLE VII
COVENANTS AND AGREEMENTS

7.1 **Interim Operations of the Acquired Companies**.

(a) From the date of this Agreement until the Closing or the earlier termination of this Agreement, except (i) as set forth on **Schedule 7.1(a)**, (ii) as otherwise contemplated by this Agreement, (iii) as required by applicable Law or any existing Contract or (iv) with the prior written consent of any Buyer (which consent shall not be unreasonably withheld, delayed, or conditioned, and which will be deemed granted if such Buyer does not respond to a written request for consent within five (5) Business Days), the Acquired Companies shall not and shall not permit the Subsidiaries to:

(A) (1) create, incur or assume any Debt, other than short-term borrowings under existing lines of credit, or lines of credit renewed or extended consistent with past practice on substantially the same terms as those existing as of the date hereof, utilized in the ordinary course of business and Debt between the Acquired Companies and the Subsidiaries (provided that the Acquired Companies and Subsidiaries shall not draw down on the line of credit marked with a "y" on **Schedule 4.4(b)**), (2) enter into any Support Obligations except in the ordinary course of business consistent with past practice and to replace existing Debt, without any increase in the aggregate amount of Debt incurred, (3) make any Investment in any Person (other than the Acquired Companies and the Subsidiaries), or (4) subject any of its material properties or assets to any Liens (other than Permitted Liens);

(B) (1) except in the ordinary course of business consistent with past practice, acquire, sell, transfer or dispose of, any material property or assets, pertaining to the respective businesses of the Acquired Companies and the Subsidiaries from or to any Person or (2) acquire the Equity Securities, business, operations or Liabilities of any Person (or division of unit of any Person) in excess of $1,000,000 for the Acquired Companies and Subsidiaries domiciled in the Republic of Peru, $750,000 for Energuate and $500,000 for all the other Acquired Companies and Subsidiaries, in each case, excluding any transactions among the Acquired Companies and the Subsidiaries;

(C) (i) make any commitment for capital expenditures in excess of $3,000,000 in the aggregate for the Group (excluding Energuate) and $200,000 for individual expenditures in each Acquired Company and Subsidiary except for those domiciled in Peru, or (ii) make any commitment for capital expenditures in excess of $3,000,000 in the aggregate for Energuate, in each of clauses (i) and (ii) that would not be payable until after the Closing Date and is not otherwise accounted for in the Closing Statement;

(D) enter into any Contracts with any Affiliates of the Acquired Companies, excluding, in each case, any Contracts among the Acquired Companies and the Subsidiaries;

(E) except to the extent required by Law or any existing Contract, enter into, adopt, amend or terminate any Contract relating to severance or the compensation in respect of any employee of the Acquired Companies or Subsidiaries with an annual salary in excess of $100,000;

(F) terminate, establish, adopt, enter into, make any new grants or awards of compensation or other benefits under, amend or otherwise materially modify any Benefit Plan, other than in the ordinary course of business consistent with past practice;

(G) liquidate, dissolve or otherwise wind up any businesses or operations of the Acquired Companies and Subsidiaries;

(H) enter into any Contract that would be a Material Contract if it were in effect on the date hereof, or amend, modify, grant a waiver in respect of, cancel, terminate or consent to the termination of any Material Contract or Permit other than (1) entering into any Contract in the ordinary course of business to the extent such Contract is necessary or advisable for any Acquired Company or any Subsidiary to conduct its respective business as presently conducted, (2) any amendment, modification, or waiver which is not material to such Material Contract or Permit, (3) Contracts of the type contemplated by (and specifically permitted under) any other subsection of this **Section 7.1(a)** and (4) any termination of a Material Contract that results from the expiration or complete performance of the Material Contract in accordance with the terms thereof;

(I) enter into any material Contract for the purchase of Real Property or any Contract for the lease of Real Property or with respect to any Real Property Rights;

(J) make any material change to its accounting (including Tax accounting) methods, principles or practices, except as may be required by IFRS;

(K) make any amendment to its Organizational Documents;

(L) waive, release, assign, settle, compromise, pay, discharge or satisfy any Action (which shall include, but not be limited to, any pending or threatened Action) that exceeds $1,500,000 in the aggregate;

(M) enter into or agree to enter into any merger or consolidation with any Person (other than a merger among the Acquired Companies and its Subsidiaries approved by the Buyers);

(N) engage in any material new line of business;

(O) (1) issue, grant, deliver, sell, transfer or propose to issue, grant, deliver, sell or transfer, or purchase or propose to purchase any Equity Securities of the Acquired Companies or the Subsidiaries, (2) split, combine or subdivide the Equity Securities of the Acquired Companies or the Subsidiaries or (3) create or suffer to exist any Lien upon the Equity Securities of the Acquired Companies or the Subsidiaries (other than Permitted Liens);

(P) (1) make or change any material election with respect to Taxes, (2) change any material Tax accounting method, (3) settle any material Tax claim, (4) amend any material Tax Return, (5) file any Tax Return that is prepared on a basis that is materially inconsistent with the elections, accounting methods, conventions and principles of taxation used for the most recent taxable periods for which comparable Tax Returns involving similar Tax items have been filed, (6) waive any material Tax refund claim, or (7) consent to any material extension or waiver of the limitation period applicable to any Tax assessment, reassessment or deficiency;

(Q) other than in the ordinary course of business consistent with past practice, transfer, license, encumber, abandon, allow to lapse or otherwise dispose of any rights to material Intellectual Property used in connection with the respective businesses of the Acquired Companies and the Subsidiaries;

(R) amend in a manner materially detrimental to the Acquired Companies and the Subsidiaries, terminate, allow to lapse or fail to renew any Permit held by the Acquired Companies or the Subsidiaries or fail to obtain any Permit required by Law for the conduct of the respective businesses of the Acquired Companies and the Subsidiaries;

(S) fail to maintain insurance coverage substantially equivalent to its insurance coverage as in effect on the date hereof; or

(T) agree in writing or otherwise make any commitment to do any of the foregoing in this **Section 7.1**.

(b) Sellers covenant and agree that except (i) as otherwise expressly required by this Agreement, (ii) with the prior written consent of any Buyer (which consent shall not be unreasonably withheld, delayed, or conditioned, and which will be deemed granted if such Buyer does not respond to a written request for consent within five (5) Business Days), from the date of this Agreement until the Closing or the earlier termination of this Agreement, Sellers shall cause the Acquired Companies and the Subsidiaries to be operated in the ordinary course of business consistent with past practice and shall use Commercially Reasonable Efforts to (A) preserve, maintain and protect all material assets and properties of the Company, the Subsidiaries and their respective businesses, (B) maintain all material Permits held by the Acquired Companies and any Subsidiary, (C) maintain the Company's or any Subsidiary's relationships with customers, suppliers and Governmental Authorities, (D) cause the Acquired Companies and the Subsidiaries to perform in all material respects the Material Contracts and (E) cause the Acquired Companies and the Subsidiaries to comply in all material respects with applicable Laws, Orders and Material Permits.

7.2 **Reasonable Access; Financial Assistance**.

(a) Prior to the Closing Date or the date on which this Agreement is earlier terminated, Sellers shall, and shall cause the Acquired Companies and the Subsidiaries to, upon reasonable prior notice by any Buyer, permit Buyers, their Affiliates and their and their Affiliates' agents and representatives, to have access to the properties, books, records and management personnel of the Acquired Companies and the Subsidiaries during normal business hours to review information and documentation relevant to the properties, books, Contracts, commitments and other records of the Acquired Companies and the Subsidiaries and discuss with the management personnel of the Acquired Companies and the Subsidiaries the operation of their respective businesses; provided, however, that any such access by, or furnishing of information to, Buyers, their Affiliates or their or their Affiliates' agents or representatives shall not unreasonably disrupt the personnel and operations of the Acquired Companies and the Subsidiaries and shall be at Buyers' sole cost and expense. Notwithstanding the foregoing, Sellers shall not be required to provide any access or information to any Buyer, its Affiliates or its or its Affiliates' agents and representatives which Sellers are prohibited from providing to such Persons by reason of applicable Law or Contract or which constitutes or allows access to information protected by attorney-client privilege.

(b) From and after the Closing Date, each Buyer shall cause the applicable Acquired Companies and Subsidiaries to preserve and keep all books, records, computer files, software programs and any data processing files (including consolidation files) of the applicable Acquired Companies and Subsidiaries that relate to pre-Closing periods for a period of not less than seven (7) years from the Closing Date. For a period of not less than the later of (i) seven (7) years from the Closing Date and (ii) in relation to any Action or threatened Action, for so long as any such Action or threatened Action is outstanding (provided that Sellers gave written notice to the applicable Buyer of such Action or threatened Action reasonably promptly upon becoming aware of such Action and, in any event, prior to such Action being barred by the applicable statute of limitations), each Buyer will, upon reasonable prior notice from Seller: (i) provide Sellers and their Affiliates with reasonable access to all documents and information that relate to pre-Closing periods retained by the applicable Acquired Companies and Subsidiaries as necessary to complete Sellers' and their Affiliate's accounting books and records consistent with past practice and in order to assist Sellers and their Affiliates in the preparation of their financial statements in accordance with **Section 7.2(c)**; (ii) make such books and records available to Sellers and their Affiliates as may be reasonably required by Sellers and their Affiliates in connection with any audit, investigation, dispute, litigation or any other reasonable business purpose; and (iii) permit Sellers and their Affiliates to make such inspections of such books and records as they may reasonably require; provided, however, that any such access by, or furnishing of information to, Sellers or their Affiliates shall not unreasonably disrupt the personnel and operations of the Acquired Companies and the Subsidiaries and shall be at Sellers' sole cost and expense. Notwithstanding the foregoing, no Buyer shall be required to provide any access or information to Sellers or their Affiliates which such Buyer is prohibited from providing to such Persons by reason of applicable Law or which constitutes or allows access to information protected by attorney-client privilege.

(c) From and after Closing, each Buyer shall cause the applicable Acquired Companies and Subsidiaries to, use Commercially Reasonable Efforts to provide assistance to Sellers and their Affiliates in connection with the preparation and audit or review of any financial statements of Sellers or their Affiliates relating to the Acquired Companies and the Subsidiaries for pre-Closing periods that Sellers (or the relevant Affiliate) determines, in its reasonable discretion, are required or advisable under applicable Laws (including applicable securities laws and regulations) or stock exchange rules (the "Financial Statement Assistance"). As part of the Financial Statement Assistance (and without limiting the generality of the foregoing), each Buyer shall use Commercially Reasonable Efforts to (i) cause the applicable Acquired Companies' and Subsidiaries' accountants and auditors to be available to Sellers, their Affiliates or their accountants and auditors (upon reasonable prior notice and at mutually agreeable times) to respond to questions and information requests and otherwise provide assistance to the extent reasonably necessary in connection with Sellers' preparation and audit or review of any such financial statements and internal control reports and auditor attestations, such assistance to include the matters set forth in **Schedule 7.2(c)**, and (ii) cause its managers, officers and other agents to execute and deliver any and all management representation letters and other certificates or other documents or information as may reasonably be requested by Sellers, their Affiliates or their accountants in connection with the preparation and/or audit of any such financial statements for pre-Closing periods. Each Buyer shall, and shall use Commercially Reasonable Efforts to cause the applicable Acquired Companies and Subsidiaries to, provide any other information and cooperation reasonably requested by Sellers or their Affiliates in connection with their requirements under applicable regulation or stock exchange rules. Sellers will pay or, if paid, promptly reimburse each Buyer, as applicable, following invoice from such Buyer, for any reasonable out-of-pocket and overhead costs incurred by the Acquired Companies and Subsidiaries in complying with the provisions of this **Section 7.2(c)**.

7.3 **Update and Disclosure**. Prior to the Closing (but in any event, on or before the fifth (5th) Business Day prior to the Closing), the Sellers may deliver to Buyers in writing supplements or updates to the Schedules reflecting Post-Signing Events (a "Schedule Update"). If Buyers have the right to terminate this Agreement pursuant to **Section 9.1(f)** as a result of any Post-Signing Event set forth in a Schedule Update and do not exercise such right within ten (10) Business Days thereof, then such Schedule Update shall be deemed to have amended the Schedules as of the date of this Agreement, to have qualified the representations and warranties contained in **ARTICLE IV** and **ARTICLE V** as of the date of this Agreement and to have cured any misrepresentation or breach of warranty that otherwise might have existed hereunder by reason of the existence of such Post-Signing Event. Sellers shall provide to Buyers any information relating to any Schedule Update reasonably requested by Buyers. For the avoidance of doubt, if Buyers would not have the right to terminate this Agreement pursuant to **Section 9.1(f)** as a result of any Post-Signing Event set forth in a Schedule Update, then such Schedule Update shall not be deemed to have amended the Schedules as of the date of this Agreement, to have qualified the representations and warranties contained in **ARTICLE IV** and **ARTICLE V** as of the date of this Agreement or to have cured any misrepresentation or breach of warranty that may exist hereunder by reason of the existence of such Post-Signing Event.

7.4 **Publicity**. Except as may be required to comply with the requirements of any applicable Law or stock exchange rules (as such requirements are reasonably interpreted by the disclosing Party), no Party will issue any press release or other public announcement relating to the subject matter of this Agreement or the transactions contemplated hereby without the prior written approval (which approval will not be unreasonably withheld or delayed) of the other Party; provided, however, that after the Closing, each Party and its respective Affiliates will be entitled to issue any such press release and make any such other public announcement concerning the transactions contemplated hereby, without obtaining prior approval of the other Party, and Sellers and their Affiliates shall be permitted to file this Agreement to the extent required by the rules and regulations promulgated under the U.S. Securities Exchange Act of 1934.

7.5 **Reasonable Efforts; Cooperation; Regulatory Filings**.

(a) Subject to the provisions of this **Section 7.5(a)**, each of the Parties agrees to use Commercially Reasonable Efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other Parties in doing, all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this Agreement and to obtain satisfaction or waiver of the conditions precedent to the consummation of the transactions contemplated hereby, including (i) obtaining all of the necessary Permits and Consents from Governmental Authorities or other Persons, including the Consents set forth on **Schedule 4.4(b)** and **Schedule 6.3(b)**, (ii) the preparation and filing of all applications, notices, petitions, filings and other documents, and the taking of all steps, necessary to (A) obtain any Permits or Consents from Governmental Authorities or other Persons and (B) avoid any Action and (iii) the execution and delivery of any additional instruments necessary to consummate the transactions contemplated by, and to fully carry out the purposes of, this Agreement. The Sellers shall use their Commercially Reasonable Efforts to refinance the Debt issued under the instrument marked with an "x" on **Schedule 4.4(b)**.

(b) Each Party will use Commercially Reasonable Efforts to prepare and file, or cause to be prepared and filed, as promptly as practicable (but in any event within 30 days after the date hereof), all filings and submissions with or to any Governmental Authority under any Laws applicable to such Party and its Affiliates and required for the consummation of the transactions contemplated herein and, in each case, include in each filing or submission a request for early termination or acceleration of any applicable waiting or review periods, to the extent available under the applicable Laws. Subject to applicable Laws relating to the exchange of information, each Party will have the right to review in advance, and to the extent practicable will consult with each other Party on, all the information that is required to appear in any such filings or submissions. In exercising the foregoing right, each Party will act reasonably and as promptly as practicable. Buyers will pay all fees associated with all filings and submissions referred to in this **Section 7.5(b)**.

(c) Subject to **Section 7.5(f)**, each Party will comply with any additional requests for information, including requests for production of documents and production of witnesses for interviews or depositions by any Governmental Authority. Each Party agrees to use Commercially Reasonable Efforts to take any and all steps necessary to avoid or eliminate each and every impediment under any Law that may be asserted by any Governmental Authority or any other Person so as to enable the Parties to expeditiously close the transactions contemplated hereby.

(d) Except as specifically required by this Agreement and subject to **Section 7.5(f)**, none of the Parties will take any action, or refrain from taking any action, the effect of which would be to delay or impede the ability of the Parties to consummate the transactions contemplated hereby. Without limiting the generality of the foregoing, the Parties will not, and will not permit any of their Affiliates to, acquire or agree to acquire (by merging or consolidating with, or by purchasing a substantial portion of the assets of or equity in, or by any other manner), any Person or portion thereof, or otherwise acquire or agree to acquire any assets, if the entering into a definitive agreement relating to, or the consummation of, such acquisition, merger or consolidation could reasonably be expected to (i) impose any delay in the obtaining of, or increase the risk of not obtaining, any permits, orders or other approvals of any Governmental Authority necessary to consummate the transactions contemplated hereby or the expiration or termination of any applicable waiting period, (ii) increase the risk of any Governmental Authority entering an order prohibiting the consummation of the transactions contemplated hereby, (iii) increase the risk of not being able to remove any such order on appeal or otherwise, or (iv) delay or prevent the consummation of the transactions contemplated hereby beyond the Termination Date.

(e) Each Party will keep each other Party apprised of the status of all filings and submissions referred to in **Section 7.5(b)**, including promptly furnishing each other Party with copies of notices or other substantive communications received by such Party in connection therewith. None of the Parties will permit any of their respective officers, employees or other representatives or agents to participate in any meeting with any Governmental Authority in respect of such filings and submissions unless it consults with the other Party in advance and, to the extent permitted by such Governmental Authority, gives the other Party and its counsel and its representatives the opportunity to attend and participate thereat.

(f) Nothing in this **Section 7.5** shall require any Party (without such Party's prior written consent) to (i) litigate, pursue, defend or otherwise contest any Action or Order prohibiting, enjoining, restraining, conditioning or otherwise restricting in any material respect the transactions contemplated by this Agreement, (ii) execute settlements, undertakings, consent decrees, stipulations or other Contracts with any Governmental Authority, (iii) agree to sell, divest or otherwise convey any particular assets or categories of assets or businesses of such Party or its Affiliates prior to, contemporaneously with or subsequent to the Closing or (iv) become subject or agree to, or otherwise take any action with respect to, any requirement, condition, limitation, understanding, undertaking, Order or Contract of any Governmental Authority (A) to sell, license, assign, transfer, divest, hold separate or otherwise dispose of any of such Party's or its Affiliates' businesses or assets, (B) that limits the freedom of action of such Party or its Affiliates with respect to the ownership or operation of, or their ability to retain, the Company, the Subsidiaries or their respective businesses or (C) that alters, changes or restricts in any way the business or commercial practices of such Party or its Affiliates.

(g) For the avoidance of doubt, failure to obtain the statutory approvals not marked with an asterisk on **Schedule 4.4(b)** and **Schedule 6.3(b)** prior to satisfaction or waiver of the conditions set forth in **ARTICLE VIII** shall not in any manner impede or delay the Closing, and following the Closing, Buyers shall be solely responsible for (a) pursuing and obtaining such approvals and (b) complying with the results and conditions thereof without any recourse to Sellers (including without any claim or right to indemnification under **Section 10.3**); provided that Sellers shall have materially complied with its obligations in this **Section 7.5** prior to Closing.

7.6 **Contact with Customers, Suppliers and Other Business Relations**. To the extent permitted by applicable Law, prior to the Closing, Buyers and their Affiliates and representatives may contact and communicate with the employees, customers and suppliers of the Acquired Companies and the Subsidiaries in connection with the transactions contemplated hereby only after prior consultation with and written approval of Sellers (which approval may not be unreasonably withheld, delayed or conditioned).

7.7 **Financing Cooperation**. Until Closing, Sellers shall, and shall cause the Acquired Companies and Subsidiaries (and their Affiliates' employees, counsel, and accountants) to, use Commercially Reasonable Efforts to take, at Buyers' sole cost and expense, such actions as may be reasonably requested by any Buyer in connection with arranging and obtaining any financing (including the issuance by Seller 1 of Additional Notes (as defined in the Note Indenture) of an amount up to $150 million), including:

(a) assisting Buyers and each agent, arranger, lender, investor, potential agent, potential arranger, potential lender, potential investor, underwriter, initial purchaser and placement agent providing or potentially providing, or acting in connection with, any financing, or any Affiliate of such Person (each of the foregoing, and each of its respective officers, controlling persons, directors, employees, agents, counsel and representatives or any respective successors and assigns, a "Financing Source") in the preparation of customary (i) offering documents, private placement memoranda and bank information memoranda and similar marketing documents (including providing such information and data in connection therewith as any Buyer shall reasonably request), including the execution and delivery of customary representation letters in connection with bank information memoranda authorizing the distribution of information to prospective lenders and identifying any portion of such information that constitutes material, non-public information regarding the respective businesses of the Acquired Businesses and the Subsidiaries and (ii) materials for rating agency presentations;

(b) cooperating with the marketing efforts for any financing, including participating in a reasonable number of customary meetings, presentations, road shows, due diligence sessions (including accounting due diligence sessions), drafting sessions and sessions with prospective lenders, initial purchasers, investors and rating agencies, including direct contact with senior management of the respective businesses of the Acquired Businesses and the Subsidiaries (and other employees with appropriate seniority and expertise) and advisors, in each case, at times and locations to be mutually agreed upon;

(c) furnishing, to the extent available, all financial statements, financial data, audit reports and such other financial information regarding the respective businesses of the Acquired Companies and the Subsidiaries of the type and form required by Regulation S-K or Form 20-F (including, without limitation, Item 303 Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 301 Selected Financial Data) and Regulation S-X under the Securities Act of 1933, as amended (the "Securities Act"), for offerings of non-convertible debt securities on a registration statement on Form S-1 or Form F-1, as applicable, but in each case limited to, as applicable for any part of any financing, (i) the type and form customarily included in a private placement of debt securities pursuant to Rule 144A promulgated under the Securities Act, and (ii) the type and form customarily included in offering documents used to syndicate any credit facilities (whether term loan A, loan B, project finance or otherwise). Buyers are aware that no audited consolidated financial statements of the Group exist and nothing in this **Section 7.7** shall require Sellers to procure audited consolidated financial statements of the Group;

(d) causing the independent accountants of the Acquired Companies and the Subsidiaries to provide assistance and cooperation, including providing customary consents and comfort letters in connection with any financing;

(e) cooperating, to the extent the satisfaction of such condition requires the cooperation of, or is within the control of, the Acquired Companies and the Subsidiaries, in satisfying the conditions precedent set forth in any definitive document relating to any financing to the extent that such cooperation is reasonable and customary; and

(f) upon request, furnishing any documentation and other information required by a Governmental Authority or Financing Source under applicable "know your customer" and anti-money laundering rules and regulations, including the U.S.A. Patriot Act of 2001.

Notwithstanding anything to the contrary contained herein, Buyers shall, promptly upon request by Sellers, reimburse Sellers for all reasonable and documented out-of-pocket costs (including accountants' and legal fees) incurred by Sellers or any of their Affiliates in connection with such cooperation (including any fees incurred by the Acquired Companies or the Subsidiaries). Each Buyer shall indemnify and hold harmless Sellers and their Affiliates, and each of their representatives from and against any and all losses suffered or incurred by them in connection with the arrangement of any financing and any information utilized in connection therewith (other than information provided by Sellers or any of their or their Affiliates' employees, counsel, and accountants). Notwithstanding the foregoing, (A) nothing contained in this **Section 7.7** shall require cooperation with Buyers to the extent it would materially and unreasonably interfere with the ongoing customary operations of the respective businesses of the Acquired Companies and the Subsidiaries (provided, that the delivery of financial information referred to above (to the extent available) and the information required by Item 303 Management's Discussion and Analysis of Financial Condition and Results of Operations of Regulation S-K shall not constitute such interference), encumber any of the Acquired Interests or Subsidiary Interests prior to Closing, require Sellers to pay any commitment or other fee or make any other payment in connection with any financing, could reasonably be expected to cause Sellers, the Acquired Companies or any of their respective Affiliates or any director, officer or employee or stockholder of the foregoing to incur any personal liability, or would cause any representation or warranty or covenant in this Agreement to be breached by Sellers, (B) neither Sellers nor their Affiliates, including the Acquired Companies and Subsidiaries, nor Sellers nor any of their or their Affiliates' (including the Acquired Companies and Subsidiaries) respective directors or officers shall (1) be required to take any action in their capacity as directors, members or managers to authorize or approve any financing, (2) have any liability or any obligation under any definitive agreement or any other agreement or document related to any financing (except with respect to any customary authorization letters contemplated by this **Section 7.7**) or (3) enter into any definitive agreement in connection with any financing that would be effective prior to the Closing Date and (C) nothing in this **Section 7.7** shall be deemed a condition to any Buyer's obligation to effect the Closing.

7.8 **Further Assurances**. Each Seller and each Buyer agree that from time to time after the Closing they will execute and deliver, and will cause their respective Affiliates to execute and deliver, such further instruments, and take, and cause their respective Affiliates to take, such other actions as may be reasonably necessary to carry out the purposes and intent of this Agreement.

7.9 **Support Obligations**. Each Seller and each Buyer agree to take any and all actions reasonably necessary to transfer and assign to Buyers any Support Obligations issued by Sellers or any Affiliate of Sellers (excluding those issued by any Acquired Company or any Subsidiary) and outstanding in connection with or for the benefit of the Acquired Companies or the Subsidiaries or their respective businesses that are assignable or transferable. Each Buyer agrees to use its Commercially Reasonable Efforts (and Sellers and their Affiliates will cooperate with Buyers) to cause Sellers and their Affiliates (other than the Group) to be absolutely and unconditionally relieved on or prior to the Closing Date of all Liabilities arising out of or resulting from any such Support Obligations, and each Buyer shall indemnify Sellers and their Affiliates (other than the Group) against any Losses with respect to such Liabilities. To the extent that Sellers and their Affiliates are not absolutely and unconditionally relieved of all such Liabilities on or prior to the Closing Date, each Buyer agrees to (i) use its Commercially Reasonable Efforts to absolutely and unconditionally relieve Sellers and their Affiliates of all such Liabilities as promptly as reasonably practicable after the Closing Date, (ii) indemnify Sellers and their Affiliates (other than the Group) against all Losses with respect to any such Liabilities. Any costs associated with any termination of such Support Obligations shall be borne by Sellers and any costs associated with the implementation of new or substituted arrangements of Buyers shall be borne by Buyers.

7.10 **Minimum Cash; Restricted Cash**. Sellers shall, and shall cause their Affiliates to, ensure that, as of the Closing, the Acquired Companies and the Subsidiaries shall hold (a) an amount of Proportionally Consolidated Group Cash equal to at least (i) $49,900,000 *minus* (ii) the difference of (which can be a negative number) (A) the refinancing costs incurred by Seller 1 in connection with the issuance of the Notes issued on November 9, 2017 and (B) $22,000,000, *minus* (iii) the financing costs incurred by Seller 1 in connection with any issuance of Additional Notes (as defined in the Note Indenture) and any interest paid by Seller 1 on any Additional Notes, in each case, that may occur between the date hereof and the Closing Date, *minus* (iv) the costs incurred by the Acquired Companies and Subsidiaries to refinance the Debt issued under the instrument marked with an "x" on **Schedule 4.4(b)** (without duplication of any unamortized transaction costs that have been excluded from such Debt in the Proportionally Consolidated Group Debt), in each case of clause (ii)(B), (iii) and (iv) including underwriter discounts and commissions and fees and expenses of legal counsel (including underwriting counsel to the extent payable by Seller 1) and audit and accounting services (the "Minimum Cash"); and (b) an amount of Restricted Cash equal to the balance of Restricted Cash held by the Acquired Companies and the Subsidiaries, on a proportionately consolidated basis, as of June 30, 2017, subject to any reduction in such balance that occurs as a result of the operation of the Acquired Companies or the Subsidiaries in the ordinary course of business through the Closing. For the avoidance of doubt, the amount of Restricted Cash required to be held by the Acquired Companies and the Subsidiaries pursuant to this **Section 7.10** shall not be subject to reduction as a result of or in connection with any Debt financing or refinancing or repayment of any Debt of any Acquired Company or Subsidiary. For the avoidance of doubt, nothing in this **Section 7.10** shall prohibit Sellers from causing the Acquired Companies and Subsidiaries to dividend or distribute any amounts in excess of the Minimum Cash and Restricted Cash in accordance with this **Section 7.10**.

7.11 **Interim Operating Covenants Concerning Anti-Corruption Laws**.

(a) Each Compliance Group Member shall, and shall use its Commercially Reasonable Efforts to cause its Compliance Group Employees and Third Parties to, comply with all Anti-Corruption Laws. The Acquired Companies and their respective Affiliates shall maintain in effect and enforce policies and procedures designed to ensure such compliance.

(b) Each Compliance Group Member shall, and shall use its Commercially Reasonable Efforts to cause its Compliance Group Employees and Third Parties to, not directly or indirectly, lend, contribute or otherwise make available funds (i) to any Person to finance or facilitate any activity with a Restricted Party or for any activity relating to any Restricted Country that would breach any Sanctions or other Anti-Corruption Laws, or (ii) for any activity or transaction that would breach any Anti-Corruption Laws. The Acquired Companies and their respective Affiliates shall maintain in effect and enforce policies and procedures designed to ensure such compliance.

(c) The operations of the Acquired Companies and the Subsidiaries shall not be funded out of proceeds derived, directly or indirectly, from any business activities with a Restricted Party or in a Restricted Country.

7.12 **Casualty and Condemnation.**

(a) If any of the material physical assets or properties of the Acquired Companies and Subsidiaries (taken as a whole) that are primarily used and necessary for the conduct of the businesses of the Acquired Companies are damaged or destroyed by casualty loss after the date hereof and prior to the Closing, and (a) the cost of restoring such damaged or destroyed material physical assets or properties to a condition reasonably comparable to their prior condition and (b) the amount of any lost profits, in each case, only to the extent such costs and lost profits are reasonably expected to accrue after the Closing as a result of such damage or destruction to such material physical assets or properties (net of and after giving effect to any insurance coverage available to the Acquired Companies and Subsidiaries for such restoration and lost profits and any Tax benefits and Tax costs related thereto) (such costs and lost profits with respect to any such material physical assets or properties, the "Restoration Cost") is greater than a dollar amount equal to two percent (2%) of Base Purchase Price, Sellers shall within forty-five (45) days after the date of such casualty loss notify the Buyers in writing (the "Casualty Loss Notice") and Buyers and Sellers shall negotiate in good faith a reduction of the amount of the Base Purchase Price by the estimated Restoration Cost. If Buyers and Sellers do not agree on a reduction to the Base Purchase Price within five (5) Business Days of notification to Buyers, then Buyers may elect, with prior written notification to Sellers, to reduce the Base Purchase Price by the Restoration Cost estimated by Buyers in good faith and after applying Good Utility Practices (including consideration of an external qualified firm's estimate of the Restoration Cost), provided that such estimated Restoration Cost shall be no higher than the Restoration Cost then estimated by Buyers in its negotiations with Sellers (the "Casualty Initial Purchase Price Reduction"). If the Restoration Cost estimated by Buyers pursuant to the previous sentence or as otherwise set forth in the Casualty Loss Notice is in excess of a dollar amount equal to ten percent (10%) of Base Purchase Price, Buyers or Sellers may elect to terminate this Agreement. If the estimated Restoration Cost is a dollar amount equal to two percent (2%) of Base Purchase Price or less, (i) Sellers shall not be obligated to repair or replace the damaged or destroyed material physical asset or property, (ii) neither Buyers nor Sellers shall have the right or option to terminate this Agreement, and (iii) there shall be no reduction in the amount of the Purchase Price. In the event that there is a reduction to the Base Purchase Price pursuant to this **Section 7.12**, prior to Closing, Sellers shall, and shall cause their Affiliates to, use Commercially Reasonable Efforts to collect amounts due (if any) under available insurance policies or programs in respect of any such casualty loss and shall cause any such insurance proceeds to be contributed or assigned to the applicable Acquired Company that has suffered such casualty loss without any adjustment to the Proportionally Consolidated Group Net Working Capital.

(b) If any of the material physical assets or properties of the Acquired Companies (taken as a whole) that are primarily used and necessary for the conduct of the business of the Acquired Companies are taken by condemnation after the date hereof and prior to the Closing and such material physical assets or properties have the sum of (x) a condemnation value and (y) to the extent not included in preceding clause (x), the amount of any lost profits reasonably expected to accrue after the Closing as a result of such condemnation of such material physical assets or properties (net of and after giving effect to any condemnation award and any Tax benefits and Tax costs related thereto) (such sum with respect to any such material physical assets or properties of the Acquired Companies (taken as a whole) that are primarily used and necessary for the conduct of the businesses of the Acquired Companies, the "Condemnation Value") greater than a dollar amount equal to two percent (2%) of Base Purchase Price, Sellers shall within forty-five (45) days after the date of such condemnation loss notify the Buyers in writing (the "Condemnation Loss Notice") and Buyers and Sellers shall negotiate in good faith a reduction of the amount of the Base Purchase Price by the estimated Condemnation Value. If Buyers and Sellers do not agree on a reduction to the Base Purchase Price within five (5) Business Days of notification to Buyers, then Sellers may elect, with prior written notification to Buyers, to reduce the Base Purchase Price by the Condemnation Value estimated by Sellers in good faith and applying Good Utility Practices (including consideration of an external qualified firm's estimate of the Condemnation Value), provided that such estimated Condemnation Value shall be no lower than the Condemnation Value then estimated by Sellers in its negotiations with Buyers (the "Condemnation Initial Purchase Price Reduction"). If the Condemnation Value estimated by Sellers pursuant to the previous sentence or as otherwise set forth in the Condemnation Loss Notice is in excess of a dollar amount equal to ten percent (10%) of Purchase Price, Buyers or Sellers may elect to terminate this Agreement.

(c) In the event of a Casualty Initial Purchase Price Reduction or a Condemnation Initial Purchase Price Reduction, Buyers shall, at Closing, pay the amount of any Casualty Initial Purchase Price Reduction and Condemnation Initial Purchase Price Reduction (if any) (together, the "Casualty and Condemnation Escrow Amount") into a casualty and condemnation escrow account maintained by the Escrow Agent in accordance with the Escrow Agreement (the "Casualty and Condemnation Escrow Account"). Within thirty (30) days following the Closing Date, Buyers and Sellers jointly shall engage the Arbitration Firm to finally determine the Restoration Cost and/or Condemnation Value, as applicable. Buyers and Sellers shall, and Buyers shall cause the Acquired Companies and Subsidiaries to, provide the Arbitration Firm with all information and documentation reasonably requested by the Arbitration Firm in order for it to determine the Restoration Cost and/or Condemnation Value. As soon as practicable thereafter, Buyers and Sellers shall cause the Arbitration Firm to determine the Restoration Cost and/or the Condemnation Value, as applicable. Buyers, on the one hand, and Sellers, on the other hand, shall each be responsible for fifty percent (50%) of the fees and expenses of the Arbitration Firm. All determinations made by the Arbitration Firm will be final, conclusive and binding on the Parties. Except in the instance of fraud, the Parties further agree not to pursue any legal claim or action against the Arbitration Firm as a result of its determinations pursuant to this **Section 7.12**.

(d) In the event that:

(i) the Casualty Difference is a negative number, then Buyer 1 and Seller 1 shall cause the Escrow Agent to pay the Casualty Difference plus the Escrow Accrued Interest to Seller 1;

(ii) the Casualty Difference is a positive number, then Seller 1 shall pay the Casualty Difference to Buyer 1;

(iii) the Condemnation Difference is a negative number, then Buyer 1 and Seller 1 shall cause the Escrow Agent to pay the Condemnation Difference to Seller 1; and

(iv) the Condemnation Difference is a positive number, then Seller 1 shall pay the Condemnation Difference plus the Escrow Accrued Interest to Buyer 1;

provided, however, that if the Tax Basis Certificate has not been obtained at least five (5) Business Days prior to the date any such payment to Seller 1 pursuant to this **Section 7.12(c)** is due (such that it is valid), Buyer 1 and Seller 1 shall cause the Escrow Agent to pay such amounts into the Basis Certificate Escrow Account.

(e) For the purposes of this **Section 7.12**:

(i) "Casualty Difference" which may be a positive or negative number means the difference of (A) the Restoration Cost as finally determined pursuant to **Section 7.12(c)** minus (B) the Casualty Initial Purchase Price Reduction; and

(ii) "Condemnation Difference" which may be a positive or negative number means the difference of (A) the Condemnation Value as finally determined pursuant to **Section 7.12(c)** minus (B) the Condemnation Initial Purchase Price Reduction.

7.13 **Kanan Project**.

(a) If (and only if) Kanan Escrow Trigger Events (as defined below) occur and continue to exist on the Closing Date, then, on the Closing Date, Buyers will withhold from the Initial Purchase Price (as part of the Closing Date Escrow Amount, if any, as provided in **Section 2.2(a)**) and transfer to the Kanan Project escrow account maintained by the Escrow Agent in accordance with the Escrow Agreement (the "Kanan Project Escrow Account") the following amounts: (i) $10 million if none of the DISCOs has issued a notice to terminate a PPA; or (ii) $20 million if any one or more of the DISCOs has issued a notice to terminate a PPA that has not been Cured on or before the Closing Date; or (iii) $0 in any other case, provided however, that if the Closing Date is after the Target Project Completion Date, then, notwithstanding whether the Kanan Escrow Trigger Events occur, on the Closing Date, Buyers shall withhold from the Initial Purchase Price (as part of the Closing Date Escrow Amount, if any, as provided in **Section 2.2(a)**) and transfer to the Kanan Project Escrow Account (A) $20 million if any one or more of the DISCOs has issued a notice to terminate a PPA on or prior to the Target Project Completion Date, which has not been Cured on or before the Closing Date, or (B) $0 in any other case.

(b) Any amount held in the Kanan Project Escrow Account will be released on or after the Closing Date as follows:

(i) to Seller 1 promptly after the first to occur of (A) the date a Force Majeure Claim Resolution has been obtained; (B) the date the Kanan Project has reached COD; or (C) the Target Project Completion Date; provided that, in each case, if any one or more of the DISCOs has issued a notice to terminate a PPA which has not been Cured as of the date such amounts would otherwise be released under clause (A), (B) or (C) such amounts will not be released at such time and instead will be retained in the Kanan Project Escrow Account until such time as, and will be released to Seller 1 promptly following, the date such PPA termination has been Cured if and only if that date is prior to the Cure Date; or

(ii) to Buyer 1 promptly following the Cure Date, to the extent any funds are not released to the Seller 1 pursuant to **Section 7.13(b)(i)**.

(c) Seller 1 agrees to cause Kanan to use Commercially Reasonable Efforts to reach COD by the Target Project Completion Date or as soon as reasonably practicable thereafter, including by making appropriate capital expenditures in accordance with Good Utility Practices. Until the Closing Date, any Kanan Insurance Proceeds shall be used only to make expenditures on the Kanan Project (which, for the avoidance of doubt, includes payments pending from Kanan to PQP for up to the amount of La Esperanza Barge Price) or otherwise to reach COD. Buyer 3 agrees to pay Seller 1, at Closing, ninety-five percent (95%) of any balance that remains unpaid by Kanan to PQP of the La Esperanza Barge Price at Closing.

(d) Seller 1 agrees to cause Kanan to grant Buyers and their representatives, upon reasonable notice and during normal business hours, at Buyers' sole expense, reasonable access to the Kanan Project, accompanied by a representative of Kanan, and to make the local project director and local management available to discuss the affairs and developments of the Kanan Project with Buyers and their representatives in order for Buyers to assess the progress towards COD of the Kanan Project. The rights granted to Buyers and their representatives in this **Section 7.13(d)** are observer rights only, and Buyers and their representatives shall not be permitted to give any order or instruction in respect of or exert any control over the Kanan Project. Seller 1 agrees that it shall discuss with Buyers in good faith any concerns or issues Buyers raise in connection with the development of the Kanan Project.

(e) If, following the Closing, Kanan or any of its Affiliates recovers, in cash, any penalties paid by Kanan in connection with Kanan Casualty Event (such recovered amount, the "Kanan Recovered Amount"), Buyer 3 shall pay or cause to be paid, in cash, to Seller 1 as promptly as practicable following the later of (i) COD or (ii) five (5) Business Days after receipt of such Kanan Recovered Amount an amount equal to fifty percent (50%) of the Kanan Recovered Amount actually received by Kanan, it being understood that the remaining fifty percent (50%) of the Kanan Recovered Amount shall be retained by Kanan or its Affiliates; provided, however, that to the extent that (i) the Kanan Insurance Proceeds and (ii) fifty percent (50%) of the Kanan Recovered Amount retained by Kanan are together not sufficient to fully cover the construction costs of the Kanan Project, then Kanan (or any of its Affiliates) shall be entitled to retain such portion of the Kanan Recovered Amount that would otherwise be paid to Seller 1 pursuant to this **Section 7.13(e)** necessary in order to cover such construction costs.

(f) Between the date of this Agreement and the Closing Date, the Parties shall discuss, in good faith, following review by Buyers, the sharing of any VAT that may be incurred in respect of the sale of the La Esperanza Barge by PQP to Kanan.

(g) For the purposes of this **Section 7.13**:

(i) "ASEP" means the National Authority of Public Services (*Autoridad Nacional de los Servicios Públicos*) of the country;

(ii) "CND" means the National Dispatch Center of Empresa de Transmision Electrica S.A. (*Centro Nacional de Despacho de la Empresa de Transmisión Eléctrica*);

(iii) "COD" means:

(A) all work required to be completed for the Kanan Project to operate utilizing the La Esperanza Barge at at least 92 megawatts as a replacement for the Estrella del Norte Barge and the Santa Inés Barge has been performed in accordance with Good Utility Practice, and such that the technical specifications of the Kanan Project are in compliance in all material respects with applicable Law (including Environmental Law) and the Power Purchase Agreements and Kanan's other contractual obligations;

(B) the Kanan Project has obtained all Material Permits necessary for the importation, restoration and operation of the La Esperanza Barge at at least 92 megawatts as a replacement for the Estrella del Norte Barge and the Santa Inés Barge, in each case in accordance with applicable Law (including Environmental Law) and the Power Purchase Agreements and Kanan's other contractual obligations; and

(C) the Kanan Project is operating and capable of delivering energy to the Panamanian National Interconnected System at a capacity of at least 92 megawatts (as certified by CND);

(iv) "Cure Date" means the date which is the two months anniversary of the Target Project Completion Date;

(v) "Cured" means that Kanan complies with the covenant or agreement under the relevant PPA, the breach of which caused the notice of termination, on or prior to the Cure Date. Such compliance may be evidenced by the authorization to enter into commercial operation issued by CND;

(vi) "DISCO" means EDECHI, EDEMET, or ENSA;

(vii) "EDECHI" means Empresa de Distribución Eléctrica Chiriquí, S.A., a sociedad anonima organized and existing under the laws of the Republic of Panama;

(viii) "EDECHI PPA" means the contrato de suministro no. 31-14, dated January 22, 2015, between EDECHI and Kanan, as amended by amendments dated as of April 7, 2015, September 4, 2015, November 18, 2015 and April 14, 2016;

(ix) "EDEMET" means Empresa de Distribución Eléctrica Metro - Oeste, S.A., a sociedad anonima organized and existing under the laws of the Republic of Panama;

(x) "EDEMET PPA" means the contrato de suministro no. 27-14, dated January 22, 2015, between EDEMET and Kanan, as amended by amendments dated as of April 7, 2015, September 4, 2015, November 18, 2015 and April 14, 2016;

(xi) "ENSA" means Elektra Noreste, S.A., a sociedad anonima organized and existing under the laws of the Republic of Panama;

(xii) "ENSA PPA" means the contrato de suministro dme-10-14, dated January 19, 2015, between ENSA and Kanan, as amended by amendments dated as of January 19, 2015, August 25, 2015 and November 26, 2015;

(xiii) "Estrella del Norte Barge" means the electrical power generation barge named "Estrella del Norte" owned as of the date hereof by Kanan and registered in Panama under registration number 47981-PEXT;

(xiv) "Force Majeure Claim Resolution" means a resolution or decision taken or adopted by ASEP by which it affirmatively accepts that the unavailability of capacity in the system to back up the loss of capacity caused by the Kanan Casualty Event constitutes a force majeure excusing Kanan´s breach of its capacity obligations under the Power Purchase Agreements and any related termination event including the application of all penalties related to such failure to provide capacity;

(xv) "Kanan" means Kanan Overseas I Inc., a corporation (Sociedad anonima) organized under the laws of the Republic of Panama;

(xvi) "Kanan Casualty Event" means the fire that occurred at Kanan resulting in the Santa Inés Barge and the Estrella del Norte Barge being placed off-line;

(xvii) "Kanan Escrow Trigger Events" means the occurrence of each of the following circumstances, events or conditions: either (A) a Force Majeure Claim Resolution has not been obtained on or prior to the Closing Date, or (B) the Kanan Project has not reached COD on or prior to the Closing Date;

(xviii) "Kanan Insurance Proceeds" means any casualty loss, business interruption and loss of profits insurance proceeds received in cash (net of any costs of recoveries, deductions, or retention amounts) by Kanan as a result of and in connection with the Kanan Casualty Event;

(xix) "Kanan Project" means relocation, installment and commencement of commercial operations of the La Esperanza Barge in connection with the Kanan Casualty Event at Kanan;

(xx) "La Esperanza Barge" means the electrical power generation barge named "La Esperanza" owned as of the date hereof by PQP;

(xxi) "La Esperanza Barge Price" means $63,126,000 million;

(xxii) "National Interconnected System" means the National Interconnected System (*Sistema Interconectado Nacional*) of the Republic of Panama;

(xxiii) "Power Purchase Agreement" or "PPA" means each of EDECHI PPA, EDEMET PPA and ENSA PPA (as applicable);

(xxiv) "PQP means Puerto Quetzal Power LLC, a limited liability company organized under the laws of the State of Delaware and registered in Guatemala under registration number 160, folio 14, book 2 of Foreign Companies;

(xxv) "Santa Inés Barge" the electrical power generation barge named "Santa Ines Barge" owned as of the date hereof by Kanan and registered in Panama under registration number 29177-PEXT-2; and

(xxvi) "Target Project Completion Date" means February 10, 2018, provided that if the La Esperanza Barge is not located in the Port of Colon, Republic of Panama, by December 15, 2017, then for each calendar day after December 15, 2017, that the La Esperanza Barge is not located in the Port of Colon, Republic of Panama, the Target Project Completion Date shall be extended by one (1) calendar day. For example, if the La Esperanza Barge first arrives at the Port of Colon, Republic of Panama, on December 20, 2017, then the Target Project Completion Date would be February 15, 2018.

7.14 **Agua Clara Debt**.

(a) From the date hereof until the earlier of the Closing Date or the date on which this Agreement is earlier terminated, Seller 1 shall, and shall cause the Acquired Companies and the Subsidiaries to, permit Buyers, their Affiliates and their and their Affiliates' agents and representatives, to participate in financing discussions related to Agua Clara Debt, including providing sufficient notice to ensure that such parties may review and comment on financing documents, participate in negotiating such documents, and have access to all relevant information.

(b) In connection with material actions regarding the Agua Clara Debt, Seller 1 agrees that it shall, and shall cause the Acquired Companies and Subsidiaries to, not take any such actions without Buyers' prior written consent (such consent not to be unreasonably withheld).

7.15 **Intercompany and Intragroup Balances**. Prior to the Closing:

(a) Sellers shall, and shall cause the Acquired Companies and Subsidiaries and their Affiliates to, settle all Intercompany Balances, including those set forth on **Schedule 7.15**; and

(b) Sellers shall not create any Liability between any of the Acquired Companies or Subsidiaries, unless Sellers hold the same proportion of Equity Interests in both the obligor and obligee Acquired Company or Subsidiary.

7.16 **Other Transaction Agreements.** As soon as reasonably practicable following the date hereof, Buyers and Sellers shall confer and negotiate in good faith to reach agreement on a definitive Transition Services Agreement and CPAA Agreement, that is consistent with and reflects the form of Transition Services Agreement set forth in **Exhibit F** and the form of CPAA Agreement set forth in **Exhibit E**, respectively. The definitive Transition Services Agreement and CPAA Agreement entered into at the Closing shall incorporate the terms as mutually agreed by Buyers and Sellers in accordance with this **Section 7.16**.

CONDITIONS TO CLOSING

8.1 **Conditions to Obligations of the Sellers**. The obligations of the Sellers to consummate the transactions contemplated by this Agreement are subject to the satisfaction or waiver (if permitted by applicable Law) at or prior to the Closing of each of the following conditions:

(a) **Representations and Warranties**. (i) the representations and warranties of Buyers set forth in **Sections 6.1** (*Organization*), **6.2** (*Authority, Validity and Effect*), **6.6** (*Solvency*) and **6.9** (*No Brokers*) (the "Buyer Fundamental Representations") shall be true and correct in all material respects as of the Closing Date as though made on and as of the Closing Date (except to the extent expressly made as of an earlier date, in which case as of such date) and (ii) the representations and warranties of Buyers (other than the Buyer Fundamental Representations) set forth in **ARTICLE VI** shall be true and correct in all respects as of the Closing Date as though made on and as of the Closing Date (except to the extent expressly made as of an earlier date, in which case as of such date), except, in the case of this clause (ii), where the failure to be true and correct would not in the aggregate have a Material Adverse Effect on the Buyers.

(b) **Performance of Obligations**. Each Buyer must have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing.

(c) **Consents**. All Consents set forth on **Schedule 6.3(b)** and marked with an asterisk (i) shall have been obtained in a form reasonably satisfactory to Sellers, (ii) shall be in full force and effect and (iii) shall have been delivered to Sellers.

(d) **No Injunction**. No Order shall have been entered which restrains, enjoins or otherwise prohibits or makes illegal the consummation of any of the transactions contemplated by this Agreement and no Action shall have been instituted by any Governmental Authority of competent jurisdiction seeking to restrain, enjoin or otherwise prohibit or make illegal the consummation of any of the transactions contemplated by this Agreement.

(e) **Closing Deliveries**. Buyers shall have delivered to Sellers all of the closing deliveries required to be delivered by them pursuant to **Section 3.3**.

(f) **Withholding Taxes**. Buyers shall not have delivered a Withholding Tax Statement that discloses more than $60 million of Taxes to be withheld at Closing.

8.2 **Conditions to Obligations of Buyers**. The obligations of Buyers to consummate the transactions contemplated by this Agreement are subject to the satisfaction or waiver (if permitted by applicable Law) at or prior to the Closing of each of the following conditions:

(a) **Representations and Warranties**. (i) the representations and warranties regarding the Acquired Companies and the Subsidiaries set forth in **Sections 4.1(a)** (*Organization and Standing; Authority*), **4.2** (*Capitalization*), **4.3** (*Subsidiaries*), **4.22** (*No Brokers*) and Sellers set forth in **Sections 5.1** (*Organization*), **5.2** (*Authority; Validity and Effect*), **5.4** (*Title*), and **5.6** (*No Brokers*) (the "Seller Fundamental Representations") shall be true and correct in all material respects as of the Closing Date as though made on and as of the Closing Date (except to the extent expressly made as of an earlier date, in which case as of such date) and (ii) the representations and warranties regarding the Acquired Companies and the Subsidiaries set forth in **ARTICLE IV** and Sellers set forth in **ARTICLE V** (in each case, other than the Seller Fundamental Representations) shall be true and correct in all respects as of the Closing Date as though made on and as of the Closing Date (except to the extent expressly made as of an earlier date, in which case as of such date), except, in the case of this clause (ii), where the failure to be true and correct would not, individually or in the aggregate, have a Material Adverse Effect on the Group.

(b) **Performance of Obligations**. Except as set forth in **Section 7.7**, Sellers must have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing.

(c) **Consents**. All Consents set forth on **Schedule 4.4(b)** and marked with an asterisk (i) shall have been obtained in a form reasonably satisfactory to Buyers, (ii) shall be in full force and effect and (iii) shall have been delivered to Buyers.

(d) **No Injunction**. No Order shall have been entered which restrains, enjoins or otherwise prohibits or makes illegal the consummation of any of the transactions contemplated by this Agreement and no Action shall have been instituted before any Governmental Authority of competent jurisdiction seeking to restrain, enjoin or otherwise prohibit or make illegal the consummation of any of the transactions contemplated by this Agreement.

(e) **No Material Adverse Effect**. Since the date of this Agreement, no change, condition, effect, fact, circumstance, matter, occurrence, event or development shall have occurred that has had or would reasonably be expected to have a Material Adverse Effect on (i) the Acquired Companies and Subsidiaries that conduct their respective businesses in the Republic of Peru, (ii) Energuate or (iii) the Group, taken as a whole.

(f) **Closing Deliveries**. Sellers shall have delivered, or caused to be delivered, to Buyers all of the closing deliveries required to be delivered by it pursuant to **Section 3.2**.

(g) **Audited Financial Statements**. If the Closing Date is after December 31, 2017, Sellers shall have delivered, or caused to be delivered to Buyers audited financial statements of all the Acquired Companies and Subsidiaries listed on **Schedule 8.2(g)** as of December 31, 2017, together with the notes thereto and together with the audit report of any internationally recognized firm of public accountants, which audit report will not contain any qualifications or limitations (on scope or otherwise) of any kind; provided that (A) they are in accordance with IFRS consistently applied, (B) they are delivered to Buyers no later than 30 days prior to the Closing Date and (C) the condition in **Schedule 8.2(g)** shall have been met. Sellers shall make the accounting firm responsible for preparation of such audited financial statements reasonably available to Buyers and Buyers' advisors to address any questions of Buyers regarding such audited financial statements.

(h) **Intercompany Balances**. The Intercompany Balances shall have been settled.

8.3 **Frustration of Closing Conditions**. No Party may rely on the failure of any condition set forth in **Section 8.1** or **Section 8.2**, as the case may be, to be satisfied if such failure was caused by such Party's failure to comply with its obligations to consummate the transactions contemplated by this Agreement as required by and subject to **Section 7.5**.

ARTICLE IX
TERMINATION OF AGREEMENT

9.1 **Termination**. Notwithstanding any other provision of this Agreement, this Agreement may be terminated at any time prior to the Closing:

(a) by the mutual written consent of Buyers and Seller;

(b) by Buyers or Sellers, upon written notice to the other, if the transactions contemplated by this Agreement have not been consummated on or prior to the date that falls on the nine (9) month anniversary of the date hereof or such later date, if any, as Buyers and Sellers agree upon in writing (the "Termination Date"); provided, however, that the right to terminate this Agreement pursuant to this **Section 9.1(b)** is not available to any Party whose breach of any provision of this Agreement results in or causes the failure of the transactions contemplated by this Agreement to be consummated by such time; provided, further, that if on the Termination Date the conditions to Closing set forth in **Sections 8.1(c)** and **8.2(c)** have not been satisfied because of the failure of any Party to obtain the Consents marked with an asterisk set forth on **Schedule 6.3(b)** and **Schedule 4.4(b)**, but all other conditions to Closing (other than those conditions which, by their terms, cannot be satisfied until the Closing) have been satisfied or waived, then, to the extent the applicable Party is capable of obtaining such Consents by the date that is ninety (90) days following the Termination Date (the "Extended Termination Date"), the Parties shall continue to diligently and in good faith pursue such Consents and neither Buyers nor Sellers shall have the right to terminate this Agreement pursuant to this **Section 9.1(b)** until the Extended Termination Date;

(c) by Buyers or Sellers, upon written notice to the other, if a Governmental Authority of competent jurisdiction and residing in a jurisdiction in which any Acquired Company or Subsidiary does business has issued an Order or any other Action permanently enjoining or otherwise prohibiting the consummation of the transactions contemplated by this Agreement, and such Order has become final and non-appealable; provided, however, that the right to terminate this Agreement pursuant to this **Section 9.1(c)**is not available to any Party whose breach of any provision of this Agreement results in or causes such Order or other Action or such Party is not in compliance with its obligations under **Section 7.5**;

(d) by Sellers, if:

(i) Buyers have breached or failed to perform any of their covenants or other agreements contained in this Agreement to be complied with by Buyers such that the closing condition set forth in **Section 8.1(b)** would not be satisfied; or

(ii) there exists a breach of or inaccuracy in any representation or warranty of Buyers contained in this Agreement such that the closing condition set forth in **Section 8.1(a)** would not be satisfied, and in the case of both (i) and (ii) above, such breach, inaccuracy or failure to perform is not cured within thirty (30) days after receipt of written notice thereof or is incapable of being cured by Buyers by the Termination Date; or

(iii) Buyers have delivered a Withholding Tax Statement that discloses more than $60 million of Taxes to be withheld at Closing; or

(e) by Buyers, if (i) Sellers have breached or failed to perform any of its covenants or other agreements contained in this Agreement to be complied with by it such that the closing condition set forth in **Section 8.2(b)** would not be satisfied or (ii) there exists a breach of or inaccuracy in any representation or warranty made by Sellers contained in this Agreement such that the closing condition set forth in **Section 8.2(a)** would not be satisfied, and in the case of both (i) and (ii) above, such breach, inaccuracy or failure to perform is not cured within thirty (30) days after receipt of written notice thereof or is incapable of being cured by the Sellers by the Termination Date; or

(f) by Buyers, upon written notice to Sellers, in accordance with **Section 7.3**.

9.2 **Effect of Termination**.

(a) In the event of termination of this Agreement pursuant to **Section 9.1** by Buyers or Sellers, this Agreement will become void and have no effect, without any liability or obligation on the part of any Buyer or Seller (or any of their respective representatives or Affiliates), other than the provisions of **Section 1.1**, **Section 7.4**, this **Section 9.2**, and **ARTICLE XII** which will survive any termination of this Agreement; provided, however, that nothing herein will relieve any Party from any liability for any pre-termination breach of this Agreement by such Party.

(b) In the event that this Agreement is terminated (i) by Sellers pursuant to **Section 9.1(d)(iii)** or (ii) by Sellers or Buyers under **Section 9.1(b)** solely as a result of the condition in **Section 8.1(f)** not having been satisfied or waived, then Sellers shall pay Buyers a fee of $15,000,000, by wire transfer of same day funds to an account designated by Buyers, within two (2) Business Days after such termination.

(c) Upon termination of this Agreement by Buyers or Sellers for any reason, each Party shall return to the other Parties or destroy any information relating to the Parties, the Subsidiaries or their respective businesses furnished by one Party to another, whether obtained before or after the execution of this Agreement.

ARTICLE X
SURVIVAL; INDEMNIFICATION

10.1 **Survival**. Except as set forth below, the rights of the Parties to indemnification under this Agreement with respect to the representations and warranties made hereunder shall survive the Closing for a period beginning on the date hereof and ending on (and excluding) the date which is eighteen (18) months from the date of Closing; provided, however:

(a) that the rights of Buyers to indemnification under this Agreement with respect to **Section 4.20** (*Environmental Matters*) shall survive until (and excluding) the date which is three (3) years from the date of Closing;

(b) that the rights of Buyers to indemnification under this Agreement with respect to the Seller Fundamental Representations shall survive the Closing without time limitation;

(c) that the representations and warranties in **Section 4.8** (*Taxes*) shall not survive the Closing (other than the representations and warranties in **Sections 4.8(k)**, **(n)** and **(p)**) and the rights of Sellers to indemnification pursuant to **Section 10.2 (b)** and the rights of Buyers to indemnification pursuant to **Section 10.3(b)** shall survive until the date that is thirty (30) days after the expiration of the applicable statute of limitations; and

(d) that the rights of Sellers to indemnification under this Agreement with respect to the Buyer Fundamental Representations shall survive without time limit.

The rights of Buyers or Sellers to indemnification for any breach of the covenants or agreements of Sellers or Buyer, as applicable, will survive until the expiration of the statute of limitations applicable to breach of contract claims in New York. Any claim for indemnification pursuant to **Section 10.2** (in case of indemnification by Buyers) or **Section 10.3** (in case of indemnification by Sellers) that is made in accordance with the requirements set forth in **Section 10.6** or **Section 11.5** (as applicable) prior to the expiration of the applicable survival period set forth in this **Section 10.1** shall survive solely with respect to such claim (limited to the amount of such claim and matter concerning such claim), until such claim is finally resolved, it being understood that the remaining limitations set forth in this **Section 10.1** shall remain unaffected.

10.2 **Indemnification by Buyers**. From and after the Closing, Buyers shall indemnify and hold harmless Sellers and their respective successors, permitted assigns and Affiliates, and their respective officers, employees, directors, managers, members, partners, stockholders, heirs and personal representatives (collectively, the "Seller Indemnitees") from and against:

(a) any and all Losses of the Seller Indemnitees following the Closing arising out of, related to or as a result of:

(i) prior to their expiration in accordance with **Section 10.1**, any breach of the representations and warranties of any Buyer Fundamental Representations, in each case, as if made as of the Closing Date;

(ii) prior to their expiration in accordance with **Section 10.1**, any breach of the representations and warranties included in **ARTICLE VI** (other than any Buyer Fundamental Representations), in each case, as if made as of the Closing Date; and

(iii) prior to their expiration in accordance with **Section 10.1**, any breach of the covenants or agreements of Buyers contained in this Agreement (including any related Schedule or exhibit attached hereto and the certificates delivered pursuant hereto).

(b) (i) any liability for Taxes of any of the Acquired Companies and the Subsidiaries for any Post-Closing Tax Period and the portion of any Straddle Period that begins after the Closing Date (determined in accordance with **Section 11.3** in the case of any Straddle Period) and any Losses related to the foregoing, (ii) Transfer Taxes that are the responsibility of Buyers pursuant to **Section 11.1**, and (iii) any liability for Taxes taken into account in determining the final Closing Statement; provided, however, that Buyers shall not be liable for or pay, and shall not indemnify, the Seller Indemnitees for any Taxes to the extent such Taxes are attributable to any breach by Sellers of their covenants in **ARTICLE XI**.

10.3 **Indemnification by Sellers**. From and after the Closing, Sellers, jointly and severally, shall indemnify and hold harmless each Buyer and its successors, permitted assigns and Affiliates (including the Acquired Companies and the Subsidiaries), and its and their respective officers, employees, directors, managers, members, partners, stockholders, heirs and personal representatives (collectively, the "Buyer Indemnitees") from and against:

(a) any and all Losses of the Buyer Indemnitees arising out of, related to or as a result of:

(i) any breach of the representations and warranties of any Seller Fundamental Representations, in each case, as if made as of the Closing Date;

(ii) prior to their expiration in accordance with **Section 10.1**, any breach of the representations and warranties included in **ARTICLE IV** or **ARTICLE V** (other than any Seller Fundamental Representations), in each case, as if made as of the Closing Date; and

(iii) prior to their expiration in accordance with **Section 10.1**, any breach of the covenants or agreements of Sellers contained in this Agreement (including any related Schedule or exhibit attached hereto and the certificates delivered pursuant hereto).

(b) Prior to their expiration in accordance with **Section 10.1**, (i) all Taxes of or required to be paid by the Acquired Companies and the Subsidiaries for any Pre- Closing Tax Period and for the pre-Closing portion of any Straddle Period (determined in accordance with **Section 11.3** in the case of any Straddle Period) that are in excess of such Taxes taken into account in determining the final Closing Statement, (ii) all Taxes required to be paid by the Acquired Companies or any of the Subsidiaries by reason of any of the Acquired Companies or the Subsidiaries (or any predecessor thereof) having been a member of an affiliated, consolidated, aggregate, unitary, or combined group on or prior to the Closing Date, (iii) all Taxes (direct or indirect) required to be paid by Buyer, Sellers, Affiliates of Sellers or the Acquired Companies and the Subsidiaries (including capital gains, income and withholding, but not Transfer Taxes payable pursuant to **Section 11.1**) attributable to the sale of the Acquired Interests or the other transactions contemplated by this Agreement, (iv) all Taxes of any Person required to be paid by any of the Acquired Companies or the Subsidiaries as a transferee or successor, by Contract entered into prior to the Closing Date (other than any customary agreements with customers, vendors, lenders, lessors or the like entered into in the ordinary course of business and any other agreements for which Taxes is not the principal subject matter) or pursuant to applicable Law, in each case where the Liability of the Acquired Companies or the Subsidiaries for such Taxes is attributable to an event or transaction occurring on or before the Closing Date, (v) Transfer Taxes that are the responsibility of Sellers pursuant to **Section 11.1**, (vi) the Peruvian ITF tax (*Impuesto a las Transacciones Financieras*) that may be imposed on any amounts to be paid by Buyer 1 into Sellers' Peruvian bank accounts (if any), (vii) all Taxes attributable to a breach of the representations and warranties in **Sections 4.8(k), (n)**, and **(p)**; (viii) fifty percent (50%) of any import Taxes incurred by Kanan in connection with the transfer of the La Esperanza Barge to Kanan for the Kanan Project; and (ix) any Losses related to the foregoing; provided, however, that Sellers shall not be liable for or pay, and shall not indemnify, the Buyer Indemnitees for (A) any Taxes imposed on any of the Acquired Companies and the Subsidiaries or for which such Acquired Company or such Subsidiaries may otherwise be liable as a result of transactions occurring on the Closing Date but after the Closing to the extent such transactions are entered into outside the ordinary course of business (except for actions that are contemplated by this Agreement), (B) any Taxes to the extent such Taxes are attributable to any breach by Buyers of their covenants in **ARTICLE XI**, (C) any Taxes arising out of or resulting from the specific proceedings listed on **Schedule 4.8(h)** (other than proceedings listed under the countries of Chile, Dominican Republic and El Salvador), (D) any liability for Taxes taken into account in determining the final Closing Statement and (E) any Losses related to the foregoing.

10.4 **Exclusive Remedy**. Except in cases of Actual Fraud or Willful Breach, or as otherwise provided in **Section 10.10** or the Seller Support Agreements (a) the Parties agree that, from and after the Closing, the sole and exclusive monetary remedies of the Parties and their respective representatives and Affiliates for any Losses (including any Losses from claims for breach of contract, warranty, tortious conduct (including negligence) or otherwise and whether predicated on common law, statute, strict liability, or otherwise) based upon, arising out of or otherwise in respect of the matters set forth in this Agreement (including the Schedules and exhibits attached hereto and the certificates delivered pursuant hereto) or the transactions contemplated hereby are the indemnification obligations of the Parties set forth in this **ARTICLE X** and (b) the Parties expressly waive any and all rights and remedies against Sellers under any Law. The provisions of this **Section 10.4** will not, however, prevent or limit a cause of action (i) under **Section 12.9** to obtain an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof, or (ii) under **Section 2.3(c)** and **Section 7.12(c)** to enforce any decision or determination of the Arbitration Firm.

10.5 **Limitations**. Notwithstanding anything to the contrary contained in this Agreement, the rights of the Buyer Indemnitees and Seller Indemnitees are limited as follows:

(a) Sellers shall not be required to indemnify or hold harmless any Buyer Indemnitee against, or reimburse any Buyer Indemnitee for, any Losses pursuant to **Section 10.3** unless and until the aggregate amount of the Buyer Indemnitee's Losses for which such Buyer Indemnitee seeks indemnification pursuant to **Section 10.3** exceeds $8,827,500 (the "Basket Amount"), in which event Sellers shall be required to pay or be liable only for such Losses that are in excess of the Basket Amount; provided, however, that the Basket Amount shall not apply to the indemnification obligations of Sellers set forth in **Section 10.3(a)(i)**, **Section 10.3(a)(iii)** and **Section 10.3(b)**;

(b) Buyers shall not be required to indemnify or hold harmless any Seller Indemnitee against, or reimburse any Seller Indemnitee for, any Losses pursuant to **Section 10.2** unless and until the aggregate amount of the Seller Indemnitee's Losses for which such Seller Indemnitee seeks indemnification pursuant to **Section 10.2** exceeds the Basket Amount, in which event Buyers shall be required to pay or be liable only for such Losses that are in excess of the Basket Amount; provided, however, that the Basket Amount shall not apply to the indemnification obligations of Buyers set forth in **Section 10.2(a)(i)**, **Section 10.2(a)(iii)** and **Section 10.2(b)**;

(c) Individual Losses of less than $200,000 shall not be recoverable under this **ARTICLE X**; provided, however, that the foregoing limitation on indemnification shall not apply to (i) the indemnification obligations of Sellers set forth in **Section 10.3(a)(i)**, **Section 10.3(a)(iii)** and **Section 10.3(b)** or (ii) the indemnification obligations of Buyers set forth in **Section 10.2(a)(i)**, **Section 10.2(a)(iii)** and **Section 10.2(b)**;

(d) The cumulative indemnification obligations of Sellers pursuant to **Section 10.3(a)(ii)** shall in no event exceed $176,550,000 (the "General Cap Amount");

(e) The cumulative indemnification obligations of Buyers pursuant to **Section 10.2(a)(ii)** shall in no event exceed the General Cap Amount;

(f) Sellers shall not have any liability pursuant to this **ARTICLE X** in excess of the Base Purchase Price;

(g) The Materiality Scrape shall apply solely for purposes of determining the amount of Losses subject to any indemnification claim under this **ARTICLE X**;

(h) The Seller Indemnitees' and the Buyer Indemnitees' right to indemnification pursuant to **Section 10.2** and **Section 10.3**, respectively, will be reduced by (i) any amounts actually received from a third party (including an insurance company) by or on behalf of, or for the account or benefit of any Seller Indemnitee or Buyer Indemnitee, as the case may be, in each case net of the reasonable third party out-of- pocket costs and expenses associated with such recoveries to the Seller Indemnitee or Buyer Indemnitee, as applicable (it being understood and agreed that any obligation of any Seller Indemnitee or Buyer Indemnitee to use Commercially Reasonable Efforts to seek insurance recoveries in respect of Losses to be indemnified hereunder shall not be a prerequisite to asserting a Claim hereunder) and (ii) any amounts which were taken into account (including with respect to any reserves) in the determination of the amount of any purchase price adjustment pursuant to **Section 2.3**. The Seller Indemnitees and Buyer Indemnitees shall use their Commercially Reasonable Efforts to take any and all necessary actions to pursue and fully collect from such third parties and under all insurance policies available to them. The Buyer Indemnitees and the Seller Indemnitees shall remit to the applicable Indemnifying Party any such third party or insurance proceeds that are paid to any Buyer Indemnitee or Seller Indemnitee with respect to Losses for which any of the Buyer Indemnitees or Seller Indemnitees has been previously compensated pursuant to **Section 10.3** or **Section 10.2**, respectively;

(i) The Seller Indemnitees' and the Buyer Indemnitees' right to indemnification pursuant to **Section 10.2** and **Section 10.3** on account of any Losses and Taxes will be (i) reduced by the net amount of the Tax benefits actually realized by any such indemnitee by reason of the related Losses or Taxes (including any Tax benefit arising in subsequent taxable years) and (ii) subject to **Section 10.9**, increased by the amount of any Tax costs incurred in connection with the payment of, or in connection with the receipt of, the indemnity payment (including any Tax costs arising in subsequent taxable years), in each case, as actually realized by the Seller Indemnitee or Buyer Indemnitee. The Seller Indemnitees and the Buyer Indemnitees shall use Commercially Reasonable Efforts to claim and realize such Tax benefits in the earliest Tax year allowable by applicable Law. To the extent any such Tax benefit or Tax cost is actually realized in a subsequent year, the Seller Indemnitee or the Buyer Indemnitee, as the case may be, shall make a payment to Sellers (in case of the Buyer Indemnitee) or Buyers (in case of the Seller Indemnitee) equal to the amount of such net Tax benefit or Tax cost; and

(j) No Party shall be entitled to indemnification for punitive damages, incidental damages, consequential damages, exemplary damages, special damages, indirect damages or similar damages. The Buyer Indemnitees shall not be entitled to indemnification pursuant to **Section 10.3** to the extent such amount was included in the Purchase Price as finally determined pursuant to **Section 2.3**. No Party shall be entitled to be compensated more than once for the same Loss.

10.6 **Procedures**.

(a) Notice of Losses by Seller Indemnitee. As soon as reasonably practicable after a Seller Indemnitee has actual knowledge of any claim that it has under this **ARTICLE X** that may result in a Loss (a "Seller Claim"), Sellers shall give written notice of such Seller Claim (a "Seller Claims Notice") to Buyers. A Seller Claims Notice must describe the Seller Claim in reasonable detail, and indicate the amount (estimated, as necessary and to the extent feasible) of the Loss that has been or may be suffered by the applicable Seller Indemnitee. Sellers shall provide a Seller Claims Notice to Buyers pursuant to this **Section 10.6(a)** within 30 days after discovery of such Seller Claim by a Seller Indemnitee.

(b) Notice of Losses by Buyer Indemnitee. As soon as reasonably practicable after a Buyer Indemnitee has actual knowledge of any claim that it has under this **ARTICLE X** that may result in a Loss (a "Buyer Claim" and together with a Seller Claim, a "Claim"), the Buyer Indemnitee shall give written notice of such Buyer Claim to Seller (a "Buyer Claims Notice" and, together with a Seller Claims Notice, a "Notice"). A Buyer Claims Notice must describe the Buyer Claim in reasonable detail, and indicate the amount (estimated, as necessary and to the extent feasible) of the Loss that has been or may be suffered by the applicable Buyer Indemnitee. Buyers shall provide a Buyer Claims Notice to Sellers pursuant to this **Section 10.6(b)** within 30 days after discovery of such Buyer Claim by a Buyer Indemnitee.

(c) Opportunity to Defend Third Party Claims. In the event of any Claim by a third party against a Buyer Indemnitee or Seller Indemnitee for which indemnification is available hereunder, Buyers or Sellers, as applicable (each an "Indemnifying Party"), have the right, exercisable by written notice to Buyers or Sellers within 60 days of receipt of a Notice from Buyers or Sellers, as applicable, to assume and conduct the defense of such Claim with counsel selected by the Indemnifying Party. If the Indemnifying Party has assumed such defense as provided in this **Section 10.6(c)**, the Indemnifying Party will not be liable for any legal expenses subsequently incurred by any Indemnitee in connection with the defense of such Claim. If the Indemnifying Party does not assume the defense of any such Claim in accordance with this **Section 10.6(c)**, the Indemnifying Party may still participate in, but not control, the defense of such Claim at the Indemnifying Party's sole cost and expense. The Indemnitee will not consent to a settlement of, or the entry of any judgment arising from, any such Claim, without the prior written consent of the Indemnifying Party (such consent not to be unreasonably withheld or delayed). Except with the prior written consent of the Indemnitee (such consent not to be unreasonably withheld or delayed), no Indemnifying Party, in the defense of any such Claim, will consent to the entry of any judgment or enter into any settlement that (i) provides for injunctive or other nonmonetary relief affecting the Indemnitee or (ii) does not include as an unconditional term thereof the giving by each claimant or plaintiff to such Indemnitee of a release from all liability with respect to such Claim. In any such Claim, the Party responsible for the defense of such Claim (the "Responsible Party") shall, to the extent reasonably requested by the other Party, keep such other Party informed as to the status of such Claim, including all settlement negotiations and offers. With respect to such a Claim for which Sellers are the Responsible Party, Buyers shall use Commercially Reasonable Efforts to make available to Sellers and their representatives all books and records of Buyers, the Acquired Companies and the Subsidiaries relating to such Claim (with such documents and information to be used by Sellers and their Representatives solely for the defense of such Claim) and Buyers shall use Commercially Reasonable Efforts to cooperate with Sellers in the defense of such Claim.

(d) Settlement. The Responsible Party shall promptly notify the other Party of each settlement offer with respect to a third party Claim. Such other party shall promptly notify the Responsible Party whether or not such Party is willing to accept the proposed settlement offer. If Sellers are willing to accept the proposed settlement offer but Buyers refuse to accept such settlement offer, then if (i) such settlement offer requires only the payment of money damages and provides a complete release of all Indemnitees that are a party to such Claim with respect to the subject matter thereof and (ii) the amount of such proposed settlement will not exceed the limitations contained in this **ARTICLE X**, then the amount payable to the Indemnitees with respect to such Claim will be limited to the amount of such settlement offer subject to the limitations contained in this **ARTICLE X**. Sellers may nevertheless propose in writing a good faith, reasonable settlement offer that requires only the payment of money damages and provides a complete release of all Indemnitees who are parties to such Claim with respect to the subject matter thereof; provided, however, that the amount of any such proposed settlement offer may not exceed the limitations contained in this **ARTICLE X**. If Buyers refuse to agree to or make the proposed settlement offer to the claimant in such Claim, any amount payable to a Buyer Indemnitee with respect to such Claim will be limited to the amount of such proposed settlement offer. If any such settlement offer is made to any claimant and rejected by such claimant, the amount payable to an Indemnitee with respect to such Claim will not be limited to the amount of such settlement offer but will remain subject to all other limitations set forth in this Agreement.

(e) This **Section 10.6**shall not apply to an indemnity Claim for Taxes pursuant to **Section 10.2(b)**or **Section 10.3(b)**. Such Claims shall be governed exclusively by **Section 11.5**.

10.7 **Subrogation**. Upon making any indemnity payment pursuant to **Section 10.2** or **Section 10.3**, as applicable, the Indemnifying Party shall be subrogated to all rights of the Indemnitees, as applicable, against any third party (other than any Acquired Company or any Subsidiary) in respect of the Losses to which the payment related. The Parties will execute upon request all instruments reasonably necessary to evidence and perfect the above described subrogation rights.

10.8 **Mitigation**. Each Buyer Indemnitee and Seller Indemnitee shall use Commercially Reasonable Efforts to take all reasonable steps to mitigate its Losses upon and after becoming aware of any event or condition that could reasonably be expected to give rise to any Losses that may be indemnifiable or reimbursable hereunder.

10.9 **Adjustment to Purchase Price**. All indemnification payments made pursuant to this **ARTICLE X**, any payments by Sellers pursuant to **Section 11.2(a)** or **Section 11.2(b)**, and any payments made by Buyers pursuant to **Section 11.7** will be treated as an adjustment to the Purchase Price unless otherwise required by applicable Law.

10.10 **Setoff Rights**. If Sellers are obligated to indemnify Buyers or any other Buyer Indemnitee for any indemnification claim in accordance with **ARTICLE X**, Buyers may set-off the amount of such claim against any amounts payable by Buyers to Sellers under the Seller Support Agreements, as such amounts becomes due; provided, however, that Buyers shall seek satisfaction of any indemnification claim under **Section 10.3** in the following order: first, by exhausting its rights to the Collateral pursuant to the Collateral Agreement; second, following release or sale of all Collateral pursuant to the Collateral Agreement, by exhausting its set-off rights against any payments under the Deferred Payment Security; and third, by recourse to Sellers and the Seller Guarantor. Buyers may set-off pursuant to this **Section 10.10** only (a) with respect to those indemnifications claims that have been Finally Determined (as defined below) or (b) with the prior written consent of Sellers. If Buyers intends to set-off any amount hereunder, Buyers shall provide not less than thirty (30) days' prior written notice to Sellers of its intention to do so, together with the amount subject to set-off, and a reasonably detailed explanation of the basis therefor. For purposes of this Agreement, the term "Finally Determined" shall mean, with respect to any indemnification claim made and any Liability related thereto, when the parties to such claim have so determined by mutual agreement in writing or, if disputed, when a final non- appealable judgment has been issued by a court having proper jurisdiction pursuant to **Section 12.9**. Except as set forth in this **Section 10.10**, no Party shall have any right of set-off under this Agreement.

ARTICLE XI
TAX MATTERS

11.1 **Transfer Taxes**. Buyers, on the one hand, and Sellers on the other, shall economically bear 50% of, and indemnify and hold harmless the other with respect to its proportionate share of, all Transfer Taxes incurred in connection with the consummation of the transactions contemplated by this Agreement, whether such Transfer Taxes are imposed on Buyers, the Acquired Companies and the Subsidiaries, or Sellers. All such Transfer Taxes, if any, shall be timely paid, and any related Tax Returns timely filed, by the Party required to pay for such Taxes, and file such Tax Returns, under applicable Law. Buyers and Sellers agree to cooperate with each other in the filing of any returns with respect to Transfer Taxes payable in accordance with this **Section 11.1**, including promptly supplying any information in its possession that is reasonably necessary to complete such returns.

11.2 **Tax Returns**. Except as otherwise provided in **Section 11.1**:

(a) Sellers shall prepare and timely file, or cause to be prepared and timely filed, all Tax Returns that are required to be filed by the Acquired Companies and the Subsidiaries on or before the Closing Date ("Seller Prepared Tax Returns"). Sellers shall ensure that each Seller Prepared Tax Return is prepared and filed in accordance with the prior positions and practices of the Acquired Companies and the Subsidiaries, unless otherwise required by applicable Law. A completed draft of each Seller Prepared Tax Return that relates to income Taxes of Kallpa Generación S.A., Distribuidora de Electricidad Oriente S.A. and Distribuidora de Electricidad Occidente S.A. shall be submitted to Buyers for Buyers' review as soon as reasonably practicable once drafts are available. Sellers will consider in good faith any reasonable changes to such Tax Returns timely proposed by Buyers, and Sellers shall provide Buyers with a copy of any such revised Tax Return as soon as reasonably practicable after filing. Subject to the applicable limitations in **ARTICLE X**, Sellers shall timely remit (or cause to be timely remitted by the Acquired Companies and their Subsidiaries) any Taxes shown as due on any Seller Prepared Tax Return.

(b) Buyers shall prepare and timely file, or cause to be prepared and timely filed, all Tax Returns that are required to be filed by the Acquired Companies and the Subsidiaries for any Pre-Closing Tax Period with an initial due date (giving effect to any valid extension thereof) that is after the Closing Date and for any Straddle Period ("Buyer Prepared Tax Returns"). Buyers shall ensure that each Buyer Prepared Tax Return is prepared and filed in accordance with the prior positions and practices of the Acquired Companies and the Subsidiaries, unless otherwise required by applicable Law; provided, however, that Buyers shall not be required to prepare and file Buyer Prepared Tax Returns on such a consistent basis if Buyers agree to bear any incremental Tax Liability (regardless of whether such incremental Tax Liability is imposed on any Seller, any Acquired Company, or any Buyer) resulting from any inconsistent position or practice. A completed draft of each Buyer Prepared Tax Return that relates to income Taxes or material other Taxes shall be submitted to Sellers for Sellers' review as soon as reasonably practicable once drafts are available. Buyers will consider in good faith any reasonable changes to such Tax Returns timely proposed by Sellers. Buyers shall provide Sellers with a copy of any such revised Buyer Prepared Tax Return as soon as reasonably practicable after filing. Buyers shall timely remit, or cause to be timely remitted, all Taxes due in respect of any Buyer Prepared Tax Return, and upon the written request from Buyers, but in no event earlier than five (5) Business Days before the due date for the payment of such Taxes of the Acquired Companies and the Subsidiaries, and subject to the applicable limitations in **ARTICLE X**, Sellers shall pay or reimburse (as applicable) Buyers for all Taxes payable with respect to a Buyer Prepared Tax Return that relates to a Pre-Closing Tax Period and for Sellers' share of Taxes for any Straddle Period (determined in accordance with **Section 11.3**); except, in each case, to the extent such Taxes payable by Sellers do not exceed the liabilities for such Taxes specifically taken into account in determining the final Closing Statement.

11.3 **Straddle Period Tax Liabilities**. Where it is necessary for purposes of this Agreement to apportion between Sellers and Buyers the Taxes of any of the Acquired Companies and the Subsidiaries for a Straddle Period, such liability shall be apportioned between the period deemed to end at the close of the Closing Date and the period deemed to begin at the beginning of the day following the Closing Date on the basis of an interim closing of the books, except that Taxes (such as real or personal property Taxes) imposed on a periodic basis shall be allocated on a daily basis.

11.4 **Assistance and Cooperation**. After the Closing, Sellers shall (and shall cause their Affiliates to) assist Buyers in preparing any Buyer Prepared Tax Return and Buyers and Sellers shall (and shall cause their respective Affiliates to) reasonably cooperate in connection with any Action or in preparing for any audits of, or disputes with any Governmental Authority regarding, any Tax Returns filed by any of the Acquired Companies and the Subsidiaries.

11.5 **Audits**.

(a) Buyers shall (or shall cause the Acquired Companies and the Subsidiaries to) give written notice to Sellers of their receipt of any notice of any audit, examination, claim or assessment for any Tax for which Sellers are responsible (a "Tax Claim") within thirty (30) days after receipt by any Buyer, the Acquired Companies or the Subsidiaries of such notice. Failure to give any such written notice within such thirty (30) day period shall not limit Sellers' indemnification obligations pursuant to this Agreement, except to the extent Sellers are materially and actually prejudiced by such failure.

(b) In the case of any Tax Claim relating to any Pre-Closing Period or the portion of any Straddle Period ending on the Closing Date, Sellers (at their sole cost and expense) shall have the right to control the conduct of such Tax Claim and shall have the right to settle such Tax Claim; provided, however, (i) that Buyers may fully participate in the conduct of such Tax Claim (at their own expense), including, without limitation, by participating with their own Tax counsel in any conferences or other meetings (in-person or by telephone) with the applicable Tax authority and attending any court sessions relating to such Tax Claim, advising Sellers on the positions to be taken in relation to such Tax Claim and reviewing and commenting on any written submissions by Sellers to the applicable Tax authority or other Governmental Authority, (ii) Sellers shall not settle, compromise or dispose of any Tax Claim without the applicable Buyer's prior written consent (which shall not be unreasonably withheld, conditioned or delayed), and (iii) Sellers shall keep Buyers fully and timely informed with respect to the status of such Tax Claim, including, without limitation, by timely providing Buyers with copies of documents received from a Tax authority or other Governmental Authority and by providing timely notice of any meetings or court sessions involving a Tax authority or other Governmental Authority.

11.6 **Certain Actions**. Unless otherwise required by applicable Law (including, for the avoidance of doubt, a court Order), without Sellers' prior written consent (which shall not be unreasonably withheld, conditioned or delayed) Buyers shall not, and shall not cause or permit any other Person to, (a) amend, re-file or supplement any Tax Return of the Acquired Companies or the Subsidiaries with respect to any Pre-Closing Tax Period; (b) file any ruling or similar request with any Taxing Authority by or on behalf of the Acquired Companies or the Subsidiaries that relates to a Pre-Closing Tax Period; (c) carry back any income Tax losses, credits or similar items attributable to the Acquired Companies or any of the Subsidiaries to any Pre-Closing Tax Period (d) voluntarily disclose to a Tax authority any information relating to the Acquired Companies or any of the Subsidiaries with respect to any Pre-Closing Tax Period (it being understood that the following shall not be deemed a voluntary disclosure of information: (i) filing a Buyer Prepared Tax Return; (ii) taking actions permitted by this **Section 11.6**, such as amending a Tax Return of the Acquired Companies and the Subsidiaries for a Pre-Closing Tax Period or filing a ruling request on their behalf for such period; and (iii) disclosing information to a Tax authority in good faith in connection with any audit, examination, claim, assessment of Tax, information request or other inquiry) (each, a "Seller Tax Matter") if such action is reasonably likely to (i) increase Sellers' or any of their Affiliates' liability for Taxes under **Section 10.3(b)** and Buyers do not waive their right to an indemnity for such increased liability, or (ii) result in, or change the character of, any income or gain that must be reported on any Tax Return filed or to be filed by Sellers or any of their Affiliates (including any Tax Return filed or required to be filed by any of the Acquired Companies and the Subsidiaries for any Pre-Closing Tax Period (including any Straddle Period)).

11.7 **Tax Refunds**. Sellers are entitled to any refund (whether direct or indirect through a right of set-off or credit) of Taxes of the Acquired Companies and the Subsidiaries (a "Tax Refund"), and any interest received thereon, that is attributable to any Pre-Closing Tax Period or to the portion of any Straddle Period ending on the Closing Date, except to the extent (a) such Tax Refund was taken into account in determining the final Closing Statement, (b) such Tax Refund relates to a specific proceeding listed on **Schedule 4.8**, (c) such Tax Refund is for a Tax period or portion of a Tax period beginning after the Closing Date that arises from the use of a net operating loss, net capital loss or Tax credit generated in a period (or portion thereof) ending on or before the Closing Date or (d) such Tax Refund is for a Tax period or portion of a Tax period ending on or before the Closing Date that arises from the use of a net operating loss, net capital loss or Tax credit generated in a period (or portion thereof) beginning after the Closing Date. Buyers and Sellers will equitably apportion, consistent with the principles of **Section 11.3**, any Tax Refund attributable to a Straddle Period. Each Party shall pay to the other Party an amount equal to any Tax Refund that such other Party is entitled to pursuant to this **Section 11.7** within thirty (30) days after the actual receipt of such Tax Refund. Any Tax Refund amount that is actually obtained shall be remitted net of any Taxes and reasonable third- party expenses incurred in connection with obtaining such refund. The Tax incurred by a Party in connection with the receipt or accrual of a Tax Refund shall be determined by assuming that such Party pays Taxes at the highest marginal rate applicable to such Party. Subject to the limitations of **Section 11.6**, Buyers shall cause the Acquired Companies to seek to obtain any Tax Refund reasonably requested by Sellers if such Tax Refund would be payable to Sellers in whole or in part under this **Section 11.7**, and Buyers shall not seek to obtain any Tax Refund relating or attributable to a Pre-Closing Tax Period if Sellers are otherwise entitled to such Tax Refund in whole or in part pursuant to this **Section 11.7** without Sellers' prior written consent (which shall not be unreasonably withheld, conditioned or delayed).

11.8 **Limitation on Sellers' Rights**. The rights of Sellers and restrictions imposed on Buyers under this **ARTICLE XI**, including, but not limited to, Sellers' right to control or participate in Tax Contests and to settle or consent to any settlement thereof under **Section 11.5**, the restrictions imposed on actions taken by Buyers under **Section 11.6** and Sellers' right to Tax Refunds under **Section 11.7**, shall not apply if Sellers are not economically liable for Taxes under **Section 10.3(b)**. Sellers shall be deemed economically liable for Taxes under **Section 10.3(b)** if (a) the cap on Sellers' liability in **Section 10.5(f)** has not been met and (b) there is sufficient collateral of Sellers reasonably available to Buyers to satisfy an indemnity claim for Taxes under **Section 10.3(b)** (the "Seller Economic Liability"). In determining whether there is Seller Economic Liability, the maximum amount payable with respect to other pending claims under **Section 10.3** (including other Tax Claims) shall be taken into account. In addition, Sellers' right to control the conduct of any Tax Claim under **Section 11.5(b)** shall not apply (and in the case of any pending Tax Claim, control shall shift from Sellers to Buyers) if: (i) Sellers fail to diligently prosecute a Tax Claim or (ii) Sellers are no longer obligated to indemnify Buyers for such Tax Claim pursuant to **Section 10.3(b)**. In such case, Sellers shall have the same participation and consent rights afforded by **Section 11.5(b)** to Buyers in the case of a Tax Claim relating to any Pre-Closing Period or the portion of any Straddle Period ending on the Closing Date. Notwithstanding the foregoing, Sellers shall not have the right to contest a Tax Claim (or otherwise control or participate in the conduct of such contest or consent to any settlement thereof) if the initiation or maintenance of such contest requires the payment of any Tax, penalties or interest and such payment is not timely made by Sellers to the appropriate Governmental Authority.

ARTICLE XII
MISCELLANEOUS AND GENERAL

12.1 **Expenses**.

(a) Except as set forth in this Agreement, each Party will pay its own costs and expenses (including all legal, accounting, broker, finder or investment banker fees) incurred in connection with this Agreement and the transactions contemplated hereby, irrespective of when incurred or whether or not the Closing occurs.

(b) All amounts owed by Buyers to Sellers, or by Sellers to Buyers, under this Agreement and any of the transactions contemplated by this Agreement that are not paid when due shall be paid together with interest thereon at an annual rate equal to four percent (4%), accruing from the sixtieth (60th) day from the date that such payment is due until, and including, the date of payment. For the avoidance of doubt, for the purposes of this **Section 12.1(b)**, "due" shall mean in respect of any indemnity claim under **ARTICLE X** when such claim is Finally Determined.

12.2 **Successors and Assigns**. This Agreement is binding upon and inures to the benefit of the Parties and their respective successors and permitted assigns (in each case, including by liquidation, dissolution or otherwise by operation of law), but is not assignable by any Party without the prior written consent of the other Parties. Notwithstanding the immediately preceding sentence, (i) Sellers may assign all or a portion of its rights and obligations hereunder to any of their Affiliates that directly or indirectly controls Sellers, and (ii) any Buyer may, without the consent of Sellers: (a) assign this Agreement or any portion thereof, including all rights, interests and obligations of such Buyer hereunder to one or more of such Buyer's Affiliates as designated by such Buyer; provided, that such assignment shall not (A) release such Buyer from its obligations hereunder or (B) impede or delay the Closing or the consummation of the transactions contemplated by this Agreement; or (b) assign its rights to indemnification under this Agreement to any of its Financing Sources as collateral security.

12.3 **Third Party Beneficiaries**. Except for the rights of the Buyer Indemnitees and Seller Indemnitees under **ARTICLE X**, each Party hereto intends that this Agreement does not benefit or create any right or cause of action in or on behalf of any Person other than the Parties; provided, however, that, notwithstanding the foregoing, the following provisions of this Agreement are intended to benefit, and may be enforced directly by, any of Buyer's Financing Sources (debt or equity): this **Section 12.3**, **Section 12.7**, **Section 12.8**, **Section 12.9**, the last sentence of **Section 12.2** and **Section 12.13**.

12.4 **Notices**. Any notice or other communication provided for herein or given hereunder to a Party must be in writing, and (a) sent by facsimile transmission, (b) sent by electronic mail, (c) delivered in person, (d) mailed by first class registered or certified mail, postage prepaid, or (e) sent by Federal Express or other overnight courier of national reputation, addressed as follows:

If to the Buyers:

c/o I Squared Capital Advisors (US) LLC
410 Park Avenue #830
New York, NY 10022
Attention: General Counsel
Facsimile No.: +1 (212) 339-5390
Email: generalcounsel@isquaredcapital.com

with a copy to:

Norton Rose Fulbright US LLP
1301 Avenue of the Americas
New York, New York 10019
United States
Attention: Charles E. Hord, III, Esq., Marwan Azzi, Esq.,
Facsimile: +1 646 710 5353
Email: charles.hord@nortonrosefulbright.com
marwan.azzi@nortonrosefulbright.com

If to the Sellers:

1 Temasek Avenue #36-01
Millenia Tower
Singapore 039192
Attention: Legal Department, Finance Department
Email: RobertR@kenon-holdings.com
TzahiG@kenon-holdings.com

with a copy to:

Inkia Energy Limited
Canon's Court
22 Victoria St.
Hamilton HM12
Bermuda

and

Skadden, Arps, Slate, Meagher & Flom (UK) LLP
40 Bank Street
London E14 5DS
United Kingdom
Attention: Scott V. Simpson, Esq., James A. McDonald, Esq.,
Pankaj Sinha, Esq.
Facsimile: +44 (0)207 519 7070
Email: scott.simpson@skadden.com
james.mcdonald@skadden.com
pankaj.sinha@skadden.com

or to such other address with respect to a Party as such Party notifies the other in writing as above provided. Each such notice or communication will be effective (i) if given by facsimile, when the successful sending of such facsimile is electronically confirmed, (ii) if given by electronic mail, when electronic evidence of receipt is received or (iii) if given by any other means specified in the first sentence of this **Section 12.4**, upon delivery or refusal of delivery at the address specified in this **Section 12.4**.

12.5 **Complete Agreement**. This Agreement and the Schedules and exhibits hereto and the other documents delivered by the Parties in connection herewith, together with the Confidentiality Agreement, contain the complete agreement among the Parties hereto with respect to the transactions contemplated hereby and thereby and supersede all prior agreements and understandings among the Parties hereto with respect thereto.

12.6 **Captions**. The captions contained in this Agreement are for convenience of reference only and do not form a part of this Agreement.

12.7 **Amendment**. This Agreement may be amended or modified only by an instrument in writing duly executed by the Sellers and Buyers; provided, however, that the provisions of this Agreement referenced in the proviso to **Section 12.3** (and any definition or provision related to Buyer's Financing Sources' rights under such provisions) may not be amended in a manner adverse to Buyer's Financing Sources without their prior written consent.

12.8 **Governing Law**. This Agreement is to be governed by, and construed and enforced in accordance with, the laws of the State of New York (and, for the avoidance of doubt, this **Section 12.8** is intended to benefit, and may be enforced directly by, any of Buyer's Financing Sources (debt or equity)).

12.9 **Consent to Jurisdiction and Service of Process**.

(a) Except as set forth in **Section 2.3(c)** or **Section 7.12(c)** with respect to any dispute to be resolved by the Accounting Firm, any Action arising out of or relating in any way to this Agreement and the transactions contemplated hereby, whether in contract, tort, common law, statutory law, equity, or otherwise, including any question regarding its existence, validity, or scope (any "Transaction Dispute"), including, for the avoidance of doubt, any Transaction Dispute against or otherwise involving any of Buyer's Financing Sources (debt or equity), will exclusively be brought and resolved in the U.S. District Court for the Southern District of New York (where federal jurisdiction exists) or the Commercial Division of the Courts of the State of New York sitting in the County of New York (where federal jurisdiction does not exist), and the appellate courts having jurisdiction of appeals in such courts. In that context, and without limiting the generality of the foregoing, each Party irrevocably and unconditionally:

(i) submits for itself and its property to the exclusive jurisdiction of such courts with respect to any Transaction Dispute and for recognition and enforcement of any judgment in respect thereof, and agrees that all claims in respect of any Transaction Dispute shall be heard and determined in such courts;

(ii) agrees that venue would be proper in such courts, and waives any objection that it may now or hereafter have that any such court is an improper or inconvenient forum for the resolution of any Transaction Dispute; and

(iii) agrees that the mailing by certified or registered mail, return receipt requested, to the Persons listed in **Section 12.4** of any process required by any such court, will be effective service of process; provided, however, that nothing herein will be deemed to prevent a Party from making service of process by any means authorized by the Laws of the State of New York.

(b) The foregoing consent to jurisdiction will not constitute submission to jurisdiction or general consent to service of process in the State of New York for any purpose except with respect to any Transaction Dispute.

(c) EACH PARTY HERETO ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY THAT MAY ARISE HEREUNDER IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUIT, ACTION OR OTHER PROCEEDING (INCLUDING, FOR THE AVOIDANCE OF DOUBT, ANY SUIT, ACTION OR OTHER PROCEEDING AGAINST OR OTHERWISE INVOLVING ANY OF BUYER'S FINANCING SOURCES (DEBT OR EQUITY)) DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH PARTY HERETO CERTIFIES AND ACKNOWLEDGES THAT (i) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF ANY ACTION, SUIT OR PROCEEDING, SEEK TO ENFORCE THE FOREGOING WAIVER, (ii) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (iii) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (iv) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS **SECTION 12.9(c)**.

(d) The Parties agree that irreparable damage would occur and that the Parties would not have any adequate remedy (including money damages) at law in the event that any of the provisions hereof were not performed in accordance with their specific terms or were otherwise breached and that any defense in any action for specific performance that a remedy at law would be adequate is hereby waived. It is accordingly agreed that prior to the valid termination of this Agreement pursuant to **ARTICLE IX**, the Parties shall be entitled to an injunction or injunctions, specific performance or other equitable relief as provided in this **Section 12.9(d)** to prevent breaches or threatened breaches hereof and to enforce specifically the terms and provisions hereof (including Closing the purchase and sale on the terms and conditions set forth herein), without the necessity of proving the inadequacy of money damages as a remedy, in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative. The Parties acknowledge and agree that the right to an injunction, specific performance or other equitable relief is an integral part of the transactions contemplated by this Agreement and, without that right, the Parties would not have entered into this Agreement. The Parties shall not be required to provide any bond or other security in connection with any such proceeding seeking an injunction, specific performance or other equitable relief to prevent breaches or threatened breaches hereof or to enforce specifically the terms and provisions hereof in accordance with this **Section 12.9(d)**. The Termination Date shall automatically be extended by the time period between commencement of any action or proceeding by any Party for an injunction or injunctions to prevent breaches or threatened breaches hereof and to enforce specifically this Agreement and the date on which a non-appealable final order of a court of competent jurisdiction is entered with respect to such action or proceeding.

12.10 **Severability**. Any term or provision of this Agreement that is invalid or unenforceable in any jurisdiction will, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision will be interpreted to be only so broad as is enforceable.

12.11 **Construction**. The Parties have participated jointly in the negotiation and drafting of this Agreement. If any ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. The words "include," "includes" or "including" (or any other tense or variation of the word "include") in this Agreement shall be deemed to be followed by the words "without limitation." When reference is made in this Agreement to an Article, Section, Exhibit or Schedule, such reference shall be to an Article, Section, Exhibit or Schedule of this Agreement unless otherwise indicated. 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. The definitions contained in this Agreement are applicable to the singular as well as to the plural forms of such terms and to the masculine as well as the feminine and neuter genders of such terms. Whenever this Agreement states that any document has been "made available", unless otherwise expressly provided herein, that means the document was (a) made available to Buyers in the electronic data site maintained on behalf of Sellers with respect to the transactions contemplated by this Agreement (b) delivered in writing to Buyers or any of their Affiliates or (c) access was given to the Buyers to the physical location where such documents were located. In the event of any inconsistency between this Agreement and the Mutual Release, Local Transfer Agreements, Buyer Guarantee, Seller Support Agreements, Trust Agreements, CPAA Agreements, Transition Services Agreement or Escrow Agreement, the terms of this Agreement shall govern.

12.12 **Counterparts**. This Agreement may be executed in two or more counterparts (including counterparts transmitted via facsimile or in .pdf or similar format), each of which will be deemed an original but all of which will constitute but one instrument.

12.13 **No Recourse**. All Actions, claims, obligations or Liabilities that may be based upon, in respect of, arise under, out or by reason of, be connected with, or relate in any manner to this Agreement, or the negotiation, execution or performance of this Agreement (including any representation or warranty made in, in connection with or as an inducement to, this Agreement) may be made only against (and are those solely of) Sellers and Buyers ("Contracting Parties"). No Person who is not a Contracting Party, including, without limitation, any director, officer, employee, incorporator, member, partner, manager, stockholder, affiliate, agent, attorney or representative of, and any financial advisor or Financing Source (debt or equity) to, any Contracting Party, or any director, officer, employee, incorporator, member, partner, manager, stockholder, affiliate, agent, attorney or representative of, and any financial advisor or Financing Source (debt or equity) to, any of the foregoing ("Nonparty Affiliates") will have any liability (whether in contract or in tort, in law or in equity, or granted by statute) for any Actions, claims, obligations or Liabilities arising under, out of, in connection with, or related in any manner to this Agreement or based on, in respect of, or by reason of this Agreement or its negotiation, execution, performance or breach; and, to the maximum extent permitted by law, each Contracting Party hereby waives and releases all such Actions, claims, obligations and Liabilities against any such Nonparty Affiliates. Without limiting the foregoing, to the maximum extent permitted by law, (a) each Contracting Party hereby waives and releases any and all rights, claims, demands or causes of action that may otherwise by available at law or in equity, or granted by statute, to avoid or disregard the entity form of a Contracting Party or otherwise impose Liability of a Contracting Party on any Nonparty Affiliate, whether granted by statute or based on theories of equity, agency, control, instrumentality, alter ego, domination, sham, single business enterprise, piercing the veil, unfairness, undercapitalization or otherwise and (b) each Contracting Party disclaims any reliance upon any Nonparty Affiliate with respect to the performance of this Agreement or any representation or warranty made in, in connection with, or as an inducement to this Agreement.

12.14 **Waivers**.

(a) It is acknowledged by the Parties that Sellers, the Acquired Companies and the Subsidiaries have used or retained the counsel set forth in **Schedule 12.14** to act as their counsel in connection with the transactions contemplated by this Agreement ("Sellers' Counsels") and that Sellers' Counsels have not acted as counsel for any other Person in connection with the transactions contemplated by this Agreement for conflict of interest or any other purposes. Buyers agree that any attorney-client privilege and the expectation of client confidence attaching as a result of Sellers' Counsels' representation of Sellers and the Acquired Companies and Subsidiaries related to the preparation for, and negotiation and consummation of, the transactions contemplated by this Agreement, including all communications among Sellers' Counsels and Sellers, the Acquired Companies and/or their respective Affiliates in preparation for, and negotiation and consummation of, the transactions contemplated by this Agreement, shall survive the Closing and shall remain in effect. Furthermore, effective as of the Closing, (i) all communications (and materials relating thereto) between the Acquired Companies and Subsidiaries, on the one hand, and Sellers' Counsels or any other legal counsel or financial advisor, on the other hand, related to the preparation for, and negotiation and consummation of, the transactions contemplated by this Agreement are hereby assigned and transferred to Sellers, (ii) the Acquired Companies and Sellers hereby release all of their rights and interests to and in such communications and related materials and (iii) the Acquired Companies hereby release any right to assert or waive any privilege related to the communications referenced in this **Section 12.14**.

(b) Buyers agree that, notwithstanding any current or prior representation of the Acquired Companies by Sellers' Counsels, Sellers' Counsels shall be allowed to represent Sellers or any of their Affiliates in any matters and disputes adverse to any Buyer and/or the Acquired Companies and Subsidiaries that either is existing on the date hereof or arises in the future and relates to this Agreement and the transactions contemplated hereby; and Buyers and the Acquired Companies hereby waive any conflicts or claim of privilege that may arise in connection with such representation. Further, Buyers agree that, in the event that a dispute arises after the Closing between any Buyers and Sellers or any of their Affiliates, Sellers' Counsels may represent Sellers or their Affiliates in such dispute even though the interests of Sellers or their Affiliates may be directly adverse to any Buyers, the Acquired Companies and Subsidiaries and even though Sellers' Counsels may have represented the Acquired Companies or Subsidiaries in a matter substantially related to such dispute.

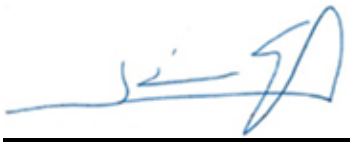
(c) Each Buyer acknowledges that any advice given to or communication with Sellers or any of their Affiliates (other than the Acquired Companies) shall not be subject to any joint privilege and shall be owned solely by Sellers or their Affiliates. Each Buyer hereby acknowledge that each of them has had the opportunity to discuss and obtain adequate information concerning the significance and material risks of, and reasonable available alternatives to, the waivers, permissions and other provisions of this Agreement, including the opportunity to consult with counsel other than Sellers' Counsels.

[*Signatures on Following Pages*]

IN WITNESS WHEREOF, the Sellers and Buyers have executed this Agreement or caused this Agreement to be executed as of the day and year first above written.

SELLER 1:

INKIA ENERGY LTD.

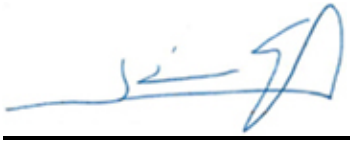


By: _____

Name: Javier Garcia
Title: Chief Executive Officer

SELLER2:

IC POWER DISTRIBUTION HOLDINGS PTE. LTD.



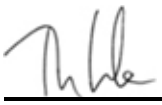
By: _____

Name: Javier Garcia
Title: Authorized Signatory

[Signature Page- Share Purchase Agreement]

BUYER 1:

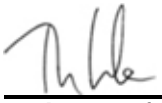
NAUTILUS INKIA HOLDINGS LLC

By: 

Name: Thomas Lefebvre
Title: Authorized Signatory

BUYER 2:

NAUTILUS DISTRIBUTION HOLDINGS LLC

By: 

Name: Thomas Lefebvre
Title: Authorized Signatory

BUYER 3:

NAUTILUS ISTHMUS HOLDINGS LLC

By:

Name: Thomas Lefebvre
Title: Authorized Signatory

ANNEX I

DEFINITIONS

For purposes of this Agreement:

"Action" means any claim, action, suit, demand, complaint, notice of violation, proceeding, including administrative enforcement proceedings, arbitration mediation, investigation, inquiry, audit, assessment or examination by or before any Governmental Authority or arbitrator.

"Acquired Companies" means the Persons set forth on **Schedule 4.2**.

"Acquired Interests" means the Equity Interests of the Acquired Companies owned by the Sellers as set forth on **Schedule 4.2**. For the avoidance of doubt, the Buyer 1 Acquired Interests, Buyer 2 Acquired Interests and Buyer 3 Acquired Interests collectively constitute all of the Acquired Interests.

"Actual Fraud" means actual and intentional fraud with respect to the representations and warranties expressly set forth in this Agreement that is committed by the Party making such representations or warranties.

"Affiliate" means, with respect to any Person, any Person that directly or indirectly controls, is controlled by or is under common control with such Person, where "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a Person, whether through the ownership of voting securities, by contract, as a trustee or executor or otherwise.

"Agua Clara Contribution Amount" means the amount of any capital contributed by the Acquired Companies or Subsidiaries to the Subsidiary that is developing the Agua Clara Development Project, only to the extent that the Buyers have given their prior written consent to such capital contribution.

"Agua Clara Debt" means the amount of any Debt incurred by the Acquired Companies or Subsidiaries in connection with the Agua Clara Development Project, only to the extent that (i) the Buyers have given their prior written consent to the incurrence of such Debt and (ii) the proceeds of the Debt are contributed to or incurred by the Subsidiary that is developing the Agua Clara Development Project or otherwise applied to pay development costs and expenses for the Agua Clara Development Project.

"Anti-Bribery Laws" means all Laws, rules and regulations issued, administered and/or enforced concerning bribery or corruption, including the FCPA and the UK Bribery Act of 2010, that are applicable to any of the Seller, Acquired Companies and the Subsidiaries.

"Anti-Corruption Laws" means Anti-Bribery Laws, Anti-Money Laundering Laws, Anti- Terrorism Financing Laws, and Sanctions.

"Anti-Money Laundering Laws" means all applicable financial record keeping and reporting requirements and anti-money laundering statutes in each of the jurisdictions in which any of the Sellers, or any Acquired Company is incorporated or domiciled and of all jurisdictions in which each Compliance Group Member conducts business, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any Governmental Authority.

"Anti-Terrorism Financing Laws" means all applicable references, requirements and regulations of the United Nations (Anti-Terrorism) Regulations, Title III of the USA PATRIOT ACT or similar rules, regulations or guidelines, which in every case are (a) issued, administered or enforced by any Governmental Authority having jurisdiction over any Compliance Group Member, (b) of any jurisdiction in which any Compliance Group Member conducts business and (c) to which any Compliance Group Member is subject. In the absence of an equivalent local regulation, the United Nations (Anti-Terrorism) Regulations shall apply.

"Antitrust Law" means any applicable Laws issued by a Governmental Authority that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or lessening of competition through merger or acquisition.

"Arbitration Firm" means (i) in respect of **Section 2.3** and **Section 2.4(b)(iii)**, Ernst & Young, KPMG, PricewaterhouseCoopers or Deloitte Touche Tohmatsu, excluding any such Arbitration Firm (including any of their Affiliates) that serves as the independent auditor of Sellers, Buyers or any of their Affiliates and (ii) in respect of **Section 7.12**, means any qualified firm reasonably acceptable to Buyers and Sellers that has experience in the energy utilities industry in the relevant jurisdiction where such casualty and/or condemnation loss occurred.

"Basis Certificate Escrow Account" means the escrow account in which the Initial Purchase Price and/or any payment due to Sellers pursuant to **Sections 2.3(e)(ii)** and **7.12(d)** will be deposited in the event the Tax Basis Certificates have not been obtained at least five (5) Business Days prior to the date such payment is due (such that it is valid).

"Business Day" means a day (other than a Saturday or Sunday) on which banks are open for general business in (i) Tel Aviv, Israel, (ii) New York, New York, United States of America, and (iii) Lima, Peru.

"Buyer 1 Acquired Interests" means the Equity Interests directly held by Seller 1 of the following Acquired Companies as set forth on **Schedule 4.2**: Inkia Americas Limited.

"Buyer 2 Acquired Interests" means (i) the Equity Interests directly held by Seller 1 of the following Acquired Companies as set forth on **Schedule 4.2**: IC Power Nicaragua Holdings, Inversiones Waxere S.A., IC Power Nicaragua S.A., Samay III S.A., Pacahuasi Energía S.A., IC Power Southern Terminals S.A., IC Power USA Services Corp., IC Power Argentina I S.A., IC Power Argentina II S.A., and ICPM Development S.A.P.I. de C.V. and (ii) the Equity Interests directly held by Seller 2 of the following Acquired Companies as set forth on **Schedule 4.2**: Estrella Cooperatief B.A.

"Buyer 3 Acquired Interests" means the Equity Interests directly held by Seller 1 of the following Acquired Companies as set forth on **Schedule 4.2**: IC Power Jamaica Holdings Ltd.,
IC Power Guatemala Holdings Ltd., Nejapa Holdings Company Ltd., PE Panama Energy S.A., Kanan Overseas IV Inc., Kanan Overseas III Inc., Kanan Overseas I Inc., Kanan Overseas II Inc., and Nejapa Power Company S.A.

"Buyers Cash Extraction Costs" means, the aggregate of, for each Acquired Company or Subsidiary: to the extent that the Proportional Minimum Cash for each Acquired Company or Subsidiary as shown on **Schedule 1.1(a)** is less than the Proportionally Consolidated Group Cash attributable to such Acquired Company or Subsidiary as of the Effective Time, the Cash Extraction Costs for the excess of such Proportionally Consolidated Group Cash attributable to that Acquired Company or Subsidiary over such Proportional Minimum Cash attributable to that Acquired Company or Subsidiary.

"Buyer Guarantor" means ISQ Global Infrastructure Fund II, L.P.

"Buyers' Knowledge" means the actual knowledge (after due inquiry of the individuals reporting directly to such individual with responsibility for the relevant subject matter area) of each of the persons listed on **Schedule 1.1(b).**

"Cash" means, with respect to any Person, all cash and cash equivalent assets (including marketable securities) of such Person determined in accordance with IFRS (excluding, without duplication, all cut but uncashed checks issued by such Person, and including, without duplication, any deposits made by such Person, as of the time of determination), excluding Restricted Cash and any Kanan Insurance Proceeds Held In Cash as of the Closing Date.

"Cash Extraction" means the distribution of Cash by the Acquired Companies or Subsidiaries to Seller 1 by declaring, setting aside, making or paying any dividend or other distribution in respect of the capital stock of, or other ownership interests in, the Acquired Companies or Subsidiaries, by reducing the share capital, repurchasing, redeeming or otherwise acquiring any outstanding shares of the capital stock or other securities of, or other ownership interests in, the Acquired Companies or Subsidiaries, by effecting any recapitalization, capital reduction, reclassification, or like change in the capitalization of the Acquired Companies or Subsidiaries, or otherwise solely on the Closing Date.

"Cash Extraction Costs" means the minimum amount of applicable Taxes that would be incurred by Seller 1 in order to effect a Cash Extraction with respect to a specified amount.

"Closing Accounting Policies" means IFRS using the accounting methods, policies, practices, procedures, judgments and estimation methodology used by Seller 1 in the normal closing process reflected in Seller 1's audited financial statements and applied consistent with past practice.

"Closing Date Escrow Amounts" means (i) in the case of the Basis Certificate Escrow Account, either (A) all of the Initial Purchase Price, if the Tax Basis Certificate has not been delivered to Buyers not less than five (5) Business Days prior to the Closing Date or (B) in any other case, $0; (ii) in the case of the Casualty and Condemnation Escrow Account, either (A) the Casualty Difference or Condemnation Difference (in each case, if any) in accordance with **Section 7.12** or (B) in any other case, $0; (iii) in the case of the Kanan Project Escrow Account, (A) $ 10 million, (B) $20 million, or (C) $0, in each case, subject to and in accordance with **Section 7.13(a)**, and (iv) in case of the Withholding Tax Escrow Amount, such amount shown on the Withholding Tax Statement in accordance with **Section 2.4(b)(i)**. For the avoidance of doubt, the maximum amount that Buyer 1 is to set aside for Closing Date Escrow Amount is the Initial Purchase Price. If the Buyer 1 is obligated to place any amount greater than zero in either the Kanan Project Escrow Account or the Casualty and Condemnation Escrow Account, then such amount(s) would be reduced from the amount (if any) to be deposited into the Basis Certificate Escrow Account.

"Collateral" means all property and assets subject to Liens created pursuant to the Collateral Agreement to secure the Sellers indemnification obligations under **Section 10.3**;

"Collateral Agreement" means the Collateral Agreement negotiated in good faith by Buyers and Sellers between the date of this Agreement and Closing Date that is consistent with and reflects the terms of the Collateral Agreement Term Sheet;

"Collateral Agreement Term Sheet" means the Collateral Agreement Term Sheet set forth on **Exhibit D**;

"Commercially Reasonable Efforts" means the efforts, time and costs a prudent Person desirous of achieving a result would use, expend or incur in similar circumstances to achieve such results as expeditiously as possible, provided that such Person is not required to expend funds or assume Liabilities beyond those that are reasonable in nature and amount in the context of the transactions contemplated by this Agreement.

"Company" means Inkia Energy Limited, an exempted company incorporated under the laws of Bermuda.

"Compliance Group Members" means directors (including, without limitation, officers) of the Sellers, Acquired Companies, Subsidiaries, or any Subsidiary thereof.

"Compliance Group Employees and Third Parties" means employees (excluding the directors and officers) representatives, consultants, contractors or agents (in each case, independent contractors) of the Sellers, Acquired Companies, Subsidiaries, or any Subsidiary of any thereof, but in each case, solely to the extent of any activity undertaken on behalf of or in relation to the Sellers, Acquired Companies, Subsidiaries, or any Subsidiary of any thereof whether or not undertaken within the scope of an agreement with of the foregoing or any affiliate thereof.

"Confidentiality Agreement" means the Non-Disclosure and Confidentiality Agreement dated June 1, 2017, between Seller Guarantor and I Squared Capital Advisors (US) LLC.

"Consent" means any consent, approval, authorization, filing, notice, waiver, registration or qualification or similar action of, by, to or with any Person.

"Contracts" means any legally-binding contract, agreement, lease, license, instrument, commitment, evidence of Liabilities, mortgage, indenture, purchase order, binding bid or offer, letter of credit, security agreement or other similar arrangement (including any amendments, supplements and other modifications thereto), other than Permits.

"Copyrights" means all copyrights, whether in published or unpublished works, which include literary works, and any other original works of authorship fixed in any tangible medium of expression; databases, data collections and rights therein, software, web site content; rights to compilations, collective works and derivative works of any of the foregoing; and registrations and applications for registration for any of the foregoing.

"CPAA Agreement" means the Contingent Payment and Assignment Agreement, substantially in the form set forth in **Exhibit E**.

"Debt" means, with respect to any Person, as of any date, without duplication: (a) any indebtedness for borrowed money; (b) any obligations evidenced by bonds, notes, debentures or other similar instruments (c) any obligations to pay the deferred purchase price of property, goods or services (other than trade accounts payable arising in the ordinary course of business); (d) any obligations that would be properly classified as and accounted for as capitalized leases in accordance with IFRS and applicable accounting principles; (e) any obligations, contingent or otherwise, under bonds, acceptances, letters of credit or similar facilities; and (f) any guaranty, pledge or grant of any Lien in respect of any of the foregoing or any obligation substantially the economic equivalent of a guaranty.

"Debt Adjustment" means the amount, which may be a positive or negative number, equal to (i) Closing Proportionally Consolidated Group Debt minus (ii) the Target Proportionally Consolidated Group Debt plus (iii) any accrued but unpaid interest on the Notes issued by Seller 1 on November 9, 2017 (excluding any Additional Notes (as defined under the Note Indenture)).

"Default" means, with respect to any Person, any circumstance, event or condition that, with or without notice or the passage of time or both, would (a) constitute a violation, breach or default under or (b) give any other Person any right of termination, cancellation, suspension, limitation, rescission or revocation of, or purchase, repurchase, or acceleration under, any Contract, Permit or Organizational Document.

"Deferred Payment Agreement" means the Deferred Payment Agreement negotiated in good faith by Buyers and Sellers between the date of this Agreement and Closing Date that is consistent with and reflects the terms of the Deferred Payment Agreement Term Sheet;

"Deferred Payment Agreement Term Sheet" means the Deferred Payment Agreement Term Sheet set forth **Exhibit D**;

"Deferred Payment Escrow Account" means the escrow account held by the Escrow Agent for the deposit of the Deferred Payment Principal Amount to be paid to Buyers pursuant to the Deferred Payment Agreement immediately following the Closing;

"Deferred Payment Principal Amount" means $175 million;

"Deferred Payment Security" means the security issued pursuant to the Deferred Payment Agreement;

"DEOCSA" means Distribuidora de Electricidad de Occidente, Sociedad Anonima.

"DEORSA" means Distribuidora de Electricidad de Oriente, Sociedad Anonima.

"Development Projects" means the development projects set forth on **Schedule 1.1(c)**.

"Domain Names" means Internet electronic addresses, uniform resource locators and alphanumeric designations associated therewith registered with or assigned by any domain name registrar, domain name registry or other domain name registration authority as part of an electronic address on the Internet and all applications for any of the foregoing.

"EBITDA" means, with respect to any Reference Group, the net income (determined in accordance with IFRS) before interest expense, taxes, depreciation and amortization of that Reference Group.

"Energuate" means, together, DEORSA and DEOCSA.

"Environment" means soil, surface water, groundwater, stream sediments, and ambient air.

"Environmental Law" means all applicable Laws, Permits or Orders of any Governmental Authority concerning pollution or the investigation, restoration, preservation or protection of the Environment (including cultural heritage, indigenous communities, biodiversity, protected natural gas, air, surface water, groundwater, protected species and cultural resources, surface land, subsurface land, plant and animal, soil and other natural resources) or the exposure, presence, treatment, use, storage, recycling, handling, generation, transportation, processing, labeling, production, Release or threatened Release, control, cleanup or disposal of any explosives, controlled substances or Hazardous Materials.

"Equity Interests" means capital stock, partnership or membership interests or units (whether general or limited), and any other interest or participation that confers on a Person the right to receive a share of the profits and/or losses of, or distribution of assets of, the issuing Person.

"Equity Securities" means (a) Equity Interests, (b) subscriptions, calls, warrants, options or commitments of any kind or character relating to, or entitling any Person to acquire, any Equity Interests and (c) securities convertible into or exercisable or exchangeable, directly or indirectly, for Equity Interests.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" means each Person, trade or business that, together with any Acquired Company, is or was treated as a single employer within the meaning of Section 414(b), (c), (m) or (o) of the U.S. Tax Code or Section 4001(b) of ERISA.

"Escrow Accrued Interest" means any interest accrued on the Casualty Difference or the Condemnation Difference, as applicable, at a rate of the LIBOR Rate plus a margin of 10.0% per annum (calculated on an actual/actual basis) from the Closing Date until (and excluding) the date that difference is paid to Seller 1 pursuant to **Section 7.12(d)(i)** or to Buyer 1 pursuant to **Section 7.12(d)(iv)**.

"Escrow Accounts" means the Basis Certificate Escrow Account, the Casualty and Condemnation Escrow Account, the Kanan Project Escrow Account and the Deferred Payment Escrow Account.

"Escrow Agent" means the escrow agent agreed between Buyers and Sellers prior to the Closing Date.

"Escrow Agreement" means the escrow agreement to be executed, by and among Sellers, Buyers, and the Escrow Agent, prior to the Closing, in a form to be reasonably mutually agreed upon by Buyers and Sellers and including the Basis Certificate Escrow Account, the Casualty and Condemnation Escrow Account and the Kanan Project Escrow Account.

"Estimated Debt Adjustment" means the amount, which may be a positive or negative number, equal to the difference of (i) Estimated Closing Proportionally Consolidated Group Debt minus (ii) the Target Proportionally Consolidated Group Debt.

"Estimated Working Capital Adjustment" means the amount, which may be a positive or negative number, equal to the difference of (i) Estimated Proportionately Consolidated Group Working Capital minus (ii) the Target Working Capital.

"Excess Cash Adjustment" means an amount equal to (i) the Excess Cash Amount plus (ii) the Seller Cash Extraction Costs minus (iii) the Buyers Cash Extraction Costs.

"Excess Cash Amount" means an amount equal to (i) the Proportionally Consolidated Group Cash as of the Effective Time minus (ii) the Minimum Cash.

"FCPA" means the U.S. Foreign Corrupt Practices Act of 1977, as amended.

"General Enforceability Exceptions" means (i) applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting the enforcement of creditors' rights generally from time to time in effect and (ii) the availability of equitable remedies (regardless of whether enforceability is considered in a proceeding at law or in equity).

"Good Utility Practices" means any of the practices, methods, techniques, standards, codes, specifications, equipment and activities generally accepted by prudent providers of services in the electric utility industry in the jurisdictions where the Acquired Companies and Subsidiaries operate as good practices applicable to generating and distribution facilities like those operated by the Acquired Companies and Subsidiaries of similar design, size and capacity, in the same sector and in similar circumstances, and consistent with past practice or any of the practices, methods or activities which, in the exercise of reasonable judgment by a prudent Person in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, life-cycle maintenance costs and considerations, continuous improvement and profitability, preservation of goodwill, maintenance of good business relationships, safety, expedition and applicable Laws. Good Utility Practices are not intended to be limited to the optimal practices, methods or acts to the exclusion of all others, but rather to be practices, methods or acts generally accepted in the electric utility industry in the jurisdictions where the Acquired Companies and Subsidiaries operate.

"Governmental Authority" means any government or political subdivision, whether federal, state, local or foreign, or any agency of any such government or political subdivision, or any other regulatory, self-regulatory or administrative body, authority, agency, department, ministry, organization or commission or any federal, state, local or foreign court, tribunal or judicial or arbitral body.

"Group" means the Acquired Companies and the Subsidiaries, taken as a whole.

"Group Intellectual Property" means all Intellectual Property owned by the Acquired Companies or any Subsidiary.

"Hazardous Material" means any material, substance or waste (whether liquid, gaseous or solid) that (a) requires removal, investigation, remediation or reporting under any Environmental Law, or is listed, classified or regulated as a "hazardous waste" or "hazardous substance" (or other similar term) pursuant to any applicable Environmental Law or (b) is regulated under applicable Environmental Laws as being toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic or otherwise hazardous, including any petroleum product or by-product, petroleum-derived substances, wastes or breakdown products, asbestos or polychlorinated biphenyls.

"IFRS" means the International Financial Reporting Standards as published by the International Accounting Standards Board.

"Intellectual Property" means Copyrights, Domain Names, Patents, Trademarks and Trade Secrets.

"Intercompany Balance" means (a) a payable by any Acquired Company or Subsidiary in favor of the Sellers or any of their Affiliates (excluding the Acquired Companies or Subsidiaries) and (b) a receivable held by any Acquired Company or Subsidiary due from the Sellers or any of their Affiliates (excluding the Acquired Companies or Subsidiaries);

"Investment" as applied to any Person means any direct or indirect purchase or other acquisition by such Person of any notes, obligations, Debt, instruments or Equity Securities of any other Person.

"Investment Treaty Claims" means any of the Actions set forth in the notice sent by IC Power Ltd. to the Directorate-General for International Economic Affairs dated June 23, 2017.

"Investor" means ISQ Global Infrastructure Fund II, L.P.

"Kanan Insurance Proceeds Held In Cash" means the amount equal to (a) all Kanan Insurance Proceeds until the Closing Date *minus* (b) the capital expenditures made by Kanan until the Closing Date, where such capital expenditures have been settled in cash prior to the Closing Date.

"Law" means any law, (including common law), statute, code, ordinance, regulation, rule, guideline or other requirement enacted, promulgated, issued or entered by any competent Governmental Authority or any arbitrator.

"Liability" or "Liabilities" means any and all liabilities or Debt of any nature (whether direct or indirect, absolute or contingent, liquidated or unliquidated, due or to become due, accrued or unaccrued, matured or unmatured, asserted or unasserted, determined ore determinable and whenever or however arising).

"LIBOR Rate" means the per annum rate of interest determined on the basis of the rate for deposits in United States Dollars appearing on Page BBAM of the Bloomberg Financial Markets Information Service as of 11:00 a.m. (New York, New York time) (or as soon thereafter as practical) one (1) Business Day prior to the Closing Date.

"Liens" means any mortgage, lien, security interest (whether arising by operation of Law, Contracts or otherwise), option, pledge, charge, encumbrance, restriction, right of first refusal, right of pre-emption, third-party right or interest, or another type of preferential arrangement, transfer restriction, prohibition, injunction, court order or judicial or administrative proceeding that might affect ownership or unrestricted transfer thereof as well as any restriction arising from contractual obligations, such as shareholders agreements, restriction on voting rights, or any other agreement (including a title transfer or retention arrangement) having similar effect, restrictive covenant, easement, purchase right, hypothecation, assignment or other encumbrance of any kind.

"Local Transfer Agreements" means the local share transfer agreements to transfer the Acquired Interests, substantially in the forms attached hereto as **Exhibit B**.

"Loss" means all losses, Liabilities, claims, damages, deficiencies, obligations, fines, payments, expenses (including reasonable costs of investigation and defense and reasonable fees and expenses of legal counsel, accountants and other professional advisors), assessments, judgments, amounts paid in settlement, or diminution in value, and other costs and expenses, in each case, actually suffered or incurred.

"Material Adverse Effect" means any change, condition, effect, fact, circumstance, matter, occurrence, event or development that, individually or in the aggregate with any other changes, conditions, effects, facts, circumstances, matters, occurrences, events or developments, (a) in case of the Group, has, or would reasonably be expected to have, any material adverse effect on the business, assets, results of operations or condition (financial or otherwise) of the Acquired Companies and the Subsidiaries, taken as a whole, or (b) in case of Sellers, prevents or materially delays, or would reasonably be expected to prevent or materially delay, the ability of any Seller to consummate the transactions contemplated by this Agreement or perform its obligations as and when due, but, in each case, none of the following, either alone or in combination, shall be deemed to constitute, or be taken into account in determining whether there has been a Material Adverse Effect: any change, conditions effect, fact, circumstance, matter, occurrence, event or development (i) resulting from general economic, political, financial, banking, credit or securities market conditions, (ii) affecting companies in the industries, markets or geographical areas in which it conducts its business generally, (iii) resulting from any changes in applicable Laws or accounting rules or interpretations thereof, (iv) resulting from natural disasters, acts of terrorism or war (whether or not declared), or epidemics or pandemics, (v) the failure, in and of itself, of the Acquired Companies and the Subsidiaries to meet any internal or published projections, forecasts, estimates or predictions in respect of revenues, earnings or other financial or operating metrics before, on or after the date of this Agreement, (vi) any change in the cost or availability or other terms of any financing necessary or desirable for Buyers to consummate the transactions contemplated hereby and (vii) termination of the Power Purchase Agreements referenced in **Section 7.13**; except, in the cases of sub-paragraphs (i), (ii), (iv), and (v), to the extent that the Acquired Companies and the Subsidiaries are disproportionately affected thereby as compared with other Persons participating in the industries in which the Company, the Subsidiaries and their respective businesses operate (in which case the incremental disproportionate impact or impacts may be deemed either alone or in combination to constitute, or be taken into account in determining whether there has been, or is reasonably expected to be, a Material Adverse Effect), and (c) in case of Buyers, prevents or materially delays, or would reasonably be expected to prevent or materially delay, the ability of Buyers and the Buyer Guarantor to consummate the transactions contemplated by this Agreement or perform its obligations as and when due.

"Material Permit" means any Permit required to be held by any Acquired Company or Subsidiary (under applicable Law, Contract or otherwise) to conduct its business as presently conducted other than Permits the absence of which would not have a material adverse effect on any such Acquired Company or Subsidiary or the business, operations or condition of such Acquired Company or Subsidiary.

"Materiality Scrape" means, with respect to any representation or warranty that includes any qualification, exception or limitation that use the term "Material Adverse Effect", "material adverse effect", "material", "materially" or "in all material respects", that none of those qualifications, exceptions or limitations is given any effect and the representation or warranty will be interpreted as if those terms were not included; provided, however, that, for the avoidance of doubt, the Materiality Scrape does not apply to (a) the phrase "in all material respects" with respect to the fair presentation of any financial statement prepared in accordance with IFRS; (b) the representations contained in **Section 4.7(a)**; (c) any defined terms (including "Material Adverse Effect") and any reference in any defined term to "Material Adverse Effect", "material adverse effect", "material", "materially" or "in all material respects"; or (d) any term or provision of this Agreement that is not a representation or warranty, including any covenant, agreement, condition or rule of construction.

"Mutual Release" means a mutual release by Sellers of the Acquired Companies and the Subsidiaries and by the Acquired Companies and the Subsidiaries of Sellers, substantially in the form attached hereto as **Exhibit A.**

"Note" has the meaning given to such term in the Note Indenture.

"OFAC" means the Office of Foreign Assets Control of the United States Department of the Treasury.

"Order" means any order, judgment, ruling, decision, injunction, assessment, award, decree or writ of any Governmental Authority, whether preliminary or final.

"Organizational Documents" means, with respect to any Person, the articles or certificate of incorporation or organization and by-laws, the limited partnership agreement, the partnership
agreement or the limited liability company agreement, trust agreement, joint venture agreement, shareholders agreement, members agreement, voting agreement or such other organizational documents of such Person, including those that are required to be registered or kept in the place of incorporation, organization or formation of such Person and which establish the legal personality of such Person.

"Patents" means all patents, industrial and utility models, industrial designs, petty patents, patents of importation, patents of addition, certificates of invention, and any other indicia of invention ownership issued or granted by any Governmental Authority, including all applications for any of the foregoing.

"Pedregal" means Pedregal Power Company S. de R.L.

"Permits" means any license, permit, authorization, waiver, franchise, registration, variance, concession, Consent, order, approval, certificate of authority, qualification or similar document or authority that has been issued or granted, or obtained from, by any Governmental Authority.

"Permitted Liens" means (a) Liens arising under or related to the Debt of the Acquired Companies and the Subsidiaries, (b) Liens for Taxes, assessments and other charges of Governmental Authorities not yet due and payable or being contested in good faith by appropriate proceedings, and for which there are adequate reserves in accordance with IFRS, (c) mechanics', workmens', landlords', repairmen's, warehousemen's, carriers' or other like Liens arising or incurred in the ordinary course of business or by operation of Law if the underlying obligations are not delinquent and such Liens are being contested in good faith by appropriate proceedings and for which there are adequate reserves in accordance with IFRS, (d) any purchase money security interests, equipment leases or similar financing arrangements, (f) customary rights of set off, bankers' Liens, refunds or charge backs, under deposit agreements or applicable law, of banks or other financial institutions (other than deposits intended as cash collateral) in the ordinary course of business, (g) non-exclusive licenses to Intellectual Property granted in the ordinary course of business, (h) any Liens which are disclosed on the most recent balance sheet included in the Seller Financial Statements, or the notes thereto, (i) with respect to the Real Property, Permitted Liens shall also include, to the extent such items do not materially interfere with the use and enjoyment of the Real Property (i) any conditions that are shown by a current, accurate survey, (ii) easements, encroachments, restrictions, rights-of-way and any other non- monetary title defects, (iii) zoning, building and other similar restrictions, and (iv) gaps in the chain of title evident from the records of the applicable Government Authority maintaining such records, easements, rights-of-way, covenants, restrictions and other encumbrances of record as of the date of this Agreement Acquired Companies, and (j) any Liens arising out of the ordinary course of business or by operation of Law, in each case that are not material in nature or amount and which do not secure Debt.

"Person" means any individual, sole proprietorship, partnership, corporation, limited liability company, joint venture, unincorporated society or association, trust or other legal entity or Governmental Authority.

"Post-Closing Tax Period" means any taxable period beginning after the Closing Date.

"Post-Signing Event" means any event, condition or circumstance occurring on or after the date of this Agreement and at or prior to the Closing or earlier termination of this Agreement that is the sole cause of any representation or warranty made by any Seller becoming untrue, incorrect or incomplete when viewing such representation or warranty as if it were made anew at or after the occurrence of such event, condition or circumstance.

"Pre-Closing Tax Period" means any taxable period ending on or before the Closing Date.

"Proportionally Consolidated Group Cash" means the sum of the consolidated Cash for each Acquired Company and Subsidiaries (excluding Pedregal) multiplied by the Relevant Proportion for such Acquired Company or Subsidiary.

"Proportionally Consolidated Group Debt" means sum of the consolidated Debt for each Acquired Company and Subsidiaries (excluding Pedregal and excluding any Agua Clara Debt existing as of the Effective Time) multiplied by the Relevant Proportion for such Acquired Company or Subsidiary (excluding Pedregal), determined in accordance with the adjustments and calculations set forth on **Schedule 2.3(a)** and with the Closing Accounting Policies.

"Proportionally Consolidated Group Net Working Capital" means the sum of (a) the consolidated current assets of each of the Acquired Companies and the Subsidiaries (excluding Pedregal) *minus* (b) the consolidated current liabilities of each of the Acquired Companies and the Subsidiaries, multiplied by the Relevant Proportion for such Acquired Company or Subsidiary (excluding Pedregal) determined in accordance with the adjustments and calculations set forth on **Schedule 2.3(a)** and with the Closing Accounting Policies, as of the Effective Time and without giving effect to the Closing.

"Purchase Price" means (i) the Base Purchase Price plus (ii) any Working Capital Adjustment, minus (iii) any Debt Adjustment minus (iv) the Closing Date Escrow Amount (if any) plus (v) the Excess Cash Adjustment plus (v) the Agua Clara Contribution Amount.

"Real Property" means all the Acquired Companies' and the Subsidiaries' real (immovable) property and interests in real (immovable) property, real (immovable) property leaseholds and real (immovable) property subleaseholds, all buildings and other improvements thereon and other real (immovable) property interests currently used in the business or operations of the Acquired Companies and the Subsidiaries.

"Real Property Agreements" means (a) all Contracts relating to authorizations and licenses authorizing any Acquired Company or any Subsidiary to use public domain assets in the operation of their transmission lines, (b) all Permits authorizing any Acquired Company or any Subsidiary to operate its respective power generation plants, transmission lines, hydrocarbons' facilities and any other business related thereto and (c) all other Contracts under which any Acquired Company or any Subsidiary has, or has granted, any Real Property Rights.

"Real Property Rights" means any leases, easements, land use rights, subsurface rights, water rights, usufructs, access easements, transmission line easements, rights to ingress and egress.

"Release" means any releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, disposing or dumping of a Hazardous Material into the Environment.

"Relevant Material Contract Amount" means the amount set forth in **Schedule 1.1(d)**.

"Relevant Proportion" means the pro-rata Equity Interest held by Sellers in the relevant Acquired Company or Subsidiary expressed as a percentage, as set forth in **Schedule 2.3(a)**.

"Restricted Cash" means, with respect to any Person, any cash that is not freely usable because it is subject to express contractual restrictions or limitations on use or distribution by Law or Contract.

"Restricted Country" means Cuba, Iran, North Korea, Sudan, Syria, the region of Crimea and/or any other country or region that is the target or subject of any Sanctions.

"Restricted Party" means any Person that is (a) a government of a Restricted Country, (b) located, domiciled, resident, incorporated or formed in a Restricted Country, (c) the subject or target of any Sanctions or on any Sanctions List or (d) directly or indirectly owned or controlled by one or more Persons referred to in clauses (a)-(c).

"Sanctions" means any trade sanctions or economic Law, embargo or other restrictive Law or measure enacted, adopted, administered or enforced by any Sanctions Authority.

"Sanctions Authority" means the United Nations, the European Union, the United States, or the respective Governmental Authorities of any of the foregoing or any Governmental Authorities with laws applicable to the Acquired Companies or Subsidiaries.

"Sanctions List" means the "Specially Designated Nationals and Blocked Persons" list maintained by OFAC or any similar list maintained by, or public announcement of Sanctions designation made by, any of the Sanctions Authorities.

"Schedules" means the disclosure schedules delivered by or on behalf of Sellers prior to or concurrently with the execution and delivery of this Agreement.

"Seller Cash Extraction Costs" means, the aggregate of, for each Acquired Company or Subsidiary: to the extent that the Proportional Minimum Cash for each Acquired Company or Subsidiary as shown on **Schedule 1.1(a)** is greater than the Proportionally Consolidated Group Cash attributable to such Acquired Company or Subsidiary as of the Effective Time, the Cash Extraction Costs for the excess of such Proportional Minimum Cash attributable to that Acquired Company or Subsidiary over the Proportionally Consolidated Group Cash attributable to that Acquired Company or Subsidiary; provided that the Seller Cash Extraction Costs shall not exceed $1,000,000.

"Seller Guarantee" means the guarantee issued by the Seller Guarantor dated as of the Closing Date, substantially in the form of **Exhibit D**.

"Seller Guarantor" means Kenon Holdings Ltd.

"Seller Support Agreements" means (i) the Seller Guarantee, (ii) the Collateral Agreement, and (iii) the Deferred Payment Agreement.

"Sellers' Knowledge" means the actual knowledge (after due inquiry of the individuals reporting directly to such individual with responsibility for the relevant subject matter area) of each of the persons listed on **Schedule 1.1(e)**.

"Solvent" means, with respect to any Person, that (a) the fair value of such Person's assets are not less than the sum of its liabilities and the present saleable value of such Person's assets will not be less than the amount required to pay its probable liabilities as they become absolute and matured, (b) such Person has and will have adequate capital with which to engage in its business, (c) such Person is able to pay its Debt, and has not stopped paying its Debt, as such Debt becomes due and (d) such Person is not insolvent or technically bankrupt (nor deemed to be insolvent or bankrupt) under any applicable Law.

"Straddle Period" means any taxable period beginning on or prior to and ending after the Closing Date.

"Subsidiary" means, as of the date hereof and as of the Closing Date, any Person (i) in which any Acquired Company or Subsidiary, or one or more Acquired Companies and any Subsidiaries, individually or collectively, own directly or indirectly, any Equity Interests of such Person, or (ii) for which the Acquired Company is entitled to elect, directly or indirectly (though one or more Subsidiaries), at least one-half of the board of directors or similar governing body of such Person or (iii) for which, if such Person is a limited partnership or limited liability company, the Acquired Company or a Subsidiary is a general partner or managing member or has the power to control such Person. The Parties agree that the term "Subsidiaries" shall include Pedregal; provided, that for purposes of **ARTICLE IV**, each representation and warranty contained in **ARTICLE IV** in respect of the Subsidiaries shall be deemed to be qualified by Sellers' Knowledge solely in respect of Pedregal, except for the representations and warranties set forth in **Sections 4.1**, **4.2** and **4.3**, which representations and warranties shall not be so qualified.

"Support Obligations" means each guaranty, letter of credit, performance or surety bond, pledge, deposit or other credit support arrangement for the benefit of any Person having any business relationship with the Acquired Companies or any Subsidiary or their respective businesses, including any provided by Sellers or any of their Affiliates.

"Target Proportionally Consolidated Group Debt" means $1,667,391,000.

"Target Working Capital" means $94,213,000**.**

"Tax" means any and all taxes, including any net income, alternative or add-on minimum tax, gross income, gross receipts, taxes on gains, net worth, sales, use, ad valorem, value added, transfer, franchise, profits, license, withholding, payroll, employment, excise, severance, stamp, occupation, premium, property, environmental or windfall profit tax, custom, duty or other tax, similar governmental fee or other similar assessment or similar charge, together with any interest, fines, penalties, additions to tax imposed by any Taxing Authority.

"Tax Returns" means all Tax returns, declarations, statements, reports, schedules, information returns and forms (and any amendments to any of the foregoing) filed or required to be filed with any Taxing Authority.

"Taxing Authority" means any Governmental Authority responsible for the administration, collection or imposition of any Tax.

"Trade Secrets" means anything that would constitute a "trade secret" under applicable Law.

"Trademarks" means trademarks, service marks, fictional business names, trade names, commercial names, certification marks, collective marks, and other proprietary rights to any words, names, slogans, symbols, logos, devices or combinations thereof used to identify, distinguish and indicate the source or origin of goods or services, and all registrations of the foregoing.

"Transition Services Agreement" means a transition services agreement, dated as of the Closing Date, by and among Sellers and Buyers, substantially in the form of **Exhibit F**.

"Transfer Taxes" means any and all transfer Taxes (excluding, for the avoidance of doubt, Taxes measured in whole or in part by income or gain, the Peruvian ITF tax ("*Impuesto a las Transacciones Financieras*") and withholding Taxes subject to **Section 2.4**), including sales, use, value added, excise, goods and services, stock, conveyance, registration, real estate transfer, stamp, documentary, notarial, filing, recording, permit, license, authorization and similar Taxes and fees.

"Willful Breach" means a breach of this Agreement by a Party that is a consequence of an act or omission by such Party, taken with the knowledge of such Party that, or in circumstances where such Party should reasonably have known that, taking such act or failure to take such act would be a breach of this Agreement.

"Working Capital Adjustment" means the amount, which may be a positive or negative number, equal to the difference of (i) Closing Proportionately Consolidated Group Working Capital minus (ii) the Target Working Capital.

The following capitalized terms have the meanings ascribed to them in the relevant Section as set forth below:

Defined term	Section
6-Month Consolidation File	4.5(c)
9-Month Consolidation File	4.5(c)
9-Month Financial Statements	4.5(a)
Adjustment Dispute Notice	2.3(c)(i)
Agreement	Preamble
ASEP	7.13(g)(i)
Audited Financial Statements	4.5(a)
Balance Sheet	4.5(a)
Balance Sheet Date	4.5(a)

Base Purchase Price	2.2(a)(i)
Basket Amount	10.5(a)
Benefit Plan	4.13(e)
Buyer	Preamble
Buyer 1	Preamble
Buyer 2	Preamble
Buyer 3	Preamble
Buyer Claim	10.6(b)
Buyer Claims Notice	10.6(b)
Buyer Fundamental Representations	8.1(a)
Buyer Guarantee	Recitals
Buyer Indemnitees	10.3
Buyer Prepared Tax Returns	11.2(b)
Buyers	Preamble
Casualty and Condemnation Escrow Account	7.12(c)
Casualty and Condemnation Escrow Amount	7.12(c)
Casualty Difference	7.12(e)(i)
Casualty Initial Purchase Price Reduction	7.12(a)
Casualty Loss Notice	7.12(a)
Claim	10.6(b)
Closing	3.1
Closing Agua Clara Contribution Amount	2.3(b)(v)
Closing Agua Clara Debt	2.3(b)(iv)
Closing Date	3.1
Closing Excess Cash Adjustment	2.3(b)(iii)
Closing Proportionally Consolidated Group Debt	2.3(b)(ii)
Closing Proportionally Consolidated Group Working Capital	2.3(b)(i)
Closing Statement	2.3(b)
CND	7.13(g)(ii)
COBRA	4.13(g)
COD	7.13(g)(iii)
Condemnation Difference	7.12(e)(ii)
Condemnation Initial Purchase Price Reduction	7.12(b)
Condemnation Loss Notice	7.12(b)
Condemnation Value	7.12(b)
Contracting Parties	12.13
Cure Date	7.13(g)(iv)
Cured	7.13(g)(v)
DISCO	7.13(g)(vi)
EDECHI	7.13(g)(vii)
EDECHI PPA	7.13(g)(viii)
EDEMET	7.13(g)(ix)
EDEMET PPA	7.13(g)(x)
Effective Time	3.1
ENSA	7.13(g)(xi)
ENSA PPA	7.13(g)(xii)

Equity Commitment Letter	6.5
Estimated Agua Clara Contribution Amount	2.3(a)(v)
Estimated Agua Clara Debt	2.3(a)(iv)
Estimated Closing Proportionally Consolidated Group Debt	2.3(a)(ii)
Estimated Closing Proportionally Consolidated Group Working Capital	2.3(a)(i)
Estimated Excess Cash Adjustment	2.3(a)(iii)
Estimated Statement	2.3(a)
Estrella del Norte Barge	7.13(g)(xiii)
Extended Termination Date	9.1(b)
Finally Determined	XI
Financial Statement Assistance	7.2(c)
Financing Source	7.7(a)
Force Majeure Claim Resolution	7.13(g)(xiv)
Future Development Permits	4.12(b)
General Cap Amount	10.5(d)
Impuesto a las Transacciones Financieras	10.3(b)
Indemnifying Party	10.6(c)
Initial Purchase Price	2.2(a)(vi)
Insolvency Proceedings	4.6(a)
Interim Financial Statements	4.5(a)
Kanan	7.13(g)(xv)
Kanan Casualty Event	7.13(g)(xvi)
Kanan Insurance Proceeds	7.13(g)(xxi)
Kanan Project	7.13(g)(xviii)
Kanan Project Escrow Account	7.13(a)
Kanan Recovered Amount	7.13(e)
La Esperanza Barge	7.13(g)(xx)
Leased Real Property	4.9
Material Contracts	4.14(a)
Minimum Cash	0
National Interconnected System	7.13(g)(xxi)
Nonparty Affiliates	12.13
Note Indenture	3.2(h)
Notice	10.6(b)
Owned Real Property	4.9
Parties	Preamble
Party	Preamble
Power Purchase Agreement	7.13(g)(xxiii)
PPA	7.13(g)(xxiii)
Preliminary Statement	2.3(a)
Reference Group	4.14(a)(xvi)
Responsible Party	10.6(c)
Restoration Cost	7.12(a)
Santa Inés Barge	7.13(g)(xxv)
Schedule Update	7.3
Securities Act	7.7(c)

Seller	Preamble
Seller 1	Preamble
Seller 2	Preamble
Seller Claim	10.6(a)
Seller Claims Notice	10.6(a)
Seller Economic Liability	11.8
Seller Financial Statements	4.5(a)
Seller Fundamental Representations	8.2(a)
Seller Indemnitees	10.2
Seller Prepared Tax Returns	11.2(a)
Seller Tax Matter	11.6
Sellers	Preamble
Sellers' Counsels	12.14
Subsidiary Interests	4.3(a)
Target Project Completion Date	7.14(b)
Tax Basis Certificate	3.2(i)
Tax Claim	11.5(a)
Tax Refund	11.7
Termination Date	9.1(b)
Transaction Dispute	12.9(a)
Trust Agreements	3.2(l)
Withholding Tax Escrow Account	2.4(b)(i)
Withholding Tax Escrow Amount	2.4(b)(i)
Withholding Tax Statement	2.4

EXECUTION VERSION

AMENDMENT AGREEMENT

This AMENDMENT AGREEMENT, dated December 22, 2017 ("Amendment Agreement") is made and entered into with regards to that certain Share Purchase Agreement, dated as of November 24, 2017 (as amended, the "Purchase Agreement"), by and among Inkia Energy Limited, an exempted company incorporated under the laws of Bermuda ("Seller 1"), IC Power Distribution Holdings, Pte. Ltd., a company organized and existing under the laws of Singapore ("Seller 2"), Nautilus Inkia Holdings LLC, a company organized and existing under the laws of Cayman Islands ("Buyer 1"). Capitalized terms used but not defined herein shall have the meanings set forth in the Agreement.

WHEREAS, the Parties desire to amend the Purchase Agreement and address certain matters in preparation of Closing of the Transactions.

NOW THEREFORE, in consideration of the agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the Parties hereby agree as follows:

1. Amendment to Purchase Agreement.

(a) Section 2.2(a) of the Purchase Agreement shall be deleted and replaced in its entirety with the following:

"(a) Subject to the adjustments set forth in Section 2.3, in full consideration for the transfer of the Acquired Interests, Buyer 1 shall pay or cause to be paid to Seller 1 at the Closing, an aggregate amount in cash equal to:

(i) $1,177,000,000 (the "Base Purchase Price");

(ii) plus any Estimated Working Capital Adjustment;

(iii) minus any Estimated Debt Adjustment;

(iv) minus the Closing Date Escrow Amount (if any);

(v) plus the Estimated Excess Cash Adjustment;

(vi) plus the Estimated Agua Clara Contribution Amount;

(vii) minus $150,000,000 (being principal amount of Additional Notes issued under the Note Indenture); and

(viii) plus $8,500,000,

(such resulting amount calculated by clauses (i) through (viii), the "Initial Purchase Price")."

(b) The word "*and*" shall be deleted from Section 2.3(b)(v) and the following shall be added as a new Section 2.3(b)(vi):

"*the Proportionally Consolidated Tariff Liability outstanding as of the Effective Time (the "Closing Proportionally Consolidated Tariff Liability"); and"*

(c) The following shall be added as a new Section 2.3(e)(iv) and (v).

"*(iv) if the Closing Proportionally Consolidated Tariff Liability (as finally determined pursuant to* ***Section 2.3(b)*** *or* ***Section 2.3(c)****) is greater than $17,842,130, then Seller 1 shall pay to Buyer 1 an amount equal to (i) the difference of the Closing Proportionally Consolidated Tariff Liability minus the Target Proportionally Consolidated Tariff Liability multiplied by (ii) 0.6.*

"(v) if the Closing Proportionally Consolidated Tariff Liability (as finally determined pursuant to ***Section 2.3(b)*** *or* ***Section 2.3(c)****) is less than $15,842,130, then Buyer 1 shall pay to Seller 1 an amount equal to (i) the difference of the Target Proportionally Consolidated Tariff Liability minus the Closing Proportionally Consolidated Tariff Liability multiplied by (ii) 0.6."*

(d) The following shall be added as new Sections 3.2(s) and (t).

"*(s) an assignment agreement, in form and substance reasonably satisfactory to Seller 1 and Buyer 1, assigning all rights and obligations of Seller 1 to the Kanan Intercompany Loan to Buyer 1 (the "Loan Assignment Agreement") duly executed by Seller 1.*

"(t) *duly executed powers of attorney for IC Power Argentina I S.A. and IC Power Argentina II S.A. in form and substance reasonably satisfactory to Buyer 1."*

(e) The following shall be added as a new Section 3.3(k).

"*(s) a counterpart to the Loan Assignment Agreement."*

(f) The phrase "*Except for the Kanan Intercompany Loan*" shall be added immediately prior to the words (i) "Sellers shall" in Section 7.15(a) and (ii) "The Intercompany Balances" in Section 8.2(h).

(g) References to "Section 9.1(f)" in Section 7.3 of the Purchase Agreement shall be deleted and replaced with "Section 9.1(e)."

(h) The following shall be added as a new Section 10.3(c).

"*any withholding Taxes actually incurred by Buyer 1 or any of its Affiliates after the Closing Date for the repayment of the Kanan Intercompany Loan with any Cash (in excess of $2 million) held in Kanan at the Effective Time.*"

(i) The following definitions shall be added to Annex A:

"*"CNEE" means the Guatemalan National Energy Commission (Comisión Nacional de Energía Eléctrica)."*

"*"Kanan Intercompany Loan" means the loan with a principal amount of $14,500,000 between Inkia Energy Limited and Kanan pursuant to a loan agreement entered into on or around December 21, 2017."*

"*"Proportionally Consolidated Tariff Liability" means the sum of the consolidated Tariff Liability for Energuate multiplied by the Relevant Proportion for Energuate calculated in accordance with the definition of "Tariff Liability" and the calculation methodology set forth in Schedule 1.1(g).*"

"*"Target Proportionally Consolidated Tariff Liability" means $16,842,130.*"

"*Tariff Liability" means the regulatory liability (pasivo regulatorio) as reflected in the records of Energuate, calculated based on CNEE's quarterly resolutions referring to distribution tariff adjustment in accordance to article 87 of the Guatemalan Reglamento General de Electricidad and the methodology described in Schedule 1.1(f)."*

(j) The definition of "Purchase Price" in Annex I of the Purchase Agreement shall be deleted and be replaced with the following:

"*"Purchase Price" means (i) the Base Purchase Price plus (ii) any Working Capital Adjustment, minus (iii) any Debt Adjustment minus (iv) the Closing Date Escrow Amount (if any) plus (v) the Excess Cash Adjustment plus (vi) the Agua Clara Contribution Amount minus (vii) $150,000,000 (being principal amount of Additional Notes issued under the Note Indenture) plus (viii) $8,500,000.*"

(k) The following shall be added as a new Section 7.17.

"*7.17 **Long Term Services Agreements**. Prior to Closing, Sellers agree to cause Kallpa Generación S.A. and Samay I S.A. to make all payments under their respective long term services agreements in the ordinary course consistent with past practice."*

(l) Schedule 1.1(a) of the Purchase Agreement shall be deleted and replaced in its entirety with Schedule 1.1(a) attached hereto.

(m) Schedule 2.3(a) of the Purchase Agreement shall be amended such that in paragraph 2 under the heading "*Proportionally Consolidated Group Net Working Capital"* in the definition of "*Excluded Liabilities"* there shall be added new clauses j. and k. as follows:

"*j. All liabilities for any Transaction Closing Bonus and Phantom Equity Payment referred to in columns (c) and (d), respectively, of Schedule 1 to the Agreement Regarding Specified Employees, dated November 24, 2017, among the Sellers and the Buyers.*

"*q. All liabilities for the Kanan Intercompany Loan, provided that such loan is assigned to Buyers at Closing in accordance with Sections 3.2 and 3.3.*"

(n) Schedule 2.3(a) of the Purchase Agreement shall be amended such that in paragraph 1 under the heading "Proportionally Consolidated Group Debt" the phrase "*and the Kanan Intercompany Loan*" shall be inserted immediately following "and Debt of Inkia Energy Ltd.".

(o) Schedule 2.3(a) of the Purchase Agreement shall be amended such all references to "Closing Accounting Principles" shall be replaced by the phrase "*Closing Accounting Policies*".

(p) New Schedule 1.1(f) shall be added to the Purchase Agreement and shall include the information contained in Schedule 1.1(f) hereto.

(q) New Schedule 1.1(g) shall be added to the Purchase Agreement and shall include the information contained in Schedule 1.1(g) hereto.

2. Closing Arrangements.

(a) Notwithstanding any contrary provision in Section 3.1 of the Purchase Agreement:

(i) On December 22, 2017, Seller 1 shall deliver the Estimated Statement.

(ii) On December 26, 2017, Buyer 1 shall make an advance payment on the Initial Purchase Price of an amount equal to $175,000,000 (the "Advanced Payment"). The Advanced Payment shall be made into a deferred payment account maintained by the Escrow Agent and upon receipt of the Advanced Payment by the Escrow Agent, such funds shall be deemed to have been received by Seller 1, effective as of the Closing if it occurs on December 28, 2017, pursuant to Section 2(a)(v) below.

(iii) On December 26, 2017, the Escrow Agent shall pay the Advanced Payment to Buyer 1 pursuant to instructions delivered by Buyer 1 in accordance with the Escrow Agreement. In the event that the Closing occurs on December 28, 2017, pursuant to Section 2(a)(v) below, the payment of the Advanced Payment to Buyer 1 pursuant to this Section 2(a)(iii) shall be deemed to be the grant of Loan (as defined in the Deferred Payment Agreement) effective as of the Closing Date pursuant to the Deferred Payment Agreement. In the event that the Closing does not occur on December 28, 2017, pursuant to Section 2(a)(v) below, the payment of the Advanced Payment to Buyer 1 pursuant to this Section 2(a)(iii) shall be deemed a repayment of the Advanced Payment by Seller 1 to Buyer 1.

(iv) On December 28, 2017, Buyer 1 shall pay to Seller 1, in accordance with Section 3.3(a) of the Purchase Agreement, an amount equal to (i) the Initial Purchase Price minus (ii) the Advanced Payment.

(v) Closing (including the purchase by, and legal transfer and conveyance to, Buyer 1 of the Acquired Interests) shall occur on December 28, 2017 if all of the conditions set forth in ARTICLE VIII of the Purchase Agreement have been satisfied or waived (other than any that are to be satisfied and are satisfied at the Closing) on that date; that date will be the "Closing Date" for all purposes of the Purchase Agreement and this Amendment Agreement, except that the Transaction shall be deemed effective once it can no longer be unwound in accordance with clause (d) below

(vi) All other transactions contemplated in Sections 3.2 and 3.3 of the Purchase Agreement shall take place on the Closing Date (as amended hereby) as contemplated therein.

(b) If Closing occurs on the Closing Date, the conditions set forth in ARTICLE VIII shall not be subject to any further satisfaction or waiver between the Closing Date and the Effective Time and shall be of no other force or effect following completion of the transactions set forth in Sections 3.2 and 3.3 of the Purchase Agreement as provided therein.

(c) Buyers shall procure that between the Closing Date and the Effective Time:

(i) (A) no dividend, return of capital (whether by reduction of capital, redemption or purchase of shares or otherwise) or other distribution of profits, reserves or assets shall be declared, paid or made by any Acquired Company or Subsidiary and (B) no loans, advances or similar payments shall be made by any Acquired Company or Subsidiary (other than to another Acquired Company or Subsidiary in the ordinary course of business consistent with past practice);

(ii) no securities of any Acquired Company or Subsidiary (or any interest therein) shall be created, issued or allotted;

(iii) Except as otherwise permitted under Section 2(c)(iv), (A) no Debt shall be created, incurred or assumed, other than short-term borrowings under existing lines of credit, or lines of credit renewed or extended consistent with past practice on substantially the same terms as those existing as of the date hereof, utilized in the ordinary course of business and Debt between the Acquired Companies and the Subsidiaries, (B) no Support Obligations shall be incurred or entered into, except in the ordinary course of business consistent with past practice and to replace existing Support Obligations (or other Debt), without any increase in the aggregate amount of Support Obligations (or other Debt) incurred and (C) no Investment shall be made in any Person (other than the Acquired Companies and the Subsidiaries);

(iv) no transaction shall be entered into between any Acquired Company or Subsidiary, on the one hand, and Buyers or their Affiliates (excluding the Acquired Companies and Subsidiaries), on the other hand, except for any that may be terminated immediately at will by any Acquired Company or any Subsidiary, without penalty, premium or other Liability of any kind if the Effective Time does not occur and that does not otherwise change, or have any effect on, the Proportionally Consolidated Group Net Working Capital, Proportionally Consolidated Group Debt, or the Excess Cash Amount, in each case as of the Effective Time;

(v) the Acquired Companies and Subsidiaries shall be operated in the ordinary course of business consistent with past practice in all material respects;

(vi) The Kanan Intercompany Loan shall not be repaid; and

(vii) no agreement shall be entered into that would be in breach of the foregoing clauses (i) through (vi);

(d) If, between the Closing Date and 11:59p.m. on December 31, 2017 (such time, the "Effective Time"), a change, condition, effect, fact, circumstance, matter, occurrence, event or development shall have occurred that has had or would reasonably be expected to have a Material Adverse Effect on (i) the Acquired Companies and Subsidiaries that conduct their respective businesses in the Republic of Peru, (ii) Energuate or (iii) the Group, taken as a whole, then Buyers shall have the right, exercisable prior to the Effective Time, upon giving written notice to Sellers (the "Right to Unwind Notice") in the manner provided in Section 12.4 of the Purchase Agreement (which will be effective when given, notwithstanding any contrary provision in Section 12.4) to unwind the Transaction (the "Right to Unwind"). In the event that the Buyers exercise their Right to Unwind, Buyers and Seller shall take all actions necessary in order to cause, within ten (10) Business Days of exercise of the Right to Unwind: (A) all Acquired Interests to be transferred back to the Sellers, (B) the Initial Purchase Price to be transferred back to Buyers, (C) any amounts lent to Buyers pursuant to the Deferred Payment Agreement to be repaid to Sellers and the Deferred Payment Agreement to be terminated, (D) the obligations under the Note Indenture to be transferred back to Sellers, (E) the Trust Agreements to be terminated and all voting rights held by such trusts to be assigned back to the relevant Acquired Company or Subsidiary, (F) all other agreements entered into in connection with the Closing to be terminated (other than the Purchase Agreement and any other agreement entered into upon the signing of the Purchase Agreement), and (G) all other actions reasonably necessary to place Buyers and Sellers in a position as if the Closing had not occurred. Upon delivery of the Right to Unwind Notice to Sellers, Sellers shall be obligated to perform the actions set forth in immediately preceding sentence, notwithstanding any dispute as to whether a Material Adverse Effect on (i) the Acquired Companies and Subsidiaries that conduct their respective businesses in the Republic of Peru, (ii) Energuate or (iii) the Group, taken as a whole, has occurred. For the avoidance of doubt, in the event that the Right of Unwind is exercised, (A) Buyers and Sellers each retain all rights and obligations under the Purchase Agreement and no rights of Buyers or Sellers shall be deemed waived or forfeited under the Purchase Agreement as a result of the Right to Unwind and (B) Sellers performance of their obligations in this Section 2(d) shall not be deemed as any waiver or agreement that any Material Adverse Effect on (i) the Acquired Companies and Subsidiaries that conduct their respective businesses in the Republic of Peru, (ii) Energuate or (iii) the Group, taken as a whole, has occurred.

3. References. Except as specifically modified in this Amendment Agreement, all of the terms and conditions of the Purchase Agreement shall remain in full force and effect. All references to the Purchase Agreement in any document, instrument, agreement, or writing delivered pursuant to the Purchase Agreement (as amended hereby) shall hereafter be deemed to refer to the Purchase Agreement as amended hereby.

4. Counterparts. This Amendment Agreement may be executed in any number of separate counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts shall together constitute the same agreement.

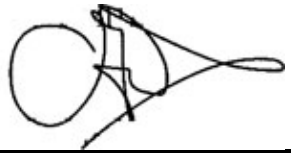
5. Governing Law. This Amendment Agreement is to be governed by, and construed and enforced in accordance with, the laws of the State of New York.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the Parties have caused this Amendment Agreement to be executed as of the date first written above.

SELLER 1:

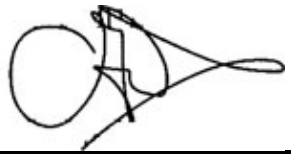
INKIA ENERGY LIMITED

By: 

Name: Alberto Triulzi
Title: Director

SELLER 2:

IC POWER DISTRIBUTION HOLDINGS PTE. LTD

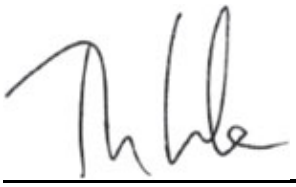
By: 

Name: Alberto Triulzi
Title: Authorized Signatory

[Signature Page – Amendment Agreement]

BUYER 1:

NAUTILUS INKIA HOLDINGS LLC

By: 

Name: Thomas Lefebvre
Title: Authorized Signatory

[*Signature Page – Amendment Agreement*]

Exhibit 4.15

EXECUTION VERSION

DEFERRED PAYMENT AGREEMENT

$175,000,000

BETWEEN

NAUTILUS ENERGY TOPCO LLC, AS PAYEE,

ISQ GLOBAL INFRASTRUCTURE FUND II, L.P., AS GUARANTOR,

AND

INKIA ENERGY LIMITED, AS PAYOR

DATED DECEMBER 28, 2017

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THIS AGREEMENT is dated as of December 28, 2017

BETWEEN:

(1) **NAUTILUS ENERGY TOPCO LLC.**, a limited liability company organized under the laws of the Cayman Islands, as payee (the "**Company**" or "**Payee** ");

(2) **ISQ GLOBAL INFRASTRUCTURE FUND II, L.P.**, a limited partnership organized under the laws of the Cayman Islands, as guarantor (the "**Guarantor**");

(3) **INKIA ENERGY LIMITED**, an exempted company incorporated in Bermuda, as payor (the "**Inkia**" or "**Original Payor**").

WHEREAS, Inkia has entered into a Share Purchase Agreement (the "**SPA**"), dated November 24, 2017, by and among Inkia Energy Limited and IC Power Distribution Holdings, Pte., Ltd., and Nautilus Inkia Holdings LLC, Nautilus Distribution Holdings LLC and Nautilus Isthmus Holdings LLC (the "**Buyers**"), pursuant to which Inkia has agreed to sell to Nautilus Inkia Holdings LLC substantially all of its assets as described in and subject to the terms and conditions set forth in the SPA.

WHEREAS, on the date immediately prior to the Closing (as defined in the SPA), Nautilus Inkia Holdings LLC will transfer U.S.$175,000,000 (the "**Escrow Funds**"), representing an advance payment of a portion of the purchase price payable under the SPA, to an escrow agent designated by the Company (the "**Escrow Agent**").

WHEREAS, immediately upon receipt of the Escrow Funds, the Escrow Agent will transfer the Escrow Funds as directed by the Company, which, subject to satisfaction of the conditions set forth in Section 5 hereof, Inkia will lend to the Company to provide credit support for Inkia's indemnification obligations under the SPA.

WHEREAS, subject to the terms of the SPA, the Company shall be entitled to set off claims for indemnification under the SPA, to the extent provided in Section 10.10 of the SPA against (i) shares in OPC Energy Ltd. pledged by Kenon Holdings Ltd. in favor of the Buyers, (ii) amounts payable under this Agreement and (iii) a guarantee by Kenon Holdings Ltd. in favor of the Buyer.

WHEREAS, the Guarantor has entered into a guarantee entered into as of the date hereof pursuant to which and subject to the terms of this Agreement and the terms of the Guarantee, the Guarantor guarantees all of Company's obligations under this Agreement.

WHEREAS, the Company's obligations under this Agreement will be secured by a share mortgage over all of the Company's equity, pursuant to a share mortgage agreement dated the date hereof.

NOW, THEREFORE, in consideration of the promises and covenants contained in this Agreement, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company, the Guarantor and the Original Payor agree as follows:

1. INTERPRETATION

1.1 Definitions

In this Agreement and in the Schedules and Annexes hereto, and the following terms have the following meanings:

"**Accounting Principles**" means the International Financial Reporting Standards as published by the International Accounting Standards Board ("**IFRS**").

"**Acquired Companies**" has the meaning given to it in the SPA.

"**Affiliate**" of any specified person means any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person. For the purposes of this definition, "control" when used with respect to any person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"**Bolivian Indebtedness**" means any Indebtedness of any Subsidiary (including any Specified Affiliate Holding Company) whose primary operations are located in Bolivia.

"**Business Day**" means any day other than a Legal Holiday.

"**Chilean Indebtedness**" means any Indebtedness of any Subsidiary (including any Specified Affiliate Holding Company) whose primary operations are located in Chile.

"**Commercially Reasonable Efforts**" has the meaning given to it in the SPA.

"**Company Share Mortgage**" means a first priority pledge of all of the equity interest in the Company pursuant to the Company Share Mortgage Agreement.

"**Company Share Mortgage Agreement**" means the charge of a LLC Interest in Nautilus Energy TopCo LLC dated the date hereof by and among Nautilus Energy Partners LLC, a limited liability company organized under the laws of the Cayman Islands and the Payor relating to the Company Share Mortgage.

"**Compliance Certificate**" means an Officers' Certificate delivered in accordance with Section 2.2 (*Compliance Certificate*) of Annex I (*Undertakings*).

"**Cross Acceleration Event**" means a default by the Company or any of its Subsidiaries which shall not have been cured or waived under any Indebtedness of the Company or any of its subsidiaries domiciled in Peru (excluding, for the avoidance of doubt, any Bolivian Indebtedness, Dominican Republican Indebtedness or Chilean Indebtedness) which: (a) is caused by a failure to pay principal of or premium, if any, or interest on such Indebtedness after the expiration of any applicable grace period provided in such Indebtedness on the date of such default; or (b) results in the acceleration of such Indebtedness prior to its Stated Maturity; and the principal or accreted amount of Indebtedness covered by (a) or (b) at the relevant time exceeds U.S.$70.0 million individually or in the aggregate (or the equivalent in other currencies) or more; provided that this clause shall not apply to the Indebtedness of any Project Finance Subsidiary except to the extent that such Indebtedness also constitutes Indebtedness of the Issuer or one of its subsidiaries (other than a Project Finance Subsidiary) at the time of such default.

"**Deferred Amount**" means the principal amount of the loan under this Agreement as the date hereof (which is the Loan) (i) as increased by the amount of interest accrued and capitalized pursuant to the provisions of Section 8 (*Interest*) and (ii) as decreased by the amounts of any prepayments or set offs permitted hereunder.

"**Dominican Republican Indebtedness**" means any Indebtedness of any Subsidiary (including any Specified Affiliate Holding Company) whose primary operations are located in the Dominican Republic.

"**Finally Determined**" has the meaning given such term in the SPA.

"**Guarantee**" means the guarantee by and among the Guarantor and Inkia, dated the date hereof.

"**Group Structure Chart**" means the group structure chart appended to this Agreement as Annex II (*Group Structure Chart*)

"**Indebtedness**" has the meaning given to it in the Indenture.

"**Indenture**" means the indenture by and among Inkia Energy Limited, as the issuer, and Citibank, N.A., as the trustee, dated November 9, 2017 relating to the 5.875% senior notes due 2027 as in effect as of December 28, 2017.

"**Interest**" has the meaning given such term in Section 8.1 (*PIK Interest*).

"**Interest Period**" has the meaning give such term in Section 9.1 (*Duration of Interest Periods*).

"**Legal Holiday**" means a Saturday, a Sunday or a day on which banking institutions in the City of New York or at a place of payment are authorized by law, regulation or executive order to remain closed. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue on such payment for the intervening period.

"**Loan**" has the meaning given such term in Section 2(a) (*The Loan*).

"**Mandatory Repayment Date**" means the earlier of December 28, 2021 or the occurrence of a Repayment Event.

"**Nautilus Share Mortgage**" means a first priority pledge of all of the equity interest in the Nautilus Inkia Holdings LLC pursuant to the Nautilus Share Mortgage Agreement.

"**Nautilus Share Mortgage Agreement**" means the agreement relating to the Nautilus Share Mortgage to be entered into by and among the Company and the Payor relating to the Nautilus Share Mortgage.

"**Notes**" means the 5.875% senior notes due 2027 issued pursuant to the Indenture.

"**Officer**" means the Chairman of the Board (if an executive), the Chief Executive Officer, the Chief Financial Officer, the President, the Chief Operating Officer, General Counsel, Chief Accounting Officer, the Treasurer, the Controller or the Secretary of the Company.

"**Officers' Certificate**" means a certificate signed by two Officers.

"**OPC Share Pledge**" means the share pledge over the shares of OPC Energy Ltd. by Kenon Holdings Ltd. in favor of the Buyers.

"**OPC Pledge Value**" means the value of the shares under the OPC Share Pledge.

"**Opinion of Counsel**" means a written opinion of counsel, who may be an employee of or counsel for the Company (except as otherwise provided in this Agreement), and who shall be reasonably acceptable to the Payor, containing customary exceptions and qualifications and which shall not be at the expense of the Payor

"**Party**" means a party to this Agreement.

"**Payee Group**" means the Company, Nautilus Inkia Holdings LLC, any Specified Affiliate Holding Company and their Restricted Subsidiaries (as defined in the Indenture) and "**member of the Payee Group**" means any one of them.

"**Payor**" means the Original Payor or any successors, assigns and permitted transferees.

"**Permitted Business**" means (i) the business or businesses conducted by the Company, its Subsidiaries (including any Specified Affiliate Holding Company and its Subsidiaries) and other operating businesses described in the offering memorandum dated November 2, 2017, relating to the Notes, and (ii) any business reasonably ancillary, complementary, similar or related to the business or businesses provided for in clause (i) above.

"**Permitted Reorganization**" has the meaning given to it in the Indenture.

"**Project Finance Subsidiary**" has the meaning given to it in the Indenture.

"**Repayment Event**" has the meaning given to such term in Section 3.1(a) (*Repayment Events*) of Annex I (*Undertakings*).

"**Repeating Representations**" means each of the representations set out in Section 12.2 (*Status*) and Section 12.9 (*Ranking*).

"**Reserve Amount**" means the amount determined by the Payee and the Payor together, each acting in good faith (or should the Payee and Payor be unable to agree, a third party evaluator; and in the absence of agreement on a third party evaluator, PricewaterhouseCoopers shall act as third party evaluator or appoint a third party evaluator) equal to the sum of (i) a reasonable estimate of the amount ultimately payable on an unresolved claim (including interest and penalties) to be paid under the SPA, plus (ii) a reasonable estimate of the amount of costs and expenses that are expected to be incurred to resolve the claim in accordance with the SPA, plus (iii) 10% of the aggregate of clauses (i) and (ii), minus the OPC Pledge Value.

"**Security Interest**" means any mortgage, pledge, lien, charge (fixed or floating), assignment, hypothecation, set-off or trust arrangement for the purpose of creating such a security interest or any other agreement or arrangement having a substantially similar effect.

"**Security**" means the Company Share Mortgage Agreement and the Nautilus Share Mortgage Agreement.

"**Specified Affiliate Holding Company**" has the meaning given to it in the Indenture.

"**Stated Maturity**" has the meaning given to it in the Indenture.

"**Subsidiary**" means, with respect to any Person (the "parent") at any date, any Person the account of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with IFRS as of such date.

"**Tax**" means any present or future taxes, levies, imposts, duties, charges, assessments or fees of any nature (including interest, penalties and additions thereto) that are imposed by a government or other taxing authority).

"**Transfer Certificate**" means an assignment and assumption agreement substantially in the form of Part 1 of Schedule 4 (*Transfer Certificate*) with such amendments as the Payor and the Company may agree in writing.

"**Transfer Date**" means, in respect of a Transfer Certificate, the later of:

(a) the proposed Transfer Date specified in that Transfer Certificate; and

(b) the date on which the Transfer Certificate is executed by all parties to the Transfer Certificate.

"**U.S. dollar**", "**U.S.$**", or "**$**" means the currency of the United States.

1.2 Construction

(a) In this Agreement, unless the contrary intention appears, a reference to:

(i) "**know your customer requirements**" are the checks that a Party requests in order to meet its obligations under applicable money laundering regulations to identify a person who is (or is to become) its customer;

(ii) a "**person**" includes any individual, company, corporation, unincorporated association or body (including a partnership, trust, fund, joint venture or consortium), government, state, agency, organization or other entity whether or not having separate legal personality;

(iii) a Repayment Event being "**outstanding**" means that it has not been remedied or expressly waived in writing in accordance with this Agreement;

(iv) a Party or any other person includes its successors in title, permitted assigns and permitted transferees;

(v) this Agreement includes (without prejudice to any prohibition on amendments) all amendments (however fundamental) to the Agreement; and

(vi) a time of day is a reference to New York City time.

2. THE LOAN

(a) Subject to Section 5 (*Conditions Precedent*) of this Agreement, the Payor agrees to make a loan to the Company in a principal amount of U.S.$175,000,000 (the "**Loan**"), the disbursement of which shall be deemed to have occurred upon the satisfaction of each of the conditions set out in Section 5 (*Conditions Precedent*), and, on and after the Closing Date (as defined in the SPA), the Company shall owe the Deferred Amount (and any interest, expenses, fees and other amounts pursuant to the terms of this Agreement to the Original Payor (or its permitted successors and assigns)).

(b) The Company covenants to, upon the request of any holder of the obligations owed by the Company hereunder, promptly execute and deliver an original promissory note in form and substance reasonably satisfactory to such holder representing the obligations owed to such holder by the Company hereunder.

3. STATUS OF THE DEFERRED AMOUNT

(a) Until a Cross Acceleration Event has occurred (and provided that the Guarantee is in full force and effect and the Guarantor has not defaulted on its obligations under the Guarantee):

(i) the rights of the Payor under this Agreement to repayment of the Deferred Amount shall be subordinated in right of payment to the Notes but shall be repayable at the Mandatory Repayment Date in accordance with the terms of this Agreement; and

(ii) (x) the Payor may only demand payment (and the Guarantor required to make payment) of any amount due under this Agreement solely from the Guarantor pursuant to the Guarantee, and (y) the Company shall be permitted to make payments of the Deferred Amount and Interest so long as it has sufficient funds to make such payments.

(b) In the event that (i) a Cross-Acceleration Event, or (ii) the Guarantee fails to be in full force and effect or the Guarantor defaults on its obligations under the Guarantee, the claims of the Payor under this Agreement shall rank senior and at least *pari passu* in right and priority of payment with the claims of all other present and future secured and unsubordinated creditors (actual or contingent) of the Company.

4. SECURITY

(a) The Company's obligations under this Agreement shall be secured by the Company Share Mortgage and the Nautilus Share Mortgage.

(b) Pursuant to the Company Share Mortgage Agreement, the due and punctual fulfillment of the obligations under this Agreement shall be secured by a first priority lien on the equity of the Company (subject to liens by operation of law).

(c) Pursuant to the Nautilus Share Mortgage, the due and punctual fulfillment of the obligations under this Agreement shall be secured by a first priority lien on the equity of Nautilus Inkia Holdings LLC (subject to liens by operation of law).

(d) The Company agrees to promptly take, and cause Nautilus Energy Holdings LLC to promptly take, all actions reasonably requested by the Payor on the date hereof and from time to time to ensure that the obligations of the Company hereunder are secured at all times by a perfected first priority lien in accordance with this Section 4 (*Security*) over all of the equity of the Company and all of the equity of Nautilus Inkia Holdings LLC.

5. CONDITIONS PRECEDENT

(a) This Agreement shall only become effective upon the occurrence of the Closing (as defined in the SPA) on the Closing Date (as defined in the SPA) and in the event that Closing (as defined in the SPA) does not occur, the Loan shall be deemed to be repaid and the payments described in the preamble shall be treated as if no payment had been made.

(b) The obligations of the Payor to make the Loan are subject to the further conditions precedent that on the date of this Agreement:

(i) all of the documents and other evidence set out in Schedule 1 (*Conditions precedent documents*) in form and substance satisfactory to the Payor (acting reasonably);

(ii) all of the representations and warranties set out in Section 12 (*Representations and Warranties*) are true and correct in all material respects;

(iii) the Original Payor has received the purchase price pursuant to the SPA and the Closing (as defined in the SPA) has occurred; and

(iv) no Repayment Event has occurred, is outstanding or would result from making the Loan.

6. REPAYMENT

6.1 Repayment

Subject to Section 6.2 (*Reserve Amount*), the Company shall repay the Deferred Amount on the Mandatory Repayment Date together with accrued and unpaid interest, fees, expenses and other amounts payable pursuant to the terms of this Agreement.

6.2 Reserve Amount

(a) If (i) there are one or more claims for indemnification by the Company pursuant to Article X of the SPA that is not Finally Determined and outstanding as of the Mandatory Repayment Date, (ii) such claims for indemnification are made in good faith, and (iii) the amount of such claims exceed the OPC Share Value to the extent the OPC Share Pledge remains in effect, then, at the option of the Company, an aggregate principal amount of the Deferred Amount equal to the Reserve Amount shall not be required to be repaid on the Mandatory Repayment Date and the remaining amount of the Deferred Amount (together with accrued and unpaid interest, fees, expenses and other amounts payable pursuant to the terms of this Agreement) shall be repaid on the Mandatory Repayment Date. Subject to Section 7 (*Set Off & Prepayment*), the aggregate principal amount of the Deferred Amount equal, subject to clause (b) of this Section 6.2 (*Reserve Amount*) to the Reserve Amount (together accrued interest which shall increase the Deferred Amount outstanding) shall be repaid at such time when the relevant claim for indemnification is Finally Determined pursuant to the SPA.

(b) During such time as the Reserve Amount is outstanding (the "**Reserve Period**") following the Mandatory Repayment Date, the Reserve Amount shall accrue interest at the Interest Rate (i) minus, in the event the claim amount actually paid exceeds 110% of the Reserve Amount, interest at a rate of 4% per annum for the Reserve Period on the difference between 110% of the Reserve Amount and the amount of the claim paid (the "**Payor Reserve Penalty**"), and (ii) plus, in the event the claim amount actually paid is less than 90% of the Reserve Amount, interest at a rate of 4% per annum for the Reserve Period on the difference between 90% of the Reserve Amount and the amount of the claim paid (the "**Payee Reserve Penalty**").

(c) The interest payable during the Reserve Period shall accrue in accordance with Section 8 (*Interest*), minus the Payor Reserve Penalty or plus the Payee Reserve Penalty, as applicable, with the adjusted interest due at such time as the Reserve Amount (together with accrued and unpaid interest, fees, expenses and other amounts payable pursuant to the terms of this Agreement) is either set-off in accordance with Section 7 (*Set Off & Prepayment*) or repaid when the relevant claim for indemnification is Finally Determined (as defined in the SPA).

(d) Costs of any third party evaluator employed pursuant to this Section 6.2 (*Reserve Amount*) or the definition of Reserve Amount are to be shared equally by the Payee and Payor.

6.3 Peru Sale

(a) Upon a sale of all or substantially all of the assets of the Acquired Companies domiciled in Peru (the "**Peru Entities**" and such a sale, a "**Peru Sale**"), the Company will be required to either, at the Company's option, (i) prepay all of the Deferred Amount (together with accrued and unpaid interest, fees, expenses and other amounts payable pursuant to the terms of this Agreement); (ii) place an amount in escrow sufficient to pay the Deferred Amount (together with accrued and unpaid interest, fees, expenses and other amounts payable pursuant to the terms of this Agreement) on the Mandatory Repayment Date on terms reasonably satisfactory to the Payor; or (iii) cause the Guarantor to enter into a guarantee of all obligations of the Company under this Agreement (which, for the avoidance of doubt, shall not be released upon the occurrence of a Cross Acceleration Event).

(b) If an amount is placed in escrow in accordance with Section 6.3(a)(ii) (*Peru Sale*), such amount must be irrevocably deposited in cash with an unaffiliated third party reasonably satisfactory to the Payor in an account to be held in trust for the benefit of the Payor.

7. SET OFF & PREPAYMENT

7.1 Voluntary prepayment by set off

(a) The Company will have the right to prepay all or some of the Deferred Amount at any time and from time to time in an amount up to the Deferred Amount in lieu of seeking a cash payment of that indemnity claim in an aggregate principal amount equal to the amount of any unpaid indemnification claim that is Finally Determined in accordance with the SPA which would be prepaid by the Company, provided that the Company must first set off any such indemnification claims that are Finally Determined against the OPC Share Pledge, in accordance with Section 10.10 of the SPA.

(b) The amount of any set off pursuant to this Section 7.1 (*Voluntary prepayment by set off*) shall be considered to satisfy the indemnity obligations under Article X of the SPA to the extent of such set off shall be deemed to be a payment of such indemnity obligation under the SPA and shall be considered an adjustment to the Purchase Price for Tax purposes in accordance with Section 10.9 of the SPA.

7.2 Voluntary prepayment by redemption

The Company will have the right to prepay all or some of the Deferred Amount at any time and from time to time, in each case on ten Business Days written notice given by the Company to the Payor.

7.3 Miscellaneous provisions

(a) Any notice of prepayment under this Agreement is irrevocable.

(b) All prepayments under this Agreement must be made with capitalized and uncapitalized accrued and unpaid interest on the amount prepaid.

8. INTEREST

8.1 PIK Interest

(a) Interest on the Deferred Amount shall accrue for each Interest Period at eight per cent. (8%) per annum ("**Interest**") and such interest shall be compounded in accordance with paragraph (b) below.

(b) At the end of each Interest Period, the Interest accrued on the Deferred Amount from time to time during that Interest Period shall be automatically capitalized and added to the amount of the Deferred Amount. Any such accrued Interest shall, after being so capitalized, be treated as part of the Deferred Amount and shall bear interest in accordance with this Section 8 (*Interest*), and shall be treated as having been paid and satisfied in full in respect of the relevant Interest Period by the Company pursuant to the terms of this Agreement. For the avoidance of doubt, all amounts of capitalized interest must, except as provided in Section 7 (*Set Off & Prepayment*), be repaid in full on the Mandatory Repayment Date.

(c) If all or part of the Deferred Amount is prepaid prior to the end of an Interest Period, any accrued and unpaid interest on such portion of the Deferred Amount that is prepaid that has not been so capitalized will be payable in cash on the date of such prepayment.

8.2 Interest on overdue amounts

(a) If the Company fails to pay any amount payable by it under this Agreement on its due date, it must immediately on demand by the Payor pay interest on the overdue amount from its due date up to the date of actual payment, both before, on and after judgment.

(b) Interest on an overdue amount is payable at a rate determined by the Payor to be three per cent. (3%) per annum above the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted a Deferred Amount having the same designation and in the same currency as the Deferred Amount to which the overdue amount is in the reasonable opinion of the Payor referable.

(c) Interest (if unpaid) on an overdue amount will be compounded with that overdue amount at the end of each Interest Period applicable to that overdue amount but will remain immediately due and payable.

(d) This Section 8.2 (*Interest on overdue amounts*) shall not apply to Reserve Amounts, except to the extent a Repayment Event has occurred or the claim for indemnification has been Finally Determined in accordance with the SPA.

(e) Notwithstanding anything to the contrary herein, the interest rate shall never exceed that which is prohibited by applicable law.

9. INTEREST PERIODS

9.1 Duration of Interest Periods

Each Interest Period shall be a twelve month period starting on (i) the first day following the last day of the immediately preceding Interest Period or (ii) if such Interest Period is the first Interest Period, the date of this Agreement (each such period, an "**Interest Period**").

9.2 Calculations

Any interest or fee accruing under this Agreement accrues from day to day and is calculated on the basis of the actual number of days elapsed and a year of 365 days.

10. TAXES

10.1 Tax gross-up and withholding

Each payment by the Company under this Agreement shall, except as required by law, be made without withholding or deduction for or on account of any Taxes. If any such Taxes are required to be withheld or deducted from any such payment, the Company shall pay to the Payor such additional amounts as may be necessary to ensure that the net amount actually received by the Payor after such withholding or deduction (including such deduction and withholding applicable to additional sums payable under this Section) is equal to the amount that the Payor would have received had no such withholding or deduction been required; provided, however, that no such additional amounts shall be payable in respect of any Taxes imposed on the net income of any Payor and any franchise Taxes, in each case, imposed as a result of the Payor being organized under the laws of, or having its principal place of business located in, the jurisdiction imposing such Tax.

10.2 Payment of taxes

(a) The Company shall pay all Taxes referred to in Section 10.1 (*Tax gross-up and withholding*) before penalties are payable or interest accrues thereon, but if any such penalties are payable or interest accrues, the Company shall make payment thereof when due to the appropriate governmental authority. As soon as practicable after each such payment of Taxes, the Company shall deliver to the Payor an official receipt or a certified copy thereof evidencing such payment.

(b) The Company shall pay any present or future stamp, transfer or documentary taxes or any other excise or property taxes, charges or similar levies, and any penalties, additions to tax or interest due with respect thereto, that may be imposed in connection with the execution, delivery, registration or enforcement of this Agreement or any transaction contemplated by this Agreement.

10.3 Reimbursement of taxes

If any Payor pays any Taxes or other amounts that the Company is required to pay pursuant to Section 10 (*Taxes*), the Company shall reimburse it on demand in full in the currency in which such Taxes or other amounts are paid.

11. PAYMENTS

11.1 Place

All cash payments by the Company must be made to the Payor by wire transfer of immediately available funds to the account specified by the Payor at such office or bank as it may notify to the Company for this purpose by not less than three Business Days' prior notice.

11.2 Currency

(a) Interest is payable in U.S. dollars.

(b) Amounts payable in respect of Taxes, fees, costs and expenses are payable in the currency in which they are incurred.

(c) Each other amount payable under this Agreement is payable in U.S. dollars.

11.3 No set-off or counterclaim

Subject to Section 7 (*Set off & Repayment*) and Section 6.2 (*Reserve Amount*), all payments made by the Company under this Agreement must be made without set-off or counterclaim.

11.4 Business Days

(a) If a payment under this Agreement is due on a day which is not a Business Day with respect to the Payee or Payor, the due date for that payment will instead be the next Business Day.

(b) During any extension of the due date for payment of any principal (other than pursuant to clause (a) above) under this Agreement interest is payable on that principal at the rate payable on the original due date.

12. REPRESENTATIONS AND WARRANTIES

12.1 General

The Company makes the representations and warranties set out below to the Payor as of the date hereof:

12.2 Status

(a) The Company and Nautilus Inkia Holdings LLC are each a limited liability company, corporation or other body corporate, duly incorporated or duly organized (as applicable) and validly existing under the laws of its jurisdiction of incorporation.

(b) The Company and Nautilus Inkia Holdings LLC have the power to own their assets and carry on their business as it is being conducted.

12.3 Binding Obligations

The obligations expressed to be assumed by it in this Agreement to which it is a party are legal, valid, binding and enforceable obligations.

12.4 Non-Conflict with Other Obligations

The entry into and performance by the Company and of, and the transactions contemplated by, this Agreement do not and will not conflict in any material respect with:

(a) any material law or regulation applicable to the Company;

(b) the constitutional documents of the Company; or

(c) any agreement or instrument binding upon the Company or Nautilus Inkia Holdings LLC or any of its assets or constitute a default or termination event (however described) under any such agreement or instrument in each case in a manner which would reasonably be expected to be material.

12.5 Power and Authority

(a) The Company has the corporate capacity to enter into, perform and deliver, and has taken all necessary corporate action to authorize its entry into, performance and delivery of, this Agreement and the transactions contemplated by this Agreement.

(b) No consent or license from any governmental authority is required for the Company to enter into this Agreement or to perform the transactions contemplated hereunder other than those which have been obtained.

12.6 No Default

(a) No Repayment Event is continuing and, on the date of this Agreement, no Repayment Event would result from the entry into, the performance of, or any transaction contemplated by, this Agreement.

(b) To the best of the knowledge and belief of the Company, no other event or circumstance is outstanding which constitutes (or, with the expiry of a grace period, the giving of notice or any combination of any of the foregoing, would constitute) a default or termination event (however described) under any other agreement or instrument which is binding on it or any of its Subsidiaries or to which its (or any of its Subsidiaries') assets are subject which has or would reasonably be expected to be material.

12.7 No Breach of Laws

The Company has not (and Nautilus Inkia Holdings LLC has not) breached any law or regulation which breach has or would reasonably be expected to be material.

12.8 Litigation

No material litigation, investigation or proceeding of or before any arbitrator or governmental authority is pending or, to the knowledge of the Company, threatened in writing by or against the Company or Nautilus Inkia Holdings LLC.

12.9 Ranking

Subject to Section 2 (*Status of the Deferred Amount*), the payment obligations of the Company under the this Agreement rank at least *pari passu* in right and priority of payment with the claims of all its other present and future unsecured and unsubordinated creditors (actual or contingent) except those whose claims are preferred solely by operation of law.

12.10 Group Structure Chart

To the best of its knowledge and belief (having made due and careful enquiry), the Group Structure Chart is true and correct in all material respects.

12.11 Share Mortgage

(a) Except for the Nautilus Share Mortgage granted hereunder, the Company (i) is and will continue to be the direct owner, beneficially and of record, of 100% of the outstanding shares of the Nautilus Inkia Holdings LLC, (ii) holds the same free and clear of all Security Interests (other than Security Interests created by this Agreement), (iii) will make no assignment, pledge, hypothecation or transfer of, or create or permit to exist any security interest in or other Security Interests with respect to the Company Share Mortgage, other than Security Interests created by or permitted under this Agreement, and (iv) will defend its title or interest thereto or therein against any and all Security Interests (other than the Security Interests created hereby), however arising, of all Persons whomsoever.

(b) The pledge effected hereby is effective to vest in the Payor the rights of the Payor in the Company Share Mortgage and the Nautilus Share Mortgage, in each case, as set forth therein.

13. COVENANTS

13.1 The Company covenants and agrees with the Payor as set forth in Annex I (*Undertakings*) for so long as any amount is outstanding under this Agreement.

14. GUARANTEE

(a) The Guarantor shall guarantee payment of the obligations of the Company at the Mandatory Repayment Date (or earlier, if the prepayment right is exercised) pursuant to the Guarantee.

(b) The Guarantee shall terminate in accordance with its terms upon the occurrence and continuation of a Cross Acceleration Event having occurred.

(c) The Guarantee is a general obligation of the Guarantor and ranks equally in right of payment with all existing and future obligations of the applicable Guarantor that are not subordinated in right of payment to such Guarantee.

15. DEFAULT

The Repayment Events and remedies are set forth in Section 3.1 (*Repayment Events*) of Annex I (*Undertakings*).

16. EXPENSES

16.1 Amendment Costs

If the Company or the Payor requests an amendment, waiver or consent, such party shall, within one month of demand, reimburse (or procure reimbursement of) the other party for the amount of all reasonable documented third party costs and expenses (including reasonable legal fees and notarial costs) reasonably incurred by such other party in responding to, evaluating, negotiating or complying with that request or requirement.

16.2 Enforcement and Preservation Costs

The Company shall, within five Business Days of demand, pay to the Payor the amount of all costs and expenses (including legal fees) reasonably incurred by it in connection with the enforcement of or the preservation of any rights under this Agreement and any proceedings instituted by the Payor as a consequence of enforcing these rights.

16.3 Escrow Costs

The fees, costs and expenses associated with the creation of an escrow account and the deposit of all or some of the Principal Amount into such escrow account shall be borne by the Company.

17. AMENDMENTS AND WAIVERS

17.1 This Agreement may be amended with the consent of both the Company and the Payor (or, in the event that the Payor is not solely the Original Payor, Payors holding a majority of the interest in the Deferred Amount). Upon request by the Company and in the Payor's sole discretion, the Payor (or, in the event that the Payor is not solely the Original Payor, Payors holding a majority of the interest in the Deferred Amount) may waive an obligation of or default by the Company under this Agreement, such waiver to be only in writing.

17.2 Waivers and remedies cumulative

The rights of the Payor and Company under this Agreement:

(a) may be exercised as often as necessary;

(b) are cumulative and not exclusive of its rights under the general law; and

(c) may be waived only in writing.

Delay in exercising or non-exercise of any right is not a waiver of that right.

18. CHANGES TO THE PARTIES

18.1 Assignments and transfers

(a) The Company may not, other than in accordance with a transaction permitted under Section 2.8 (*Merger, Consolidation and Sale of Assets*) of Annex I (*Undertakings*), assign, transfer or delegate any of its rights or obligations under this Agreement without the prior consent of the Payor, and any purported assignment, transfer or delegation in violation of this provision shall be void and of no effect.

(b) The Payor's rights under this Agreement shall be transferrable or assignable:

(i) to an affiliate of Payor;

(ii) following the first anniversary of the date hereof, upon 5 Business Days' notice by the Payor to the Company, the Company shall provide 15 entities to whom the Company agrees that the Payor's rights under this Agreement may be transferrable or assignable provided that such entities shall be investment-grade rated entities and not affiliated to each other, the Company or the Payor;

(iii) upon the occurrence and during the continuance of a Repayment Event to entities and funds not generally engaged in the investment of distressed assets (but affiliates of such entities not engaged in the investment of distressed assets shall be permitted transferees or assignees); and

(iv) to IC Power Asia Development Limited, IC Power Limited and Kenon Holdings Limited,

and for each of (i), (ii), (iii) and (iv) (and for (iv) only in the event that Kenon Holdings Limited is no longer a publicly listed company), subject to receiving confirmatory know your customer requirements on such transferee to the reasonable satisfaction of the Company.

(c) This Agreement shall be binding on and inure to the benefit of the Parties and their respective successors and permitted assigns.

19. SEVERABILITY

If a term of this Agreement is or becomes illegal, invalid or unenforceable in any jurisdiction in relation to any party to this Agreement, that will not affect:

(a) in respect of such party the legality, validity or enforceability in that jurisdiction of any other term of this Agreement;

(b) in respect of any other party to this Agreement the legality, validity or enforceability in that jurisdiction of that or any other term of this Agreement; or

(c) in respect of any party to this Agreement the legality, validity or enforceability in other jurisdictions of that or any other term of this Agreement.

20. COUNTERPARTS

This Agreement may be executed in any number of counterparts. This has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

21. NOTICES

21.1 In writing

(a) Any communication in connection with this Agreement must be in writing and, unless otherwise stated, may be given in person, by post, fax or by e-mail.

(b) For the purpose of this Agreement, an electronic communication will be treated as being in writing and a document.

(c) Unless it is agreed to the contrary, any consent or agreement required under this Agreement must be given in writing.

21.2 Contact details

(a) If to the Company or the Guarantor:

c/o I Squared Capital Advisors (US) LLC
410 Park Avenue #830
New York, NY 10022
United States
Attention: General Counsel
Facsimile No.: +1 (212) 339-5390
Email: generalcounsel@isquaredcapital.com

with a copy to:

Norton Rose Fulbright US LLP
1301 Avenue of the Americas
New York, New York 10019
United States
Attention: Charles E. Hord, III, Esq.,
Marwan Azzi, Esq.,
Facsimile: +1 646 710 5353
Email: charles.hord@nortonrosefulbright.com,
marwan.azzi@nortonrosefulbright.com

with a copy to:

Milbank, Tweed, Hadley & McCloy LLP
28 Liberty Street
New York, NY 10005
United States
Attention: Carlos T. Albarracín, Esq.
Facsimile: +1 212.822.5116
Email: CAlbarracin@milbank.com

(b) If to the Sellers:

1 Temasek Avenue #36-01
Millenia Tower
Singapore 039192
Attention: Legal Department, Finance Department
Email: RobertR@kenon-holdings.com
TzahiG@kenon-holdings.com

with a copy to:

Inkia Energy Limited
Canon's Court
22 Victoria St.
Hamilton HM12
Bermuda

and

Skadden, Arps, Slate, Meagher & Flom (UK) LLP
40 Bank Street
London
E14 5DS
United Kingdom
Attention: Scott V. Simpson, Esq.,
James A. McDonald, Esq.,
Pankaj Sinha, Esq.
Facsimile: +44 (0)207 519 7070
Email: scott.simpson@skadden.com,
james.mcdonald@skadden.com, pankaj.sinha@skadden.com

(c) Any Party may change its contact details by giving five Business Days' written notice to all other Parties.

(d) Where a Party nominates a particular department or officer to receive a communication, a communication will not be effective if it fails to specify that department or officer.

21.3 Effectiveness

(a) Except as provided below, any communication in connection with this Agreement will be deemed to be given as follows:

(i) if delivered in person, at the time of delivery;

(ii) if by fax, when received in legible form; and

(iii) if by e-mail or any other electronic communication, when received in legible form.

(b) A communication given under paragraph (a) above but received on Non-Business Day or after business hours in the place of receipt will only be deemed to be given on the next Business Day in that place.

22. LANGUAGE

(a) Any notice given in connection with this Agreement must be in English.

(b) Any other document provided in connection with this Agreement must be:

(i) in English; or

(ii) accompanied by a certified English translation. In this case, the English translation prevails unless the document is a statutory or other official document.

23. GOVERNING LAW

This Agreement is governed by and shall be constructed in accordance with the laws of the State of New York.

24. ENFORCEMENT

24.1 Jurisdiction

The Parties hereby agree that this Agreement, and the respective rights, duties and obligations of the parties hereunder, shall all be governed by and construed in accordance with the laws of the state of New York, without giving effect to principles of conflicts of laws thereunder. To the fullest extent permitted by applicable law, each of the parties hereby (i) irrevocably consent and agrees that any legal or equitable action or proceedings arising under or in connection with this Agreement shall be brought exclusively in the courts of the United states of America for the Southern District of New York or the courts of the State of New York sitting in Manhattan borough, New York City, and (ii) by execution and delivery of this Agreement, irrevocably submits to and accepts, with respect to any such action or proceedings, for itself and in respect of its properties and assets, for purposes of this agreement, the jurisdiction of the aforesaid courts, and irrevocably waives any objection to venue in such courts.

24.2 Service of process

(a) The Company irrevocably appoints Corporation Service Company as its agent under this Agreement for service of process in any proceedings, and the Payor agrees that service of process in accordance with Section 21 (*Notices*) shall be effective service of process in any proceedings, before the courts to the jurisdiction of which the Parties submit pursuant to Section 24.1 (*Jurisdiction*) above.

(b) If any person appointed as process agent is unable for any reason to act as agent for service of process, the Company must immediately (and in any event within twenty days of such event taking place) appoint another agent on terms acceptable to the Payor. Failing this, the Payor may appoint another agent for this purpose.

(c) The Company agrees that failure by a process agent to notify it of any process will not invalidate the relevant proceedings.

(d) This Subsection does not affect any other method of service allowed by law.

24.3 Waiver of immunity

The Company irrevocably and unconditionally:

(a) agrees not to claim any immunity from proceedings brought by the Payor against it in relation to this Agreement and to ensure that no such claim is made on its behalf;

(b) consents generally to the giving of any relief or the issue of any process in connection with those proceedings; and

(c) waives all rights of immunity in respect of it or its assets.

24.4 Waiver of trial by jury

EACH PARTY WAIVES ANY RIGHT IT MAY HAVE TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED ON OR ARISING FROM THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED BY THIS AGREEMENT. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

This Agreement has been entered into on the date stated at the beginning of this Agreement.

SCHEDULE 1

CONDITIONS PRECEDENT DOCUMENTS

To be Delivered on or Before the Date of this Agreement

Company

1. A certified copy of the constitutional documents of the Company conferring on the Company the corporate capacity required to enter into and effect the transactions contemplated by this Agreement.

2. A copy of a resolution of the board of directors of the Company approving the terms of this Agreement and related documents, the transactions contemplated thereby and the execution, delivery and performance thereof by the Company.

3. A specimen of the signature of each person authorized on behalf of the Company to execute this Agreement or all documents and notices to be executed and/or dispatched by it under or in connection with this Agreement.

4. Evidence that the Company is in good standing on the date of effectiveness of this Agreement (if the concept of "good standing" is applicable in its jurisdiction of incorporation).

5. A certificate of an authorized signatory of the Company confirming that (i) payment of the Deferred Amount would not breach any limit binding on it as of the date of this Agreement, (ii) all representations and warranties contained in this Agreement are true and correct in all material respects as of the date of this Agreement and (iii) there shall not exist any Repayment Event or event or condition which, with the passage of time, could become a Repayment Event under this Agreement as of the date of this Agreement.

6. A customary certificate of an authorized signatory of the Company, attaching the items specified in paragraphs 1, 2, 3, and 7 of this Schedule 2 and certifying that the copy of each such document attached thereto is correct and complete and that the copy of such document provided to the Original Payor (including any amendments or other modifications with respect thereto which have been provided to the Original Payor) is in full force and effect and has not been amended or superseded as of the date of this Agreement.

7. A certificate of incorporation of the Company certified by the Secretary of State of the Cayman Islands.

8. A copy of the Company's and Nautilus Inkia Holdings LLC's most recent quarterly unaudited financial statements.

Legal opinions

9. A customary legal opinion of Milbank, Tweed, Hadley & McCloy LLP, legal advisers as to matters of New York law to the Company, addressed to the Original Payor as of the date of this Agreement, in form and substance reasonably satisfactory to the Original Payor.

10. A customary legal opinion of Maples & Calder, legal advisers as to matters of Cayman law to the Company, addressed to the Original Payor as of the date of this Agreement, in form and substance reasonably satisfactory to the Original Payor.

Other documents and evidence

11. A duly executed copy of (i) this Agreement, (ii) the Guarantee, (iii) the Company Share Mortgage Agreement, (iv) the Nautilus Share Mortgage Agreement and (v) a promissory note executed by the Company representing its obligations hereunder in form and substance reasonably satisfactory to the Original Payor.

12. Evidence that the Company's agent for service of process in New York has accepted its appointment.

SCHEDULE 2

TRANSFER CERTIFICATE

IN THE FORM OF AN ASSIGNMENT AND ASSUMPTION AGREEMENT

Nautilus Energy TopCo LLC. U.S.$175,000,000 Deferred Loan Agreement dated December 28, 2017
(as amended from time to time, the "Agreement")

This Transfer Certificate in the form of an assignment and assumption agreement (this "**Assignment**") is entered into on [●] 20[●]

BETWEEN:

1. [ ] (the "Assignor"); and

2. [ ] (the "Assignee").

The Assignor and the Assignee agree as follows:

3. Unless otherwise defined in this Assignment, terms defined in the Agreement are used in this Assignment with the same meanings given to them in the Agreement, and the rules of construction of the Agreement apply to this Assignment.

4. The Assignor sells and assigns, without recourse, to the Assignee, and the Assignee purchases and assumes, without recourse, from the Assignor, effective as of the Transfer Date set forth below, the interests described below (collectively, the "**Assigned Interest**") in the Assignor's rights and obligations under the Agreement.

5. The Assignee acknowledges receipt of a copy of the Agreement.

6. This Assignment is permitted under the terms of the Agreement.

7. From and after the Transfer Date:

    a. the Assignee shall be a party to and be bound by the provisions of the Agreement and, to the extent of the Assigned Interest, have the rights and obligations of the Payor; and

    b. the Assignor shall, to the extent of the Assigned Interest, relinquish its rights and be released from its obligations under the Agreement.

8. This Assignment is being delivered to the Company together with any further documentation required to be delivered by the Assignee under the Agreement, duly completed and executed by the Assignee.

9. This Assignment shall be governed by and construed in accordance with the laws of the State of New York.

Details of Assignment

Assignee's contact details for notices under the Agreement are on file with the Administrative Agent.

Effective Date of Assignment ("**Transfer Date**"): [●]

Principal Amount Assigned: U.S.$[●]

[The interest in relation to the Assignor's interest and pursuant to Section 8 (*Interest*) of the Agreement will accrue from [●] 20[●] and will be for the account of the Assignee.]

The undersigned, intending to be legal bound, have executed and delivered this Assignment on the date first above written.

[ASSIGNOR], as Assignor

By: _____
Name:
Title:

[ASSIGNEE], as Assignee

By: _____
Name:
Title:

[The undersigned consents to the above assignment:

NAUTILUS ENERGY TOPCO LLC

By: _____
Name:
Title:]

ANNEX I

UNDERTAKINGS

1. COMPLIANCE WITH THE INDENTURE

(a) Subject to clause (b) below, the Company will use Commercially Reasonable Efforts to cause Nautilus Inkia Holdings LLC and its Restricted Subsidiaries (as defined in the Indenture) to comply in all material respects with the Indenture.

(b) The Company will procure that Nautilus Inkia Holdings LLC and its Restricted Subsidiaries (as defined in the Indenture) comply in all respects with Sections 4.07 (*Restricted Payments*), 4.08 (*Dividend and Other Payment Restrictions Affecting Securities*), 4.09 (*Incurrence of Additional Indebtedness*), 4.10 (*Asset Sales*), 4.11 (*Transactions with Affiliates*), 4.12 (*Liens*), 5.01 (*Merger, Consolidation and Sale of Assets*) and 6.01 (*Events of Default*) of the Indenture (as in effect on the date hereof).

2. COVENANTS

2.1 Reporting

(a) The Company will use Commercially Reasonable Efforts to cause the Company to provide to the Payor with copies of all financial statements, compliance certificates or other reports and notices the Company would be required to provide to the Trustee (as defined in the Indenture) or holders of the Notes pursuant to the Indenture as in existence on the date hereof (whether or not the Indenture remains in effect).

(b) The Company will provide the Payor copies of statutory or unconsolidated financial statements for the Company on a quarterly basis and audited financial statements on an annual basis (if available).

2.2 Compliance Certificate and Notices

(a) The Company shall deliver to the Payor, within 135 days of the end of the Company's financial year, an Officers' Certificate stating that a review of the activities of the Company and its subsidiaries during the preceding financial year has been made under the supervision of the signing Officer with a view to determining whether the Company has complied with its obligations under this Agreement, and further stating, as to each such Officer signing such certificate, that to the best of his or her knowledge the Company has kept, observed, performed and fulfilled each and every covenant contained in this Agreement and is not in default in the performance or observance of any of the terms, provisions and conditions of this Agreement (or, if a Repayment Event has occurred, describing all such Repayment Events of which he or she may have knowledge and what action the Company is taking or proposes to take with respect thereto) and that to the best of his or her knowledge no event has occurred and remains in existence by reason of which payments on account of the principal of or interest, if any, on the Deferred Amount is prohibited or if such event has occurred, a description of the event and what action the Company is taking or proposes to take with respect thereto.

(b) The Company shall from time to time with reasonable promptness inform the Payor in writing of (i) any continuing Repayment Events or events or conditions which with the passage of time could become Repayment Events, (ii) any material adverse effect on its ability to comply with its obligations hereunder or on the Guarantor's ability to comply with its obligation hereunder or under the Guarantee and (iii) the filing of any litigation, arbitration or proceeding of any type naming the Company as a defendant which has the potential to materially adversely impact the Company's ability to repay its obligations hereunder.

2.3 Conduct of the Payee Group

(a) The Company shall not, and shall cause the members of the Payee Group to not, engage in any business other than a Permitted Business.

(b) The Company shall, and shall cause the members of the Payee Group to, do all things necessary to preserve and keep in full force and effect: (1) its corporate existence, and the corporate, partnership or other existence of each of its subsidiaries, in accordance with the respective organizational documents (as the same may be amended from time to time) of the Company or any such subsidiaries; and (2) the material rights (charter and statutory), licenses and franchises of the Company and its subsidiaries; provided, however, that the Company shall not be required to preserve any such right, license or franchise, or the corporate, partnership or other existence of any of its subsidiaries, if the Board of Directors of the Company shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and its subsidiaries, taken as a whole, and that the loss thereof is not adverse in any material respect to the Payor.

(c) The Company shall not, and shall cause the members of the Payee Group to not, violate in any material respect any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award.

(d) The Company shall, and shall cause the members of the Payee Group to, maintain its minute books and other similar corporate records in accordance with IFRS.

(e) The Company shall, and shall cause the members of the Payee Group to, file all material tax returns that it is required to file and timely pay all material taxes that it is required to pay (whether or not shown as due on a tax return).

(f) The Company shall not, and shall cause the Payee Group not to, enter into any sale and leaseback transaction unless such transaction involves a lease or right to possession or use for a temporary period not to exceed one year following such transaction, by the end of which it is intended that the use of such property by the lessee will be discontinued.

2.4 Restrictions on the Company

(a) The Company shall not carry on any business, own any assets or incur any liabilities (including conduct any treasury services for the Payee Group) other than (i) ownership of the shares of Nautilus Inkia Holdings LLC, (ii) liabilities under this Agreement, and (iii) activities in the ordinary course of business as a holding company, including, without limitation, entering into transactions with Affiliates that are otherwise permitted under this Agreement.

(b) The Company shall ensure that Nautilus Inkia Holdings LLC shall at all times be a direct, wholly owned subsidiary of the Company.

(c) Subject to Annex I, clause 2.4(e), the Company shall procure that Nautilus Inkia Holdings LLC shall not carry on any business, own any assets or incur any liabilities (including conduct any treasury services for the Payee Group) other than (i) ownership of the shares of Inkia Americas Ltd., and (ii) activities in the ordinary course of business as a holding company, including, without limitation, entering into transactions with Affiliates that are otherwise permitted under this Agreement.

(d) Subject to Annex I, clause 2.4(e), the Company shall ensure that Inkia Americas Ltd. shall at all times be a direct, wholly owned subsidiary of Nautilus Inkia Holdings LLC.

(e) Notwithstanding Annex I, clause 2.4(c) and (d), Inkia Americas Ltd. may be an indirect, wholly owned subsidiary of Nautilus Inkia Holdings LLC, provided that the Company shall ensure that Nautilus Inkia Holdings LLC and each of its subsidiaries indirectly holding Inkia Americas Ltd. shall not carry on any business, own any assets or incur any liabilities (including conduct any treasury services for the Payee Group) other than (i) ownership of the shares of its direct wholly owned subsidiary, and (ii) activities in the ordinary course of business as a holding company, including, without limitation, entering into transactions with Affiliates that are otherwise permitted under this Agreement.

2.5 Negative Pledge

The Company shall not cause or permit any other member of the Payee Group to sell, or grant any Security Interest on any equity securities of Nautilus Inkia Holdings LLC, Inkia Americas Ltd. or any Specified Affiliate Holding Company (as defined in the Indenture), except by operation of law, without granting the same lien in favor of the Payor.

2.6 Specified Affiliate Holding Company Pledge

If an existing or future Specified Affiliate Holding Company is not a subsidiary of the Company, the Company shall cause the equity of such Specified Affiliate Holding Company to be pledged on the same terms as the Nautilus Share Mortgage and such pledge shall be released automatically and without consent of the Payor upon a sale of that Specified Affiliate Holding Company conducted in accordance with the Indenture.

2.7 Limitation on Indebtedness

The Company shall not cause or permit any other member of the Payee Group to incur any Indebtedness other than (i) any obligations of the Payee under this Agreement and (ii) any Indebtedness of any member of the Payee Group otherwise permitted to be incurred in accordance with the Indenture governing the Notes, provided that in order for the Company or any member of the Payee Group to incur any Indebtedness pursuant to sub-section (ii) above, the Consolidated Net Leverage Ratio (as defined in the Indenture) of the Company and each other member of the Payee Group (which, for the avoidance of doubt, when calculating Consolidated Total Net Indebtedness (as defined in the Indenture) shall include Debt of Project Finance Subsidiaries (as defined in the Indenture), but shall exclude any obligations of the Company under this Agreement) (the "**Leverage Test**") does not exceed (i) 6.0 to 1.0, if such Indebtedness is incurred on or prior to December 31, 2018, (ii) 5.5 to 1.0, if such Indebtedness is incurred on or prior to December 31, 2019, (iii) 5.0 to 1.0 if such Indebtedness is incurred on or prior to December 31, 2020, and (iv) 4.75 to 1.0 if such Indebtedness is incurred on or after to January 1, 2021 (including, for the avoidance of doubt, any period during which any portion of the Deferred Amount remains outstanding including any Reserve Amount).

2.8 Merger, Consolidation and Sale of Assets

(a) Except in the case of a Peru Sale conducted pursuant to Section 6.3 and transfers to Specified Affiliate Holding Companies as part of the Permitted Reorganization, the Company will not, in a single transaction or series of related transactions, consolidate or merge with or into any Person (whether or not the Company is the surviving or continuing Person), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the Company's properties and assets (determined on a consolidated basis for the Company and its subsidiaries), to any Person unless: (a) either:

(i) the Company shall be the surviving or continuing corporation; or

(ii) the Person (if other than the Company) formed by such consolidation or into which the Company is merged or the Person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of the Company and of the Company's subsidiaries substantially as an entirety (the "**Surviving Entity**"):

(A) shall be organized and validly existing under the laws of (a) Bermuda, (b) the Cayman Islands, (c) the United States of America, any State thereof or the District of Columbia, (d) Peru or (e) any country which is a member country of the Organization for Economic Co-Operation and Development; and

(B) shall expressly assume, by supplemental agreement (in form and substance reasonably satisfactory to the Payor), executed and delivered to the Payor, the due and punctual payment of the principal of, and premium, if any, and interest on all of the Deferred Amount and the performance and observance of every covenant of this Agreement on the part of the Company to be performed or observed;

(b) immediately after giving effect to such transaction and the assumption contemplated by clause (a)(ii)(B) above (including giving effect on a pro forma basis to any Indebtedness, incurred or anticipated to be incurred in connection with or in respect of such transaction), the Company or such Surviving Entity, as the case may be, will be able to incur at least U.S.$1.00 of additional Indebtedness pursuant to Section 2.6 of this Annex I;

(c) immediately after giving effect to such transaction and the assumption contemplated by clause (a)(ii)(B) above (including, without limitation, giving effect on a pro forma basis to any Indebtedness, incurred or anticipated to be Incurred and any Security Interest granted in connection with or in respect of the transaction), no Repayment Event shall have occurred or be continuing; and

(d) the Company or the Surviving Entity has delivered to the Payor an Officers' Certificate and an Opinion of Counsel, each stating that the consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition and, if required in connection with such transaction, the supplemental indenture, comply with the applicable provisions of this Indenture and that all conditions precedent in this Indenture relating to the transaction have been satisfied.

(e) Upon any consolidation, combination or merger or any transfer of all or substantially all of the properties and assets of the Payee Group in accordance with Section 2.8 (*Merger, Consolidation and Sale of Assets*) hereof, in which the Company is not the continuing Person, the Surviving Entity formed by such consolidation or into which the Company is merged or to which such conveyance, lease or transfer is made will succeed to, and be substituted for, (so that from and after the date of such consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition, the provisions of this Agreement referring to the "Company" shall refer instead to the Surviving Entity and not to the Company), and may exercise every right and power of, the Company under this Agreement with the same effect as if such Surviving Entity had been named as such. Upon such substitution, unless the successor is one or more of the Company's Subsidiaries, the Company will be released from its obligations under this Agreement.

3. REPAYMENT EVENTS

3.1 Repayment Events

(a) Repayment Event means any of the following events has occurred and is continuing:

(i) A Cross Acceleration Event; provided, that, unless the Notes (as defined in the Indenture) have been accelerated as a result of such Cross Acceleration Event, no Repayment Event under this Section 3.1(a)(i) (*Repayment Events*) of this Annex I shall occur unless such Cross Acceleration Event has occurred and is continuing for sixty (60) days.

(ii) Failure to pay the Deferred Amount (together with accrued and unpaid interest, fees, expenses and other amounts payable pursuant to the terms of this Agreement), as and when due.

(iii) Breach of any provision in this Agreement, in each case, which has not be cured within thirty (30) days after the Payor gives written notice of that breach.

(iv) Voluntary bankruptcy, insolvency or liquidation proceedings are commenced by the Guarantor, Company or any other member of the Payee Group, except in such circumstances as may be mutually agreed in writing by the Company and the Payor.

(v) Involuntary insolvency or liquidation proceedings are commenced against the Guarantor, Company or any other member of the Payee Group and are not dismissed or stayed within ninety (90) days.

(vi) It is or becomes or will become unlawful for the Guarantor or the Company to perform or comply with any of its obligations under this Agreement, or any such obligation is not or ceases to be legal, valid and binding.

(vii) The Security or Guarantee (except as permitted in accordance with this Agreement) becomes unenforceable or ineffective.

(b) Subject to Section 3 (*Status of the Deferred Amount*), if there is a Repayment Event, the Deferred Amount (together with accrued and unpaid interest, fees, expenses and other amounts payable pursuant to the terms of this Agreement) shall become due and payable immediately and in each case the Company shall immediately prepay or repay such amounts to the Payor.

(c) Company shall be required to promptly give notice to Payor of an event that with the passage of time or giving of notice will or could become a Repayment Event.

SIGNATURES

Company

NAUTILUS ENERGY TOPCO LLC

By:

Name: Thomas Lefebvre
Title: Authorized Signatory

Address:

c/o I Squared Capital Advisors (US) LLC
410 Park Avenue #830
New York, NY 10022
United States
Attention: General Counsel
Facsimile No.: +1 (212) 339-5390
Email: generalcounsel@isquaredcapital.com

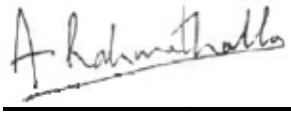
with a copy to:

Norton Rose Fulbright US LLP
1301 Avenue of the Americas
New York, New York 10019
United States
Attention: Charles E. Hord, III, Esq.,
Marwan Azzi, Esq.,
Facsimile: +1 646 710 5353
Email: charles.hord@nortonrosefulbright.com,
marwan.azzi@nortonrosefulbright.com
And

Milbank, Tweed, Hadley & McCloy LLP
28 Liberty Street
New York, NY 10005
United States
Attention: Carlos T. Albarracín, Esq.
Facsimile: +1 212.822.5116
Email: CAlbarracin@milbank.com

Guarantor

ISQ GLOBAL INFRASTRUCTURE FUND II, L.P.

By: 

Name: Adil Rahmathulla
Title: Director

By:

Name: Gautam Bhandari
Title: Director

Address:

c/o I Squared Capital Advisors (US) LLC
410 Park Avenue #830
New York, NY 10022
United States
Attention: General Counsel
Facsimile No.: +1 (212) 339-5390
Email: generalcounsel@isquaredcapital.com

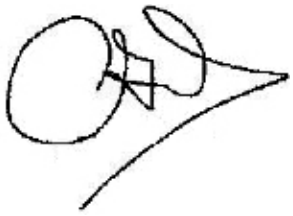
with a copy to:

Norton Rose Fulbright US LLP
1301 Avenue of the Americas
New York, New York 10019
United States
Attention: Charles E. Hord, III, Esq.,
Marwan Azzi, Esq.,
Facsimile: +1 646 710 5353
Email: charles.hord@nortonrosefulbright.com,
marwan.azzi@nortonrosefulbright.com
And

Milbank, Tweed, Hadley & McCloy LLP
28 Liberty Street
New York, NY 10005
United States
Attention: Carlos T. Albarracín, Esq.
Facsimile: +1 212.822.5116
Email: CAlbarracin@milbank.com

Original Payor

INKIA ENERGY LIMITED



By: _____
Name: Alberto Triulzi
Title: CFO

Address: 1 Temasek Avenue #36-01
Millenia Tower
Singapore 039192
Attention: Legal Department, Finance Department
Email: **RobertR@kenon-holdings.com; TzahiG@kenon-holdings.com**

with a copy to:

Inkia Energy Limited
Canon's Court
22 Victoria St.
Hamilton HM12
Bermuda

And

Skadden, Arps, Slate, Meagher & Flom (UK) LLP
40 Bank Street
London E14 5DS
United Kingdom
Attention: Scott V. Simpson, Esq., James A. McDonald, Esq., Pankaj Sinha, Esq.
Fax: +44 **(0)2075197070**
Email: scott.simpson@skadden.com; james.mcdonald@skadden.com; pankj.sinha@skadden.com

Exhibit 4.16

Execution version

AMENDED AND RESTATED PLEDGE AGREEMENT

by and between

KENON HOLDINGS LTD.,

and

NAUTILUS INKIA HOLDINGS LLC

Dated as of February 15, 2018

Execution version

AMENDED AND RESTATED PLEDGE AGREEMENT

THIS AMENDED AND RESTATED PLEDGE AGREEMENT (this "**Pledge Agreement**" or this "**Agreement**") is made on the 15th day of February, 2018 ("**Effective Date**") by and between **KENON HOLDINGS LTD.** (Company Registration Number: 201406588W), a company incorporated in Singapore and having its registered office at 160 Robinson Road, #17-01, Singapore Business Federation Centre, Singapore 068914 ("**Pledgor**"); and **NAUTILUS INKIA HOLDINGS LLC**, a company organized and existing under the laws of Cayman Islands, for itself and on behalf and for the benefit of Nautilus Distribution Holdings LLC ("**Buyer**" and the "**Pledgee**").

Recitals

(A) Pursuant to the Share Purchase Agreement (as defined below), the Pledgee and IC Power Asia Development Ltd. ("**IC Power**"), have entered into a pledge agreement dated 28 December 2017 (the "**Original Pledge Agreement**"), pursuant to which IC Power granted to the Pledgee a first ranking pledge over, inter alia, the Pledged Shares and certain additional assets as further described in the Original Pledge Agreement;

(B) IC Power and the Pledgor have entered into that certain agreement dated December 25, 2017, to transfer, subject to certain conditions, all of its interests in the shares of the Company (as defined below), including the Pledged Shares, to the Pledgor; and

(C) In accordance with section 5.6 of the Original Pledge Agreement, as a condition for the transfer of the shares of the Company to the Pledgor, which is occurring on the date hereof, the Pledgee and IC Power agreed that concurrently with the transfer of the shares of the Company to the Pledgor, the Original Pledge Agreement shall be amended and restated and shall be replaced by this Amended and Restated Pledge Agreement, pursuant to which the Pledgor hereby, as security for the Secured Obligations, creates in favour of the Pledgee, a first-ranking fixed pledge over the Pledged Assets, in accordance with the terms of this Pledge Agreement and, upon execution thereof, IC Power shall be released from its obligations as pledgor under and in connection with the Original Pledge Agreement (save for obligations which survive termination of the Original Pledge Agreement as explicitly provided in the Undertaking and Consent (as defined below)).

Now, therefore, it is hereby agreed between the parties as follows:

1. **Definitions and Interpretation**

1.1 Capitalized terms used and not otherwise defined in this Agreement have the meanings given to them in the Share Purchase Agreement.

1.2 Capitalized terms referred to in this Agreement will have the following meaning:

ACRA	Accounting and Corporate Regulatory Authority of Singapore.
Applicable Account	as set forth in clause 5.3 of this Pledge Agreement.
Business Day	as defined in the Share Purchase Agreement (which such day shall also be a day in which banks are open for general business in Singapore).
Buyer	Nautilus Inkia Holdings LLC and its permitted assignees and transferees under the Share Purchase Agreement.

Company	OPC Energy Ltd. (Israeli registration number: 51-440170-2), an Israeli company whose shares are traded on the TASE, having its registered office at 19 Ha'arbaa Street, Tel Aviv, Israel.
Companies Law	Israeli Companies Law, 1999.
Company Share	Ordinary Shares, nominal value NIS 0.01 each, of the Company.
Dividend Cap	fifty percent (50%) of the cumulative net income of the Company (determined as of the date of the most recent regularly prepared income statement of the Company preceding the date the dividend is paid to the Applicable Account), on a per Company Share basis with respect to each of the Pledged Shares for the period commencing January 1, 2017 through and including the date of that income statement.
Dividend Reference Period	each of (i) the period commencing November 24, 2017 and ending 365 calendar days after that day (the "**First Dividend Reference Period**"); (ii) the period commencing on the first calendar day following the last day of the First Dividend Reference Period and ending 365 calendar days after that day (the "**Second Dividend Reference Period**"); and (iii) the period commencing on the first calendar day following the last day of the Second Dividend Reference Period and ending upon the Release Date (the "**Third Dividend Reference Period**"), in each case, individually or collectively as the context requires.
Guarantee Law	Israeli Guarantee Law, 1967.
Enforcement Event	the exercise by the Pledgee of any of its rights as set forth in clause 12 of this Pledge Agreement.
Event of Default	the occurrence of any event, condition or circumstance that constitutes an "Event of Default" under this Pledge Agreement.
Excluded Event of Default	an Event of Default referred to in any of the following clauses: 11.1, 11.2 (solely for a breach of clause 9.6 in circumstances which the Pledgor has knowledge of on the date hereof), 11.5 (solely with respect to voluntary bankruptcy or dissolution not as part of a Restructuring) and 11.6.

Lockup	as defined in clause 9.5 of this Pledge Agreement.
Original Effective Date	December 28, 2017.
Original Pledge Agreement	as defined in the preamble.
Original Pledged Account	a bank account opened and maintained in accordance with clause 3.1.4 of the Original Pledge Agreement.
Original Pledgor	the pledgor under the Original Pledge Agreement.
Pledged Account	the bank account to be opened and maintained by the Pledgor in accordance with clause 3.1.4 and pledged under the terms of this Pledge Agreement, details of which to be added in **Schedule 1**.
Pledged Account Bank	The bank (including any TASE Member) in which the Pledged Account will be held.
Pledged Assets	as defined in clause 3.1 of the Pledge Agreement.
Pledged Cash	any cash pledged pursuant to this Agreement, including any Initially Pledged Cash.
Pledged Shares	32,971,680 Company Shares held for the benefit of the Pledgor by the Trustee in accordance with the Trust Agreement in a segregate Trust Account, constituting as of the Effective Date 25% of the outstanding shares of the Company, such amount of shares to be (i) reduced by any Company Shares sold (the **"Company Shares Sold"**) by Pledgor prior to the date of this Agreement, provided that an amount of cash is pledged as Pledged Assets equal to the number of Company Shares Sold multiplied by NIS 14.105 (the **"Initially Pledged Cash"**) (ii) adjusted to take into account any share split, reverse share split, reclassification or any similar event with respect to the Pledged Shares. The aforementioned amount of Pledged Shares will be reduced following interim release of the Pledged Shares in accordance with clause 4 of this Pledge Agreement and/or following the release of the Pledged Shares pursuant to clause 6 of this Pledge Agreement. Pledged Shares shall include any Company Shares pledged pursuant to Clause 4 or 5.5 of this Agreement.
Pledges Law	Israeli Pledges Law, 1967.

Receiver	any receiver, receiver and manager, manager, administrator or bailee appointed on the application of the Pledgee by a court of law or any other duly authorised legal or administrative authority, in connection with this Pledge Agreement or the Pledged Assets, including where such appointment is made on a temporary basis.
Release Date	the earlier of: (i) the third (3rd) anniversary date of the Closing of the Share Purchase Agreement, unless upon such date any unresolved indemnity claim(s) under the Share Purchase Agreement is outstanding, whereupon this Pledge Agreement and the pledges created hereunder in favour of the Pledgor will continue to apply but only with respect to the Extended Assets (as defined below) in accordance with the provisions of clause 6 of this Pledge Agreement; (ii) the date all Pledged Shares (including all proceeds received from the sale of Pledged Shares in accordance with clause 5.5 below) have been released from the pledge in accordance with clause 4 of this Pledge Agreement.
Restructuring	as defined in clause 5.6.
Secured Obligations	(i) all indemnification claims by the Pledgee or by any Buyer Indemnitees that are Finally Determined as defined in and in accordance with the Share Purchase Agreement and have not been paid to Buyer *less* (a) the net proceeds from the realisation of the Pledged Assets that have been set-off by Buyer under clause 10.10 of the Share Purchase Agreement (if permissible thereunder), or (b) amounts actually paid to Buyer as indemnification claims under Article X of the Share Purchase Agreement); (ii) all obligations of the Pledgor under this Pledge Agreement (including any rights to remedies of the Pledgee upon an Event of Default or any breach by the Pledgor of a representation, warranty covenant, agreement or condition contained herein); and (iii) any preservation and foreclosure costs and expenses incurred by the Pledgee (including costs and expenses in connection with an Enforcement Event, lawyers' fees and costs of any Receiver), in each case of (i)-(iii), unlimited in amount.
Sellers	Inkia Energy Limited and IC Power Distribution Holdings, Pte. Ltd.
Share Purchase Agreement	Share Purchase Agreement, dated as of November 24, 2017, by and among, inter alia, Inkia Energy Limited, IC Power Distribution Holdings, Pte. Ltd., and the Pledgee.

TASE	Tel Aviv Stock Exchange.
Tel Aviv Business Day	a day (other than a Saturday) on which banks are open for general business in Israel.
Term Sheet	the term sheet attached to the Share Purchase Agreement as Exhibit D.
Trading Day	a full day on which trading in the Company Shares is conducted on TASE.
Trustee	Hermetic Trust (1975) Ltd. (Israeli Registration Number: 51-070519-7), having its registered office at 113 Ha'yarkon Street, Tel Aviv, Israel, or any assignee thereof in accordance with the Trust Agreement as part of Restructuring, or as otherwise permitted hereunder.
Trust Account	the bank account maintained by the Trustee in which the Pledged Shares are held by the Trustee in accordance with the Trust Agreement and the Trustee Notice and Irrevocable Instructions (as provided under clause 3.2.3 below) until the transfer thereof to the Pledged Account, details of which as set forth in **Schedule 2**.
Trust Account Bank	Bank Leumi Le'Israel Ltd.
Trust Agreement	the Trust Agreement dated August 2017, by and among the Company and the Trustee, pursuant to which the Company appointed the Trustee to hold in trust for the benefit of the Pledgor 100,000,021 Company Shares, as amended.
Undertaking and Consent	The Undertaking and Consent of IC Power annexed to this Pledge Agreement.
VWAP	the volume weighed average price, per share, of the Company Shares, for the Trading Day period indicated.
VWAP Value	the fair market value of the Company shares based on the VWAP per Company Share over a 30 Trading Day period prior to such applicable time.

1.3 To the extent that the Pledgor or any other person acting on behalf of the Pledgor makes a payment or payments to the Pledgee on account of the Secured Obligations, or the Pledgee enforces any security given or made as security interest in respect of the Secured Obligations, and such payment or payments or the proceeds of such enforcement or any part thereof are subsequently avoided or set aside, declared to be fraudulent or preferential or required to be repaid or refunded or reduced by virtue of any applicable law relating to bankruptcy, insolvency, administration, receivership, liquidation or similar proceedings, including in case any Restructuring made pursuant to clause 5.6 is declared to be fraudulent or preferential, the Secured Obligations or any part thereof originally intended to be satisfied and this Pledge Agreement and all pledges, rights and remedies hereunder shall be revived and continued in full force and effect as if such payment or payments had not been made or such enforcement or set-off had not occurred.

1.4 Reserved.

1.5 Unless the context otherwise requires or unless otherwise defined in this Pledge Agreement, words and expressions defined in the Share Purchase Agreement have the same meanings when used in this Pledge Agreement.

1.6 In this Pledge Agreement, unless the context otherwise requires:

1.6.1 "**including**" and "**includes**" means, including, without limiting the generality of any description preceding such terms.

1.6.2 words in the singular include the plural and words in the plural include the singular.

1.6.3 "**person**" includes any natural person, firm, company, 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.

1.6.4 "**securities**" includes: (a) shares or voting securities or ownership interests in such entity; (b) securities of that entity convertible into or exchangeable for shares or voting securities or ownership interests in such entity; (c) options, warrants, rights or other agreements or commitments to acquire from that entity, or obligations of that entity to issue, any shares or voting securities or other ownership interests in (or securities convertible into or exchangeable for shares or voting securities or other ownership interests in) that entity; (d) obligations of that entity to grant, extend or enter into any subscription, warrant, right, convertible or exchangeable security or other similar agreement or commitment relating to the issuance of any shares, voting securities or other ownership interests in that entity; (e) deposit receipts or certificates representing, directly or indirectly, any of the foregoing; and (f) any other type of security, as such term is defined in the Israeli Securities Law, 1968.

1.6.5 A reference to any agreement or other instrument shall include any amendment of such agreement or instrument from time to time in accordance with the terms hereof and thereof.

1.6.6 A reference to any legislation, to any provision of any legislation or to any regulation issued thereunder shall include any amendment thereto, any modification or re-enactment thereof, any legislative provision or regulation substituted therefor and all regulations and statutory instruments issued thereunder or pursuant thereto.

1.7 The headings in this Pledge Agreement shall not affect the interpretation of this Pledge Agreement.

1.8 Any consent, agreement or approval required from the Pledgee under this Pledge Agreement must be obtained in writing and shall be of no effect if it is not in writing.

2. **Covenant to Pay and Perform**

The Pledgor hereby covenants towards the Pledgee that it will duly and punctually pay and discharge the Secured Obligations as and when and if they become due under the Share Purchase Agreement and/or under this Pledge Agreement.

3. **Pledge**

3.1 The Pledgor, as a continuing security for the full and punctual payment or performance when and if due of the Secured Obligations, hereby absolutely and unconditionally charges and pledges in favour of the Pledgee, by way of first ranking fixed pledge and assigns to and in favour of the Pledgee, by way of first ranking fixed charge and pledge the following assets (the "**Pledged Assets**"):

3.1.1 all right, title and interest of the Pledgor in and to the Pledged Shares, including all distributions (as such term is defined in the Companies Law) and bonus shares distributed and issued in relation thereto, including all dividends, collections, income or otherwise arising from or out of the Pledged Shares, moneys paid or payable in relation thereto (including all liquidation proceeds, redemption proceeds and repaid capital in case of a capital decrease) and all shares, warrants, securities, rights, moneys or property accruing or offered at any time in relation to any or all of the Pledged Shares by way of redemption, substitution, exchange, bonus, pursuant to option rights or otherwise ("**Related Rights**"), and all rights of the Pledgor as a shareholder of the Company, whether under Law and/or under the organizational documents of the Company which derive from the Pledged Shares or any Related Rights ;

3.1.2 all rights of the Pledgor as a beneficiary in the Trust Account and rights of the Pledgor as a beneficiary in all securities, moneys, credit balances, securities, documents, instruments and other assets, now or at any time deposited in the Trust Account and any investments part of, credited to or in connection with the Trust Account and all interest, dividends and other income derived thereon or therefrom, certificates and instruments and all assets received, receivable or otherwise distributed in respect of such Trust Account and such investments;

3.1.3 all rights of the Pledgor as a beneficiary under the Trust Agreement, in respect of and to the extent applicable to the Pledged Shares;

3.1.4 all rights of the Pledgor in and to the Pledged Account and all securities, moneys, credit balances, securities, documents, instruments and other assets, deposited in the Pledged Account at any time, and any investments part of, credited to or in connection with the Pledged Account and all interest, dividends and other income derived thereon or therefrom, certificates and instruments and all assets received, receivable or otherwise distributed in respect of such Pledged Account and such investments. With respect to the Pledged Account, it is hereby agreed as follows:

3.1.4.1 Within no later than the date hereof, the Pledgor undertakes to open the Pledged Account and to provide the Pledgee with: (i) a confirmation from the Pledged Account Bank, substantially in the form attached hereto as **Exhibit A** or in other form reasonably satisfactory to the Pledgee, and (ii) an executed trust agreement with respect to the signatory rights in the Pledged Account (which such agreement shall be counter-signed by the Pledgee), substantially in the form attached hereto as **Exhibit B** or in other form reasonably satisfactory to the Pledgee; and

3.1.4.2 Within no later than the date hereof, the Pledgor shall execute and/or deliver to the Pledgee an amendment of, or supplement to, this Pledge Agreement in order to create a first ranking fixed pledge over the Pledged Account and to execute and deliver to the Pledgee all notices of pledge and other documents required to be registered with the Israeli Registrar of Pledges and the ACRA in order to register the pledge created over the Pledged Accountwithin its statutorily prescribed deadlines (if applicable). For the avoidance of doubt, any failure to deliver any additional and/or new pledge or amendment of, or supplement to, this Pledge Agreement or any notices of pledge and other documents required to be filed or registered with the Israeli Registrar of Pledges and the ACRA shall not derogate from any of the rights or pledges created hereunder and the Pledged Account shall be subject to this Pledge Agreement even if no new pledge or amendment of, or supplement to, this Agreement have been executed or no notices of pledge and other documents required to be filed or registered with the Israeli Registrar of Pledges and the ACRA have been filed or registered. The Pledgor hereby irrevocably appoints the Pledgee, to be its attorney acting severally, for purposes of filing and registering or otherwise perfecting the security interest granted over the Pledged Account, in its name and on its behalf, and the Pledgor hereby ratifies, confirms and agrees to ratify and confirm all such acts or things made, done or executed under such authority; and

3.1.5 any Pledged Cash.

and, to the extent not included in the foregoing, any and all proceeds, products and benefits deriving from such pledged assets, including those received upon any collection, exchange, sale or other disposition of such pledged assets and any property into which such pledged assets are converted, whether cash or non-cash.

For the avoidance of doubt, the Pledgor shall be entitled to participate in a rights offering of the Company's securities, including on account of the Pledged Shares, and in such event the Pledged Assets shall not include any additional securities and rights related thereto purchased by the Pledgor in such rights offering.

3.2 In order to secure the rights of the Pledgee in respect of the Pledged Assets, the Pledgor hereby undertakes and confirms as follows:

3.2.1 it has furnished to the Pledgee certified corporate approvals of the Pledgor approving the execution, delivery and performance of all obligations under this Pledge Agreement;

3.2.2 it has furnished to the Pledgee a legal opinion from a reputable local counsel (in Pledgor's jurisdiction) in a form reasonably acceptable to the Pledgee;

3.2.3 it has provided the Trustee, a notice and irrevocable instructions in the form attached hereto as **Exhibit C** ("**Trustee Notice and Irrevocable Instructions**"), and has provided the Pledgee, on the Effective Date, a countersigned acknowledgment thereof by the Trustee, and the Pledgee undertakes to execute and deliver to the Pledgor evidence of executing the confirmation to the Trustee Notice and Irrevocable Instructions promptly upon receipt thereof countersigned by the Trustee. Without derogating from any of the instructions under the Trustee Notice and Irrevocable Instructions, it is hereby clarified that the Pledgor shall not instruct the Trustee to transfer any Pledged Shares, Related Rights and/or Pledged Cash from the Trust Account (except in case of sale or release of Pledged Shares and/or Pledged Cash which is permitted hereunder), until the Pledgee confirms in writing to the Trustee that Pledged Account has been opened and pledged in accordance with this Pledge Agreement;

3.2.4 it has provided a signed acknowledgement from the Trust Account Bank, substantially in the form attached hereto as **Exhibit D** or in other form satisfactory to the Pledgee;

3.2.5 it has duly signed and delivered to the Pledgee all such documents required under applicable law for the purpose of registering the pledges hereby created with the Israeli Registrar of Pledges, including an original form of Notice to the Pledges Registrar (Form #1) and has furnished to the Pledgee evidence of registration of the pledges created hereunder with the Israeli Pledges Registrar; and

3.2.6 it has duly signed and delivered to the Pledgee all such documents required under Singapore law for the purpose of registering the pledges hereby created with the ACRA and has furnished to the Pledgee evidence of its filing with the ACRA (provided that if it is not possible to file with ACRA on the date hereof due to technical failure related to ACRA, the Pledgor shall furnish to the Pledgee such evidence of filing on the first succeeding day in which it is possible to file with ACRA).

3.3 Following request of the Pledgee, the Pledgor shall take all action (including any perfection and/or registration actions) as the Pledgee may reasonably require (at the Pledgor's own cost and expense) so that the pledges created hereunder or pursuant hereto shall be valid, binding and perfected against other creditors (including those claiming to be creditors) of the Pledgor.

3.4 Upon any share split, reverse share split, reclassification of the Pledged Shares or any other similar event, Pledgor will execute, promptly following such event, a pledge in the same form, *mutatis mutandis*, as this Pledge Agreement in respect of such additional shares or other securities, as the case may be, and take all action (including any perfection and/or registration actions) as the Pledgee may reasonably require (at the Pledgor's own cost and expense) so that such new pledges created hereunder or pursuant hereto shall be valid, binding and perfected against other creditors (including those claiming to be creditors) of the Pledgor. Any failure to deliver any additional and/or new pledge or Pledges shall not derogate from any of the rights or pledges granted hereunder. Upon any reverse share split or any other similar event, Pledged Shares shall be released as appropriate such that the portion of the Pledged Shares as a percentage of the total outstanding shares of the Company is the same as it was prior to such reverse share split or similar event.

4. **Interim Release of the Pledged Shares; Substitution of Collateral**

Upon payment of indemnity claims to Pledgee (or the other Buyer Indemnitees) in accordance with the Share Purchase Agreement, the amount of Pledged Shares, Pledged Cash and proceeds received by the Pledgor following the sale of Pledged Shares and deposited in the Applicable Account in accordance with clause 5.5 below (for purposes of this clause, "**Proceeds**") shall be reduced and Pledged Shares and Pledged Cash (including Proceeds) shall be released from the pledge created hereunder solely to the extent of such indemnity payments, provided that: (i) first, will be released Pledged Cash (if any); and (ii) second, will be released Pledged Shares, with such amount of Pledged Shares being released to be calculated in accordance with the VWAP Value prior to the release; and necessary documents shall be executed by the parties in connection with such release from the pledge, as soon as reasonably practicable thereafter.

Pledgor may at any time release from this Pledge any cash that is pledged (either held in the Trust Account Bank or in the Pledged Account) by replacing such cash with a pledge of Company Shares equal to amount of cash released divided by the lower of (i) VWAP Value as of the Trading Day prior to the pledge and (ii) NIS 14.105; and necessary documents shall be executed by the parties in connection with such release from the pledge, as soon as reasonably practicable thereafter. Pledgor will give 3 Business Days' notice of such a release and pledge.

5. **Rights of the Pledgor**

5.1 The Pledgor shall retain voting rights with respect to the Pledged Shares, unless an Event of Default shall have occurred and be continuing, and subject to all limitations and restrictions under applicable law.

5.2 In the event the Company approves distributions (as the term "distributions" is defined in the Companies Law), including distributions of dividends, the proceeds of such distributions with respect to the Pledged Shares will be transferred to the Trust Account (and following transfer of Pledged Shares by the Trustee to the Pledged Account - to the Pledged Account, with respect to the any Pledged Shares so transferred).

5.3 Unless an Event of Default shall have occurred and be continuing, and subject to applicable law, the Pledgor shall have the right to draw from the Trust Account (and following transfer of Pledged Shares by the Trustee to the Pledged Account - from the Pledged Account, with respect to the any Pledged Shares so transferred) (the "**Applicable Account**") dividends paid in cash (only) on any Pledged Shares in an aggregate amount (in NIS) equal to an amount (in NIS), determined for any Dividend Reference Period, that does not exceed the following amounts:

5.3.1 In the case of the First Dividend Reference Period, either (i) NIS 0, if VWAP Value preceding the date of the drawing from the Applicable Account does not exceed NIS 14.457726, or if otherwise (ii) an amount, not to exceed the Dividend Cap, equal to the excess of (1) cumulative cash dividends paid to the Applicable Account since the Original Effective Date, over (2) the cumulative amounts withdrawn from the Applicable Account since the Original Effective Date, excluding in each case amounts referred to in clause 5.4 of this Pledge Agreement.

5.3.2 In the case of the Second Dividend Reference Period, either (i) NIS 0, if VWAP Value preceding the date of the drawing from the Applicable Account does not exceed NIS 14.824459, or if otherwise (ii) an amount, not to exceed the Dividend Cap, equal to the excess of (1) cumulative cash dividends paid to the Applicable Account since the Original Effective Date, over (2) the cumulative amounts withdrawn from the Applicable Account since the Original Effective Date, excluding in each case amounts referred to in clause 5.4 of this Pledge Agreement.

5.3.3 In the case of the Third Dividend Reference Period, and thereafter, either (i) NIS 0, if VWAP Value preceding the date of the drawing from the Applicable Account does not exceed NIS 15.177086, or if otherwise (ii) an amount, not to exceed the Dividend Cap, equal to the excess of (1) cumulative cash dividends paid to the Applicable Account since the Original Effective Date, over (2) the cumulative amounts withdrawn from the Applicable Account since the Original Effective Date, excluding in each case amounts referred to in clause 5.4 of this Pledge Agreement.

5.4 In addition to the right to draw dividends pursuant to clause 5.3 above, provided that the Original Pledgor has not exercised its right to draw dividends under clause 5.4 of the Original Pledge Agreement, on one occasion during the term of this Agreement, and unless an Event of Default shall have occurred and be continuing, the Pledgor shall be entitled to receive and draw from the Applicable Account its pro rata share of dividends of up to the NIS equivalent (determined on the basis of the NIS/USD exchange rate quoted by Central Bank of Israel on the Tel Aviv Business Day immediately preceding the date of payment of the dividend) of USD 25 million paid by the Company in respect of all Pledged Shares. *By way of example only*, if the Company makes a distribution of US$ 50 million following the Original Effective Date, Pledgor shall be entitled to draw from the Applicable Account on account of such Pledged Shares US$ 6.25 million.

5.5 Unless an Event of Default shall have occurred and be continuing, the Pledgor may make sales of the Pledged Shares on arms' length terms in cash at market prices or at customary discounts to market prices for such sales (such discounts not to exceed 5% of market price, based on customary VWAP for such a sale on the TASE), provided that: (a) an amount of cash equal to the number of Pledged Shares sold multiplied by NIS 14.105 will be deposited directly into the Applicable Account and invested in bonds of the Israeli government or be deposited in an interest bearing deposit account in the Applicable Account bank; and (b) the Pledgor provides reasonable information regarding the sale to the Pledgee, including the sale documentation to demonstrate compliance with sub clause (a) above, three (3) Business Days prior to such sale.

5.6 Unless (i) an Event of Default under clause 11.6 or 11.5 (solely with respect to voluntary bankruptcy or dissolution not as part of Restructuring) shall have occurred or (ii) following the lapse of 90 days following the Original Effective Date, an Excluded Event of Default shall have occurred and be continuing, Pledgor shall be entitled to transfer the Pledged Assets as part of group restructuring, to an Affiliate of Kenon organized under the laws of Singapore or Israel ("**Restructuring**"), provided that (a) such transfer is made as part of a transfer of the entire share capital of the Company held by the Pledgor to such Affiliate; (b) the transferee and the Pledgor shall represent to the Pledgee that the transfer is made for adequate consideration; and (c) as a condition for such Restructuring, such transferee will be required to: (i) pledge the Pledged Shares under an amended and restated pledge agreement, with an Affiliate of Kenon organized under the laws of Singapore or Israel as successor pledgor, in substantially the same terms as this Pledge Agreement, subject to applicable changes, including, for the sake of clarity, to reflect requirements under any other applicable laws and customary documentation practices, to the extent applicable ("**Amended Pledge Agreement**") and execute and deliver such other documentation as may be required under the laws of Israel or Singapore to register and perfect, as applicable, the security over the Pledged Assets, including registration of the pledge with the Israeli Register of Pledges or Registrar of Companies, and the Parties agree to promptly execute all documents required in connection with such Amended Pledge Agreement and such other documents; (ii) furnish to the Pledgee copies of all regulatory and third party approvals required by the pledgor (under the Amended Pledge Agreement) to execute and perform the Amended Pledge Agreement (if there are any) or otherwise represent (without any qualifications (other than qualifications explicitly provided hereunder, if any)) that no such regulatory and third party approvals are required and (iii) if the transferee is organized under the laws of Singapore or Israel, at the transferee's own cost and expense, take all perfection and/or registration action under the laws of Singapore or the laws of Israel as the Pledgee may reasonably require (including any filing with the ACRA) for the purpose of registering the Amended Pledge Agreement and perfection of the pledges thereby created within the required time periods, and the transferee shall furnish to the Pledgee evidence of all such actions and registration. Notwithstanding anything to the contrary herein, in connection with Restructuring, the Pledgor may initiate and promote voluntary winding-up of the Pledgor, provided that such winding-up shall not be completed earlier than 12 months following the execution of a pledge agreement in accordance with sub-clause (c) above. It is agreed, that simultaneously with, or immediately prior to, the execution of the Amended Pledge Agreement and the due filing and registration of all pledges created thereunder, this Pledge Agreement and all instructions provided in accordance to this Pledge Agreement shall terminate (with the exception of clause 6.2 below).

6. **Release of the Pledge Shares**

6.1 Following the third (3rd) anniversary date of the Closing of the Share Purchase Agreement, the Pledged Assets will be released in full from the pledge created hereby, provided that, to the extent on such date, there are any remaining Pledged Assets which were not released in accordance with clause 4 of this Pledge agreement (which such remaining Pledged Assets shall be defined as the "**Remaining Pledged Assets**"), and if there are unresolved claims for indemnity made by the Buyer under the Share Purchase Agreement, the pledges created under this Pledge Agreement will continue to apply for Pledged Assets not to exceed the Remaining Pledged Assets sufficient (in the case of Pledged Shares, based on a the VWAP Value per Company Share on the third (3rd) anniversary date of the Closing of the Share Purchase Agreement) (the "**Extended Assets**") to cover an amount determined by the Pledgor and the Pledgee together, each acting in good faith (or should the Pledgor and Pledgee be unable to agree, a third party evaluator; and in the absence of agreement on a third party evaluator, PwC shall act as third party evaluator or appoint a third party evaluator) equal to the sum, of (a) a reasonable estimate of the amount ultimately payable on an unresolved claim (including interest and penalties) to be paid under the Share Purchase Agreement, *plus* (b) a reasonable estimate of the amount of costs and expenses that are expected to be incurred to resolve the claim in accordance with the Share Purchase Agreement, *plus* (c) 10% of the aggregate of sub clauses (a) and (b) (together, the "**Reserve Amount**"); provided that (x) to the extent that such unresolved indemnity claims which results in an extension of the pledges created hereunder in a claim amount actually paid exceeding 110% of the Reserve Amount (for the avoidance of doubt being the value of the Extended Assets when the Reserve Amount is initially calculated), the Pledgor shall pay to the Pledgee interest in cash at a rate of 4% per annum on the difference between the amount paid and 110% of the Reserve Amount from the third anniversary date of the Closing of the Share Purchase Agreement until such payment, and (y) to the extent that such unresolved indemnity claims which in an extension of the pledges created hereunder results in a claim amount actually paid is less than 90% of the Reserve Amount (for the avoidance of doubt being the value of the relevant Extended Assets when the Reserve Amount is initially calculated), the Pledgee shall pay to the Pledgor interest in cash at a rate of 4% per annum on the difference between the amount paid and 90% of the Reserve Amount from the third anniversary date of the Closing of the Share Purchase Agreement until the Extended Assets are released from escrow.

Any Extended Assets shall be released from the pledge following final settlement of any claims as described above.

6.2 Upon the Release Date or termination of this Pledge Agreement in accordance with clause 5.6 above, as soon as reasonably practicable thereafter and at the request and cost of the Pledgor, the Pledgee shall execute all such documents and do all such other things which are reasonably required or otherwise reasonably requested by the Pledgor in order to release or otherwise discharge the pledges, instructions given to any third party, trust agreements, and security rights of the Pledgee created hereunder (other than, for the sake of clarity, Extended Assets, if any), including by means of a written release and discharge, except that (i) any such absolute and unconditional release or discharge shall be subject to clause 1.3 of this Pledge Agreement (Avoidance of Payments), and (ii) in case of any termination of this Pledge Agreement in accordance with clause 5.6 above, in compliance with that clause.

7. **Continuing Security**

7.1 The pledges created by this Pledge Agreement shall remain in force as continuing security for the payment and discharge of the Secured Obligations and shall remain in force notwithstanding any settlement of account or any other act, event or matter whatsoever, and, subject to clause 1.3 (Avoidance of Payments), shall be released and discharged only in accordance with this Pledge Agreement or upon the Release Date or as otherwise agreed between the parties in writing.

7.2 The securities created and the powers conferred by this Pledge Agreement are in addition to, and are not in any way prejudiced by the Share Purchase Agreement or any other documents or agreement ancillary thereto.

7.3 The Pledgee will not be bound to enforce any of the other liens or collateral before enforcing the pledges created by this Pledge Agreement.

8. **Liability of the Pledgor; Security Interest Absolute**

8.1 The Pledgor is a principal debtor and the Pledged Assets are a principal security for the Secured Obligations and, without prejudice to the foregoing, except as provided under clause 12.6, none of the rights of the Pledgee, the Buyer under the Share Purchase Agreement (or any other document or agreement ancillary thereto), or the pledges created hereunder, or the liabilities or obligations of the Pledgor shall be impaired or discharged by (without limitation):

8.1.1 the Pledgee or the Buyer releasing any of the Pledged Assets (except pursuant to clauses 4 and 6 above or as otherwise agreed between the parties in writing), or granting any time or any indulgence whatsoever or making of any settlement, composition or arrangement with any person;

8.1.2 the Pledgee or the Buyer asserting or pursuing, failing or neglecting to assert or pursue, or delaying in asserting or pursuing, or waiving, any of their respective rights or remedies (arising under or by virtue of this Pledge Agreement, the Share Purchase Agreement or otherwise) against any person;

8.1.3 the Pledgee making any variation, amendment or supplement to this Pledge Agreement, the Share Purchase Agreement (or any other document or agreement ancillary thereto) or any other document or instrument from time to time entered into between the Pledgor or any other person and the Pledgee and/or the Buyer (except to the extent specifically provided by such variation, amendment or supplement);

8.1.4 any change in the time, manner, place of payment or any other term or condition of the Secured Obligations, or any other amendment or waiver of any obligation or warranty under the Share Purchase Agreement (except to the extent specifically provided by such change, amendment or waiver);

8.1.5 the non-perfection of any security or any release, waiver or amendment from any guaranty for all or part of the Secured Obligations (except to the extent specifically provided by such release, waiver or amendment);

8.1.6 any lack of validity or enforceability of any or all of the Secured Obligations, any security therefor, the Pledged Assets or any agreement or document relating thereto; or

8.1.7 to the fullest extent permitted by applicable law, any other circumstance that could otherwise constitute a defence to or discharge of the Pledgor or any third party, other than the payment and performance in full of the Secured Obligations.

8.2 Notwithstanding anything to the contrary contained in this Pledge Agreement, subject to Clause 12.6, the Pledgor 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 neither the Pledgee, nor the Buyer nor the Receiver will be under any obligation or liability with respect to the Secured Obligations or the Pledged Assets by reason of or arising out of this Pledge Agreement. Subject to applicable law and the procedures required to make indemnity claims under Article X of the Share Purchase Agreement, neither Pledgee, nor the Buyer nor the Receiver will be required in any manner to perform or fulfil any of the obligations of the Pledgor 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.

9. **Representations and Warranties**

The Pledgor makes the following representations and warranties set out in this clause 9 as of the date of this Agreement and acknowledges that the Pledgee has become a party to this Pledge Agreement in reliance on these representations and warranties.

9.1 The Pledgor is a limited liability company, duly incorporated and validly existing under the laws of Singapore.

9.2 Pledgor has the requisite power and authority and the legal right to execute, deliver and perform this Agreement, including to create the pledge on the Pledged Assets pursuant to this Agreement, and has taken all necessary action to authorize its execution, delivery and performance of this Agreement.

9.3 The obligations of Pledgor hereunder are legal, valid and binding obligations and are enforceable in accordance with the terms hereof and, upon completion of proper registration with the Israeli Registrar of Pledges and the proper registration with the ACRA, this Pledge Agreement creates the first priority security which it purports to create and such security is valid, effective and enforceable.

9.4 Neither the execution and delivery of this Pledge Agreement or the other agreements and documents contemplated hereby to be executed and delivered by Pledgor, nor the performance or compliance with any of the provisions hereof or thereof, does or will (i) conflict with or result in a breach of any provisions of the constitutional documents of Pledgor, (ii) constitute or result in any default under any of its contracts, (iii) result in the creation or imposition of a lien upon any property or assets of Pledgor (other than the pledge contemplated by this Pledge Agreement), or (iv) violate any consent, permit, order or law applicable to Pledgor, the Pledged Assets or any of its other material properties, assets or businesses.

9.5 All authorisations, filings and notices, including regulatory and other third party approvals, consents and notices required by the Pledgor to execute and perform this Pledge Agreement (it being understood that (i) the Pledged Shares (and other Company shares owned by the Pledgor) are subject to an 18 month post-IPO tipping lock up period pursuant to TASE rules and held in trust by the Trustee ("**Lockup**"); and (ii) the transfer of the Pledged Shares to a buyer(s) as part of foreclosure proceedings of this Agreement may be subject to obtaining the approval of the Israeli Electricity Authority), have been obtained and are in full force and effect, except for the due filing and registration of the pledge with the Israeli Registrar of Pledges and the due filing and registration with the ACRA, which such filing shall occur in accordance with clauses 3.2.5 and 3.2.6 of this Pledge Agreement (respectively).

9.6 No corporate action, legal proceedings or other procedure or step in relation to: (a) the suspension of payments, a moratorium of any indebtedness, winding-up, judicial management, dissolution, administration, adjudication of bankruptcy, voluntary dissolution (except as part of Restructuring in accordance with clause 5.6 of this Pledge Agreement); (b) a compromise, assignment or arrangement with one or more of its creditors with a view to rescheduling any of its indebtedness on account of inability to repay such indebtedness; (c) the appointment of a liquidator (except as part of Restructuring), judicial manager, receiver, administrative receiver, administrator, compulsory manager or other similar officer; or (d) enforcement of any collateral over any of its assets or any analogous procedure or step has been taken in respect of the Pledgor.

9.7 The Pledged Shares have been duly and validly granted and issued in accordance with Company's constitutional documents and the Pledgor is the record and beneficial owner of the Pledged Shares, subject to Lockup. The Pledged Shares constitute as of the Effective Date 25% of the outstanding shares of the Company.

9.8 Except as provided in this Pledge Agreement, and subject to the Pledged Shares being held in trust by the Trustee, the Pledgor is the sole, absolute, legal and beneficial owner of the Pledged Assets.

9.9 The Pledged Assets are not charged, pledged or attached in favour of any other persons or parties other than the pledge created by this Pledge Agreement and no legal or other proceedings have been taken with respect to the Pledged Assets.

9.10 Subject to the Lockup: (a) the Pledgor has not assigned, transferred or otherwise disposed of the Pledged Assets (or its right, title and interest to or in the Pledged Assets), either in whole or in part or agreed to do so; and (b) subject to the exceptions provided under clause 9.5 above, no restriction or condition of law or any agreement exists or applies to the ability of the Pledgor to pledge or to transfer the Pledged Assets.

9.11 Subject to certain priorities mandated under applicable law, the pledges created under this Pledge Agreement are not liable to be avoided or otherwise set aside on the liquidation of the Pledgor or otherwise.

9.12 The Pledgor, both before and after giving effect to the pledge of the Pledge Assets, is Solvent (as such term is defined in the Share Purchase Agreement).

9.13 The transfer of the Pledged Shares to the Pledgor from the Original Pledgor was made for adequate consideration.

9.14 The Pledgor acknowledges and agrees that the representations and warranties set forth in clauses 9.1, 9.3 and 9.8 in this Pledge Agreement shall be deemed to be repeated on each day during the subsistence of this Pledge Agreement by reference to the facts and circumstances then existing.

10. **Undertakings by the Pledgor**

The Pledgor hereby undertakes to the Pledgee as follows:

10.1 Within a reasonable period of time to use Commercially Reasonable Efforts to supply the Pledgee with such information regarding the Pledged Assets as the Pledgee may reasonably request in writing from time to time and to use Commercially Reasonable Efforts to provide the Pledgee with reasonable record inspection rights with respect to the accounting books of the Company.

10.2 To use Commercially Reasonable Efforts to permit at least one visit of a representative of the Pledgee and consultation with the management of the Company each year.

10.3 Not to create or permit to subsist in any manner, any pledge, charge or other security (of whatsoever nature and howsoever ranking) in respect of or any other right or interest in favour of any third party in relation to all or any part of the Pledged Assets (save for security created hereunder or with respect to the Lockup).

10.4 Not to sell, assign, dispose of or otherwise transfer all or any part of the Pledged Assets to any third party, except as permitted under clause 5.5 and/or clause 5.6 of this Pledge Agreement or as set forth in clause 10.5 below.

10.5 Upon the occurrence of an Event of Default which is continuing, the Pledgor will not permit any sales, pledges or other dispositions of any shares of the Company held by it (or its affiliates) which are not Pledged Shares, unless such sale, at Pledgee's discretion, is accompanied with the sale of the Pledged Shares by the Pledgee on terms not less favourable than the sale of the non-Pledged Shares ("**Co-Sale**"), provided that the Pledgor shall be entitled to sell such shares of the Company without Co-Sale if, following Pledgor's written notice of such contemplated sale (with a reasonable detail of the terms thereof, including the price per share (which the Pledgee acknowledges, may be (i) different from the actual price of such sale in the event of in-market sales or (ii) different from the actual price of such sale in the event of off-market sales (but not more than ten percent (10%) below the price per share indicated in the notice of such contemplated sale)), the Pledgee has not informed the Pledgor whether the Pledgee requires such sale to be accompanied with the sale of Pledged Shares (or has delivered a negative response) within one (1) Business Day (or three (3) Business Days for an off-market sale of shares of one percent (1%) of the outstanding Company Shares or more), provided that in the latter case, the Pledgor may complete the sale at any time prior to the end of such three (3) Business Days, on the condition that if the Pledgee informs the Pledgor within five (5) Business Days following such written notice from the Pledgor, that it has decided that sale of shares should be or should have been performed with Co-Sale, than a respective portion of the proceeds received from such sale of shares shall be deemed to be received from the sale of Pledged Shares (and deposited into the Applicable Account) and a respective amount of Pledged Shares equal to the amount which would have been sold in such sale for such amount of proceeds, shall be, subject to the deposit of said proceeds in the Applicable Account, released from the pledge.

10.6 To use Commercially Reasonable Efforts not to allow the Company to be delisted from TASE. The Pledgor shall use Commercially Reasonable Efforts to give at least 15 days advance notice of any delisting of the Company's shares from the TASE or any dual listing of the Company's shares on another stock exchange (which listing is initiated and pursued by or on behalf of the Company), and in the event that the Pledgee reasonably determines, acting, in good faith, and based on the advice of a reputable external counsel that such delisting or dual listing may impact the ranking, validity or enforceability of the pledges created hereunder, then upon notification of such determination in writing by the Pledgee to the Pledgor, such Pledgor shall not take any action in furtherance of, and shall use Commercially Reasonable Efforts to cause the Company not to effect, such a delisting or dual delisting without the prior consent of the Pledgee, not to be unreasonably withheld, conditioned or delayed.

10.7 To notify the Pledgee immediately of the imposition of any attachment, or the issue of any execution proceedings or of any application for the appointment of a Receiver, judicial manager, liquidator or similar officer over or with respect to the Pledgor or the Pledged Assets or any part thereof, or any act, proceedings or application similar to any of the foregoing, and to notify immediately the authorities which levied such attachment or issued such execution proceedings or received the application for the appointment of such Receiver, judicial manager, liquidator or similar officer and any third party who initiated or applied for such action, of this Pledge Agreement in favour of the Pledgee and (other than in the case of a Restructuring contemplated by clause 5.6) forthwith to take, at the sole expense of the Pledgor, all steps and measures necessary for the discharge or cancellation of such attachment, execution proceedings or appointment of Receiver, liquidator or similar officer or any act, Proceedings or appointment similar to the foregoing, as the case may be.

10.8 To be liable towards the Pledgee for any defect in the Pledgor's title to the Pledged Assets and to bear the responsibility for the authenticity, regularity and correctness of all the signatures, endorsements and particulars of any Pledged Asset which, under this Pledge Agreement, has been, or may be, until the Release Date, delivered to the Pledgee, or otherwise pursuant to the provisions of this Agreement.

10.9 To make, from time to time, all such filings, reports and other communications as may be required under applicable law in connection with the Pledged Assets (including, any transaction, omission, act or holding of any interest, by the Pledgor, in the Pledged Assets).

10.10 Forthwith upon the Pledgee's first demand, to furnish to it any authorisation or other document which, in the Pledgee's reasonable opinion, is required or necessary for the purpose of proof of compliance by the Pledgor with its obligations under this Pledge Agreement.

10.11 Not to withdraw or attempt to withdraw all or any part of the monies standing to the credit of the Trust Account and/or the Pledged Account except as specifically provided under this Pledge Agreement.

10.12 Once the Pledged Account has been opened, to observe and perform, in all material respects, all covenants and obligations of the Pledgor in connection with the Pledged Account.

10.13 To immediately notify the Pledgee in the event that any corporate action, proceedings, petition, application, request or other procedure or step is taken in relation to: (i) the suspension of payments, a moratorium of any financial indebtedness, winding-up, judicial management, dissolution, freeze order, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement, freeze order or otherwise), any other arrangement, proceedings or scheme entered into or applied for in relation to, the Pledgor, except as part of Restructuring in accordance with clause 5.6 of this Pledge Agreement; (ii) a composition, compromise, assignment or arrangement with the creditors or any class or group of creditors of the Pledgor; (iii) the appointment (whether temporary or permanent) of a liquidator, judicial manager, Receiver, or other similar officer in respect of the Pledgor, the Pledged Assets or majority of its assets (iv) enforcement of any lien over the Pledged Assets or a majority of the assets of the Pledgor; or (v) any expropriation, attachment, sequestration, distress or execution which adversely affects the Pledged Assets or a majority of the assets of the Pledgor.

10.14 To immediately notify the Pledgee of any Event of Default.

10.15 Not to do, or, to the extent within the Pledgor's control, permit to be done, anything which could reasonably be expected to prejudice the rights of the Pledgee hereunder (including which would in any way lead to any restriction whatsoever on the ability of the Pledgee to realise its rights under this Agreement).

11. **Events of Default**

Each of the events set out in this clause 11 shall constitute an Event of Default:

11.1 The Pledgor (or any of the Indemnifying Parties) does not pay on the due date any amount payable by it as indemnification claims that are Finally Determined as defined in, and in the manner required under, the Share Purchase Agreement; unless the non-payment is remedied within three (3) Business Days of the due date.

11.2 A representation or warranty made by the Pledgor in this Pledge Agreement or the representation made by IC Power under the Undertaking and Consent, is incorrect in any material respect when made, unless the circumstances giving rise to the misrepresentation:

11.2.1 are reasonably likely to be capable of remedy within the time provided in clause 11.2.2; and

11.2.2 are remedied within 30 days (or, with respect to clauses 9.1, 9.3 and/or 9.8- within 7 days) of the earlier of the Pledgee giving notice and the Pledgor or IC Power (as relevant) becoming aware of the breach and/or non-compliance.

11.3 The Pledgor breaches any covenant or undertaking made by it under this Pledge Agreement or does not comply with any term or condition of this Pledge Agreement or IC Power breaches any covenant or undertaking made by it under the Undertaking and Consent or does not comply with any term or condition of the Undertaking and Consent, unless the breach and/or the non-compliance:

11.3.1 are reasonably likely to be capable of remedy within the time provided in clause 11.2.2; and

11.3.2 is remedied within 30 days (or, with respect to clauses 10.3, 10.4 and/or 10.11 - within 7 days) of the earlier of the Pledgee giving notice and the Pledgor or IC Power (as relevant) becoming aware of the breach and/or non-compliance.

11.4 Any of the following occurs in respect of the Pledgor, except as part of Restructuring in accordance with clause 5.6 of this Pledge Agreement:

11.4.1 a meeting of its shareholders, directors or other officers is convened for the purpose of considering any resolution, to petition for or to file documents with a court or any registrar for its winding-up, judicial management, administration or dissolution or any such resolution is passed;

11.4.2 its shareholders, directors or other officers request the appointment of, or give notice of their intention to appoint a liquidator, trustee in bankruptcy, judicial manager, compulsory manager, receiver, administrative receiver, administrator or similar officer; or

11.4.3 it admits its inability to pay its debts as they fall due.

11.5 Any of the following occurs in respect of the Pledgor, except as part of the Restructuring in accordance with and subject to the terms of, clause 5.6 of this Pledge Agreement:

11.5.1 any step is taken with a view to a moratorium or a composition, assignment or similar arrangement with any of its creditors;

11.5.2 any person, other than the Pledgor, presents a petition, or files documents with a court or any registrar for its winding-up, judicial management, administration or dissolution; or

11.5.3 any other analogous step or procedure is taken in any jurisdiction.

This clause 11.5 will not apply to any petition or step taken which is being contested in good faith and with due diligence and is discharged, stayed, dismissed or struck out within 60 days.

11.6 Any of the following occurs in respect of the Pledgor except as part of Restructuring in accordance with clause 5.6 this Pledge Agreement:

11.6.1 an order for its winding-up, judicial management, administration or dissolution is made;

11.6.2 any liquidator, trustee in bankruptcy, judicial manager, compulsory manager, receiver, administrative receiver, administrator or similar officer is appointed in respect of all of its assets;

11.7 Any attachment, sequestration, distress, execution or analogous event affects any of the Pledged Assets and is not discharged within 45 days.

11.8 It is or becomes invalid or unlawful for the Pledgor to perform any of its obligations under this Pledge Agreement or any part of this Pledge Agreement not binding and effective in accordance with its terms or is alleged by any party not to be binding and effective in accordance with its terms for any reason.

11.9 This Pledge Agreement does not create the security it purports to create.

11.10 Any provision of this Pledge Agreement is required under or pursuant to any law to be waived, modified or amended and, in the reasonable opinion of the Pledgee this materially adversely affects the rights granted to the Pledgee hereunder.

11.11 any regulatory authorization required for the creation, performance or perfection of this Pledge Agreement:

11.11.1 is not obtained or effected by the time it is required;

11.11.2 is varied, revoked or cancelled or otherwise ceases to be in full force and effect; or

11.11.3 is not renewed or is renewed on revised terms;

and with respect to any of the circumstances referred to in this clause 11.11, if not remedied within 21 days.

12. **Realisation**

12.1 Following the occurrence of an Event of Default which is continuing in accordance with clause 11, and subject to the provisions of clause 12.3 below, the Pledgee shall be entitled to enforce its rights under this Pledge Agreement in any manner subject to applicable law (including TASE's rules), including the realisation and/or sale of the Pledged Assets, in whole or in part, whether by the appointment of a Receiver and/or by the Israeli Execution Office and/or by a court's order and/or by any other method permitted under applicable law, as the Pledgee shall see fit, and to apply the proceeds thereof on account of the Secured Obligations, all without the Pledgee first being required to realise any other guarantee or pledge or other securities, if such be held by the Pledgee, provided that the Pledgee may only enforce its realization rights of the securities created under this Pledge Agreement in accordance with the waterfall priority set forth in Section 10.10 of the Share Purchase Agreement.

12.2 Any Receiver appointed pursuant to or in connection with clause 12.1 of this Pledge Agreement, shall be empowered, subject to clause 12.3 and any applicable law, including TASE's rules applicable to the Pledgor, to:

(a) take immediate possession of and get in and collect the Pledged Assets or any part thereof;

(b) sell or agree to the sale of the Pledged Assets, in whole or in part, or to transfer the same in any other manner upon such terms as he may think fit;

(c) make any other arrangement with respect to the Pledged Assets or any part thereof (including the realisation thereof) as he may think fit;

(d) exercise any right relating to the Pledged Assets, including the right to vote the Pledged Shares, elect the directors of the Company and receive dividends;

(e) take, continue or defend any proceedings and make any arrangement of compromise which he shall see fit; and

(f) do all such other acts and things as he may consider incidental or conducive to any of the matters and powers aforesaid.

12.3 Notwithstanding anything to the contrary in clause 12.1 or clause 12.2 above, unless an Excluded Event of Default has occurred and is continuing, (i) any Receiver that may be appointed for realization proceedings under clause 12.1 shall, to the fullest extent permitted by applicable law, not have authority to, and shall not be instructed to, sell or otherwise transfer any Pledged Assets (such Receiver, a "**Special Receiver**"), and (ii) the Special Receiver shall only have the authority to exercise the rights under sub-clauses 12.2(a) and 12.2(d) with respect to the Pledged Assets; provided that:

12.3.1 If any Event of Default is cured or waived by the Pledgee (in its sole discretion) or otherwise ceases to be continuing, any Pledged Assets then possessed by the Special Receiver (including any dividends received by the Special Receiver while possessing such Pledged Assets) shall be released from the possession of the Special Receiver and thereafter the provisions of this Pledge Agreement shall continue to apply to all the Pledged Assets.

12.3.2 Without derogating from, in accordance with and subject to clause 4 above, upon payment of indemnity claims to the Pledgee (or the other Buyer Indemnitees) in accordance with the Share Purchase Agreement, an amount of Pledged Shares possessed by such Special Receiver shall be released from the pledge created hereunder to the extent of such indemnity payments and the Pledgee and the Special Receiver shall execute any necessary documents therefor.

12.3.3 For the sake of clarity, if any Excluded Event of Default occurs and is continuing at the same time any other Event of Default has occurred and is continuing, the Special Receiver shall have authority to take, and may be instructed to take, any action referred to in clause 12.2, and the limitations set forth on the Special Receiver's authority in this clause 12.3 shall have no force or effect for so long as any such Excluded Event of Default is continuing.

12.4 It is hereby clarified that should an Excluded Event of Default occur while the Pledged Assets are possessed by the Special Receiver, neither the Pledgee nor the Special Receiver will be limited to the provisions of clause 12.3 above.

12.5 It is hereby further clarified and agreed that the Pledgee shall not be responsible, and no claim shall be made by the Pledgor against the Pledgee, for any action taken by the Special Receiver in any manner, or for any order or ruling by a competent court, which is inconsistent with clause 12.3 above (for purposes of this clause, an "**Inconsistent Action**"); provided that the Pledgee (i) has instructed the Special Receiver in writing to act in accordance with clause 12.3 hereof (and, in its first application to the court to appoint the Special Receiver, if any, shall expressly address Section 12.3), (ii) has not requested the court to order an Inconsistent Action, and (iii) if the Special Receiver has been ordered to take an Inconsistent Action, the Pledgee has reasonably objected any such request or application, to the extent requested in writing by the Pledgor to so object; provided however that nothing herein is intended to impair the Pledgee's ability to exercise its rights under this Pledge Agreement (including Section 12.3); it is hereby understood that the foregoing clauses (i), (ii) and (iii) are applicable unless an Excluded Event of Default has occurred immediately prior to such Inconsistent Action and is still continuing at the time.

12.6 Any amounts actually received by the Pledgor from the realization of the Pledged Assets shall be first allocated to cover any foreclosure costs and expenses incurred by the Pledgee in enforcing its rights hereunder, and thereafter allocated as (and deemed to be) payment of indemnity amounts under Article X of the Share Purchase Agreement (including interest and penalties), with the value of such deemed payment being equal to the proceeds from the realization of the Pledged Assets. For the avoidance of doubt, any payment of proceeds from realization of the Pledged Assets shall not be paid or otherwise transferred to the Pledgee, and the Pledgee shall not accept such transfer or payment, unless in accordance with and solely to the extent the Pledgee is entitled thereto according to Article X of the Share Purchase Agreement for items included in clause (i) of the definition of Secured Obligations, and/or to compensate Pledgee for items included in clause (iii) of the definition of Secured Obligations. This Clause 12.6 shall not derogate from any other contractual rights the parties may have.

12.7 Subject to applicable law including TASE's rules applicable to the Pledgor, the Pledgee shall not be obliged to take any action whatsoever in connection with any Pledged Assets. Neither the Pledgee nor any other person acting on behalf of any of the Pledgee, shall be liable for, and the Pledgor hereby waives, any claim it may have against the Pledgee and/or any other person acting on behalf of the foregoing, which arises from any loss or damage which may be caused as a result of realization of Pledged Assets in accordance with this clause 12, of any of the foregoing, to the extent not in the event of wilful misconduct, intentional misrepresentation or fraud of any of the foregoing.

12.8 The parties hereby acknowledge and undertake that the exercise of the pledge contemplated hereby will be subject to the applicable TASE's lockup rules.

13. **Power to Remedy**

If the Pledgor fails to comply with any obligation set out in this Pledge Agreement and that failure is not remedied to the satisfaction of the Pledgee within 20 days (and with respect to any registration requirement - within 7 days) of the Pledgee giving notice to the Pledgor or the Pledgor becoming aware of the failure to comply, it will allow (and irrevocably authorises) the Pledgee or any person which the Trustee nominates to take any action on behalf of the Pledgor which is reasonably necessary to ensure that those obligations are complied with.

14. **Indemnity; Costs and Expenses**

14.1 The Pledgor shall indemnify the Pledgee against all losses incurred by the Pledgee as a result of a breach by the Pledgor of its obligations under this Pledge Agreement and in connection with the exercise by the Pledgee's of its rights contained in clause 12 of this Pledge Agreement, save for any losses arising as a result of the gross negligence or wilful misconduct of the Pledgee. All sums the subject of this indemnity will be payable by the Pledgor to the Pledgee within 10 Business Days of demand.

14.2 All reasonable costs, fees and expenses arising in relation to the registration and realization of this Pledge Agreement, will be borne by the Pledgor.

15. **Rights Not Exclusive**

The rights, powers and remedies of Pledgee under this Pledge Agreement are cumulative and are not exclusive of, and shall be in addition to, all rights, powers and remedies given to Pledgee by virtue of any law, or any other agreement, all of which rights, powers and remedies shall be cumulative and may be exercised successively or concurrently without impairing Pledgee's security interest in the Pledged Assets.

16. **Assignment**

Neither the Pledgor nor the Pledgee shall be entitled to transfer or assign this Pledge Agreement or any of their rights and/or obligations arising hereunder to the extent not otherwise permitted in this Pledge Agreement, provided however, that the Pledgee may without having the need for further consent by the Pledgor, transfer and assign this Pledge Agreement together with all of its rights and/or obligations arising hereunder to a collateral agent organized under the laws of the state of (i) Israel or (ii) Singapore, United States or the UK (in which such case, whose identity shall be approved in advance by the Pledgor (which such advance approval shall not be unreasonably withheld or delayed)), appointed to hold the Pledged Assets on behalf or for the benefit of the Buyer, which customarily engages in providing professional trustee services or in acting as a collateral agent.

17. **Waiver by the Pledgor**

Without derogating from any other provisions of this Pledge Agreement which exclude the application of, or constitute a waiver by the Pledgor of, certain defences or rights under the Israeli Guarantee Law 1967 (which defences or rights would, but for such provisions, have been available to the Pledgor), in any event where the pledges created under this Pledge Agreement secure the obligations of the Pledgor, the Pledgor hereby waives all rights and defences of the Guarantee Law, including under Sections 5, 6 or 8 of the Guarantee Law and confirms that such provisions shall not apply to this Pledge Agreement.

18. **Remedies and Waivers**

18.1 No failure to exercise, nor any delay in exercising, on the part of the Pledgee's of any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right of remedy prevent any further or other exercise thereof or the exercise of any other right or remedy.

18.2 Pledgor waives any right to require Pledgee to proceed against any person or to exhaust any other collateral or to pursue any other remedy in such Pledgee's power.

19. **Partial Invalidity**

If, at any time, any provision hereof 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.

20. **Counterparts**

This Pledge Agreement and any ancillaries thereto may be executed in any number of counterparts (including counterparts transmitted via facsimile or in .pdf or similar format), and this has the same effect as if the signatures on the counterparts were on a single copy of this Pledge Agreement.

21. **Notices**

21.1 In Writing

(a) Any communication in connection with this Pledge Agreement must be in writing and, unless otherwise stated, may be given:

(i) in person, by post, fax, e-mail or any other electronic communication approved by the Pledgor; or

(ii) For the purpose of this Pledge Agreement, an electronic communication will be treated as being in writing.

21.2 Contact details

(a) The contact details of the Parties hereto are as follows:

In the case of the Pledgee, as set forth in the Share Purchase Agreement,

with a copy to (which shall not constitute notice) to:

Goldfarb, Seligman & Co.
Ampa Tower
98 Igal Alon St.
Tel Aviv 6789141
Israel
Attention: Ido Zemach, Adv.
Email: ido.zemach@goldfarb.com
Attention: Michal Matthews-Maor, Adv.
Email: michal.matthew@goldfarb.com

In the case of the Pledgor, the registered address set forth in the preamble of this Agreement, with a copy to (which shall not constitute notice) to:

Gornitzky & Co.
45 Rothschild Blvd.
Tel Aviv, Israel
Fax: 972-3-5606555
Elite Elkon, Adv.:
elkon@gornitzky.com

Nurit Traurik, Adv.:
nuritt@gornitzky.com

(b) Any Party may change its contact detail by giving five Business Days' notice to the other Party.

21.3 Effectiveness

(a) Except as provided below, any communication in connection with this Pledge Agreement will be deemed to be given as follows:

(i) if delivered in person, at the time of delivery;

(iii) if posted, five days after being deposited in the post, postage prepaid in a correctly addressed envelope;

(iv) if by fax, when received in legible form; and

(v) if by e-mail or any other electronic communication, when received in legible form.

(b) A communication given under paragraph (a) above but received on a non-Business Day or after business hours in the place of receipt will only be deemed to be given on the next working day in that place.

(c) A communication to the Pledgee will only be effective on actual receipt by it.

22. **Governing Law**

This Agreement shall be governed by, and construed in accordance with, the laws of the State of Israel (without regard to the conflict of law principles thereof).

23. **Jurisdiction**

23.1 The Parties hereby irrevocably agree, that the courts of Tel-Aviv shall have the exclusive jurisdiction to hear and determine any suit, action or proceedings and to settle any disputes, which may arise out of or in connection with this Pledge Agreement (respectively, "**Actions**" and "**Disputes**") and, for such purposes, irrevocably submits to the jurisdiction of such courts.

23.2 The Pledgor hereby irrevocably waives any objection which it might now or hereafter have to the courts referred to in Clause 23.1 being nominated as the forum to hear and determine any actions and to settle any disputes and agrees not to claim that any such court is not a convenient or appropriate forum.

24. **Amendment**

This Pledge Agreement shall not be amended, modified or altered unless by an agreement in writing executed by Pledgor and Pledgee.

25. **Stamp Duties**

To the extent applicable, the Pledgor shall pay, and forthwith on demand indemnify, secure and/or prefund the Pledgee and the Buyer against any liability that the Pledgee and/or the Buyer may incur in respect of any stamp, registration and similar tax which shall become payable in connection with the entry into, registration, recording, perfection, performance, execution or enforcement of this Pledge Agreement or the pledges created hereby.

26. **Entire Agreement**

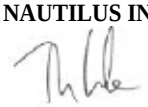
This Pledge Agreement contains the entire agreement between the Parties relating to the subject matter hereof and supersede all oral statements and prior writings with respect thereto, including the Term Sheet. Prior drafts of this Pledge Agreement shall not be used for and shall have no affect with respect to the interpretation of this Pledge Agreement.

[*The remainder of this page is intentionally left blank*.]

The undersigned executed this Agreement as of the date first set forth above.

PLEDGEE:

NAUTILUS INKIA HOLDINGS LLC



Name: Thomas Lefebvre

Title: Authorized Signatory

PLEDGOR:

Executed and delivered as a deed by Arunava Sen

on behalf of **KENON HOLDINGS LTD.**

Director

Witness
Chan Yi Fan

Undertaking and Consent

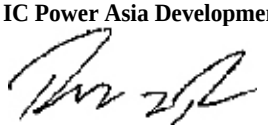
The undersigned, IC Power Asia Development Ltd., undertakes and confirms as follows:

I. The transfer of the Pledged Shares (as such term is defined in the Amended and Restated Pledged Agreement dated the date hereof (the **"Pledge Agreement"**)) to the Pledgor from the undersigned was made for adequate consideration.

2. The undertaking of the undersigned not to complete a voluntary winding earlier than 12 months following the execution of the Original Pledge Agreement (as such term is defined in the Pledge Agreement) will survive the termination of the Original Pledge Agreement

3. Clause 1.3 of the Original Pledge Agreement (Avoidance of Payments) shall survive the termination of the Original Pledge Agreement including with respect to the transfer of Pledged Shares to Kenon Holdings Ltd.

IC Power Asia Development Ltd.



Name: Robert L. Rosen

Title: Director

Date: February 15, 2018

Exhibit 4.17

Hangzhou Chengmao Investment Co., Ltd.

and

Wuhu Chery Automobile Investment Company Limited

Quantum (2007) LLC

Qoros Automobile Company Limited

in respect of

Qoros Automobile Company Limited

Investment Agreement

May 2017

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INVESTMENT AGREEMENT

This Qoros Automobile Company Limited Investment Agreement is entered into in the PRC on this May 23, 2017 by and among:

(1) **Hangzhou Chengmao Investment Co., Ltd.**, a company organized and validly existing under the laws of China, with its registered address at Room 316, Building 9, 588 Feijiatang Road, Xiacheng District, Hangzhou City, Zhejiang Province, the PRC (hereinafter referred to as the "**Investor**" or "**Party A**");

(2) **Wuhu Chery Automobile Investment Company Limited**, a company organized and validly existing under the laws of China, with its registered address at 8 Changchun Road, Wuhu Economic and Technological Development Zone, Anhui Province, holding 50% equity interest in Qoros Automobile Company Limited as of the date hereof (hereinafter referred to as "**Wuhu Chery**" or "**Party B**");

(3) **Quantum (2007) LLC**, a company organized and validly existing under the laws of State of Delaware, the United States of America, with its registered address at 16192 Coastal Highway Lewes Delaware 19958 USA, holding 50% equity interest in Qoros Automobile Company Limited as of the date hereof (hereinafter referred to as "**Quantum**" or "**Party C**"; together with Wuhu Chery, the "**Existing Shareholders**");

(4) **Qoros Automobile Company Limited**, a company organized and validly existing under the laws of China, with its registered address at 1 Tongda Road, Changshu Economic & Technological Development Zone, Jiangsu Province (hereinafter referred to as "**Party D**", the "**Target Company**" or "**Qoros Automobile**").

The parties hereto may be referred to collectively as the "**Parties**", and a "**Party**" means any of them.

Whereas:

The Parties have agreed upon strategic cooperation on Qoros Automobile. With respect to this Investment, through friendly consultation, the Parties hereby agree as follows:

1. Definitions

1.1 Definitions

Unless otherwise specified in this Agreement, the following terms or abbreviations shall have the following meanings:

1.1.1 **Agreement** means this Qoros Automobile Company Limited Investment Agreement and appendixes hereto.

1.1.2 **this Investment** means the investment made by the Investor in the Target Company in such a manner as set forth in Article 2 of this Agreement.

1.1.3 **Transaction Documents** mean any other agreements and documents signed by the Parties for the purpose of completion of this Investment, including but not limited to the AOA, the Loan Agreement, and etc.

1.1.4 **AOA** means the amended and restated articles of association of the Target Company.

1.1.5 **Person** means any individual, corporation, partnership, joint venture, enterprise, consortium, company limited by shares, limited liability company, trust, unincorporated body, approval authority or any other entity or organization.

1.1.6 **Subordinate Entities** means all branches and subsidiaries invested and established by Qoros Automobile.

1.1.7 **Existing Shareholders** mean Wuhu Chery and Quantum.

1.1.8 **Accounts** means balance sheet, income statement, cash flow statement, statement of changes in equity and other financial statements together with notes thereto prepared in accordance with the accounting principles generally accepted in China or otherwise set forth herein.

1.1.9 **Original Accounts** means the audited Accounts of the Target Company as of December 31, 2016 ("**Base Date**"), prepared in accordance with the accounting principles generally accepted in China.

1.1.10 **Investment Price** means the total investment price paid by the Investor to the Target Company in accordance with Article 2.6.2 of this Agreement.

1.1.11 **Approval Authority** means the Ministry of Commerce of the People's Republic of China and its branches and successors.

1.1.12 **NDRC** means the National Development and Reform Commission of the People's Republic of China and its branches and successors.

1.1.13 **AIC** means the State Administration for Industry and Commerce and its branches and successors.

1.1.14 **Closing Date** means the date on which this Investment is completed in accordance with Article 4 of this Agreement.

1.1.15 **Business Day** means a day on which commercial banks are open for normal business other than statutory holidays and public holidays of the People's Republic of China.

1.1.16 **Encumbrance** means any mortgage, security, pledge, lien, option, restriction, pre-emptive right, third party's right or benefit, or encumbrance or security interest in any other form, or any other priority arrangement with a similar effect, including transfer of ownership or collateral arrangement, provided that Encumbrance shall not include any such effect resulting from the AOA.

1.1.17 **Material Adverse Effect** means (i) with respect to the Target Company, the circumstances under which it has lost or will lose business qualifications or licenses for vehicle production issued by the competent regulatory authorities; (ii) with respect to the Investment contemplated hereunder, this Investment cannot be proceeded lawfully and completely, and/or (iii) the business model of the Target Company has had material adverse changes.

1.1.18 **Undisclosed Liabilities** means any liabilities accruing on or before March 31, 2017 that are not disclosed in the Accounts of the Target Company, and/or not disclosed by the Target Company and/or the Subordinate Entities to the Investor in writing, including, without limitation, (i) contract or tort obligations or any expenses of the Target Company or the Subordinate Entities as a result of other legal disputes; (ii) any penalty or fines imposed by competent governmental authorities on the Target Company and/or the Subordinate Entities; (iii) unpaid taxes of the Target Company and/or the Subordinate Entities; (iv) wages, bonus, social insurance or welfare, housing fund, economic compensation, damages and other amounts payable to employees.

1.1.19 **China** or the **PRC** means the People's Republic of China, which for the purpose of this Agreement does not include the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan.

1.1.20 **Yuan** means yuan of Renminbi, the lawful currency of the PRC.

1.1.21 **Cooperator** means the investor entering into an agreement with the Existing Shareholders and/or the Target Company on April 6, 2017, as publicly disclosed by the parent company of Quantum.

1.1.22 **Qoros Project** means a cooperation project contemplated under any binding investment agreement entered into by and between the Existing Shareholders and/or the Target Company and the Cooperator.

1.2 Interpretation

1.2.1 **Terms, Appendixes, etc.**

References to this Agreement shall include references to any appendix hereto; references to terms and appendixes are references to the terms hereof and appendixes hereto.

1.2.2 **Headings**

Headings shall not affect the interpretation of this Agreement.

1.2.3 **Dates**

Unless otherwise specified herein, if the performance date or the last day of the performance period hereunder is a day other than the Business Day, the Business Day immediately following such day shall be the performance date or the last day of the performance period.

1.2.4 **Time**

References to time are references to Beijing Time of the PRC.

2. This Investment

2.1 The Investor shall designate a bank account opened in its name as an escrow account ("**Escrow Account**"), with which the Investor and each Existing Shareholder shall maintain their respective specimen signature/seal, and all funds under which shall be used and transferred only if agreed upon by the Investor and each Existing Shareholder in accordance with this Agreement. The Investor undertakes that after the opening of the Escrow Account, it will not revoke or change the signatory of Escrow Account at will or change any Party's specimen signature/seal of the Escrow Account without the written requirements of the designating Party or the Party the specimen signature/seal belongs to. In addition, the Investor shall only activate internet banking to the extent such access provides solely for checking functions (i.e., not transfer or withdrawal functions), and shall provide the necessary access information (i.e., username, password and any required devices) to the Existing Shareholders to allow them regular access to the internet banking portal in order to check the account balance. Within three (3) Business Days after the execution of this Agreement, the Investor shall deposit investment funds of RMB1,000,000,000 (in words: Renminbi one billion yuan) into the Escrow Account.

2.2 (a) The Target Company and/or the Existing Shareholders agree to use their best endeavors to provide signed meeting minutes with the Cooperator or any other written form in respect of the settlement of the Qoros Project which is signed by an attendee who is then duly authorized by the Cooperator (the "**Cooperator Meeting Minutes**") within one (1) month after the date of this Agreement. The Investor shall confirm in writing if it accepts the terms set out in the Cooperator Meeting Minutes within three business days upon receipt of such minutes (failure of the Investor to provide the Existing Shareholders with such written confirmation within the prescribed time limit shall be deemed as acceptance by the Investor). The Parties further agree that to the extent the Investor does not accept the Cooperator Meeting Minutes, the Target Company and/or the Existing Shareholders may continue discussions and continue to provide amended Cooperator Meeting Minutes for consideration of approval by the Investor until the time specified in Article 2.2(b) below. For the avoidance of doubt, the Cooperator Meeting Minutes shall provide either for the settlement of the Qoros Project in a manner sufficient to permit the transaction contemplated under this Agreement among the Investor, the Existing Shareholders and the Target Company to proceed or the termination of the Qoros Project. Furthermore, the Parties hereby agree that to the extent the Cooperator Meeting Minutes provide for the unconditional termination of the Qoros Project without any remaining obligations to the Cooperator, there shall be no requirement for confirmation in writing or acceptance by the Investor, and the Parties shall proceed under this Agreement accordingly.

(b) Upon expiration of the 3 months following the execution of this Agreement, unless the Target Company and/or the Existing Shareholders in accordance with Article 2.2 (a) above (i) enter into a formal written agreement with the Cooperator in respect of the settlement of the Qoros Project on substantially the same terms as set forth in the Cooperator Meeting Minutes approved or (ii) provide the Investor with a copy of the termination agreement with no additional conditions with the Cooperator, this Agreement shall be terminated automatically, unless otherwise extended in accordance with Article 3.2.1, and no Party shall bear any liabilities to each other Party arising therefrom. For the avoidance of doubt, provided that the key terms of the formal written agreement are substantially consistent with the Cooperator Meeting Minutes previously approved by the Investor, the settlement of the Qoros Project shall be deemed completed and the Investor shall not raise any objection and the condition precedent set forth in Article 3.1.1 shall be deemed to be completed.

(c) The Existing Shareholders and the Investor agree that (i) the failure to reach a settlement of the Qoros Project or (ii) the completion of the investment matter with Cooperator by the Existing Shareholders and/or the Target Company, will not be the basis for any claim by any party against the other parties hereto.

2.3 (a) Within 5 Business Days after the execution of this Agreement, the Investor and/or its designated third party (the "**Lender**") shall enter into a loan agreement with the Target Company in the form set forth in Appendix III of this Agreement ("**Loan Agreement**"), under which the Lender will provide the Target Company with a loan of RMB 500,000,000 (in words: Renminbi five hundred million yuan). Upon the approval of the Cooperator Meeting Minutes or unconditional termination with the Cooperator, each in accordance with Article 2.2 of this Agreement, Wuhu Chery and the Lender shall enter into an equity pledge agreement in the form set forth in Appendix IV of this Agreement to secure the performance by the Target Company of 50% of its obligations under the Loan Agreement. Upon the approval of the Cooperator Meeting Minutes or unconditional termination with the Cooperator, each in accordance with Article 2.2 of this Agreement, Quantum shall remove one (1) current director appointed by it to the Target Company and appoint one (1) Person designated by the Investor to the Target Company as the director of the Target Company, and to the extent Quantum has Unencumbered Shares (as defined below), Quantum and the Lender shall enter into an equity pledge agreement in the form set forth in Appendix IVof this Agreement to secure the performance by the Target Company of 50% of its obligations under the Loan Agreement (it being understood that such equity interests shall not include any equity interests in the Target Company already pledged to the Export-Import Bank of China ("**Exim Bank**") and other lenders under a syndicated loan agreement (the "**Exim Loan Agreement**") or which are required to be pledged pursuant to the Exim Loan Agreement or are already pledged (or are in the process of registration to be pledged) (the "**Chery Pledged Shares**") to Wuhu Chery (or to any of its affiliates) under other separate agreements ("**Unencumbered Shares**")). The Parties further agree that any such equity pledged by Quantum (the "**Quantum Pledged Equity**") is subject to adjustment such that in the event of a change in the calculation by Quantum and Exim Bank of net asset value for calculating the loan-to-value ratio for the equity pledge requirement for the Exim Loan Agreement and the Chery Pledged Shares, then the amount of Quantum Pledged Equity shall be adjusted (and Quantum Pledged Equity released, to the extent applicable) as required pursuant to the Exim Loan Agreement and the agreements for the Chery Pledged Shares. For avoidance of any doubt, the pledged equity as provided by the pledgor according to any provision of this Agreement shall be at all times subject to the Unencumbered Shares held by it. Wuhu Chery acknowledges and agrees that to the extent that at the time that the Lender and Quantum execute the equity pledge agreement, if the Unencumbered Shares are not enough to be pledged to the Lender for securing the performance by the Target Company of 50% of its obligations under the Loan Agreement, the equities held by Quantum in Qoros that could be borrowed by Wuhu Chery but is not borrowed shall be regarded as Unencumbered Shares, and Quantum may pledge such equities the Lender (if applicable). The amount of equity to be pledged pursuant to this Article shall be calculated on a loan-to-value ratio based upon the Pre-Money Valuation (as defined below) and a ratio of 80%.

(b) Following the effectiveness of the Loan Agreement but before the granting of the loan by the Investor in accordance with Article 2.4.1, the Investor has the right to nominate one (1) financial staff to the Target Company who shall keep reserved specimen seal/signature, USB key and passwords for the bank account of the Target Company which has or will receive the funds under the Loan Agreement and/or the funds of Investment Advance. Such financial staff shall act in accordance with properly issued instructions by senior management not otherwise in violation of this Agreement.

(c) Within three (3) Business Days after the satisfaction of the condition precedent set forth in Article 3.1.1 herein, the Investor agrees to require a bank to issue an irrevocable and unconditional bank guarantee in an amount of RMB 3,400,000,000 (in words: three billion and four hundred million yuan) to the Target Company, or to transfer equivalent RMB to the Escrow Account, at the sole discretion of the Investor, to secure the performance of the Investor's obligations under this Agreement and the Transaction Documents. The final content and form of the bank guarantee shall be agreed by Parties.

2.4 Subject to the completion of (i) relevant matters under Articles 2.3 (a) and (b); and (ii) either approval of the Cooperator Meeting Minutes by the Investor or unconditional termination with the Cooperator, each in accordance with Article 2.2. above, the Investor agrees at its discretion to itself or to designate a third party to arrange for transfer of the amount of the loan in accordance with the Loan Agreement (or the Investment Advance) pursuant to the Loan Agreement to an account designated by the Target Company in accordance with the following schedule (the Parties agree that the Investor has the right to transfer the funds in the Escrow Account to pay such amounts), which funds shall be used by the Target Company only if agreed upon by the Investor and the Existing Shareholders, provided that the Investor shall not object to such use of funds if for ordinary course of business purposes:

2.4.1 Immediately to transfer RMB 300,000,000 (in words: three hundred million) to an account designated by the Target Company;

2.4.2 Within one (1) month after the completion of all such matters set forth above, to further transfer RMB 200,000,000 (in words: two hundred million) to an account designated by the Target Company; and

2.4.3 To further transfer the remaining funds in the Escrow Account, up to RMB 500,000,000 (in words: Renminbi five hundred million), to the Target Company based on the actual operating requirements of the Target Company, as determined jointly by Party A, Party B and Party C.

Any funds actually transferred by the Investor or its designated third party to the Target Company under this Article are collectively referred to as the investment advance ("**Investment Advance**"). The use of such funds by the Target Company should be in accordance with the operation and management regulations of the Target Company.

2.5 Capital Reduction

2.5.1 For the purpose of this Investment, the Target Company shall, as required by the applicable laws of the PRC, initiate dealing with the applicable procedures to reduce the registered capital of the Target Company from RMB 10,425,480,000 to RMB 6,500,000,000 ("**Capital Reduction**") as soon as possible after the execution of the Cooperator Meeting Minutes, after which Party B and Party C will respectively continue to hold 50% of the equity interest in the Target Company. For the avoidance of doubt, the Existing Shareholders shall not acquire any consideration and/or compensation, in cash or otherwise, from the Target Company due to the Capital Reduction.

2.5.2 The Target Company and the Existing Shareholders shall use their best endeavors to confirm the feasibility of the Capital Reduction under PRC law within two (2) months after the execution of the Cooperator Meeting Minutes. If the Parties consider that the Capital Reduction is impracticable, the Parties shall use their best endeavors to seek an alternative solution having an equivalent economic effect as agreed by the Parties (including but not limited to the Investor first to acquire up to 25.5% equity interest held by each of Wuhu Chery and Quantum in the Target Company and the Existing Shareholders and the Investor to subscribe for the increased registered capital of the Target Company simultaneously in proportion to the equity interest held by them), including the injection into the Target Company of the proceeds from such sales, or to further seek an additional alternative solution with the Investor and the Target Company with same intention, and to further execute applicable agreements to achieve the investment purpose hereunder (i.e., the Investor holding 51% of equity interest in the Target Company based upon the Pre-Money Valuation (as defined below)).

2.6 Subscription for Capital Increase

2.6.1 The Parties agree and acknowledge that the pre-money valuation of all equity interest in the Target Company prior to the completion of this Investment is RMB 6,500 million Yuan (in words: Renminbi Sixty-five Hundred Million Yuan) ("**Pre-Money Valuation**"). For the avoidance of doubt, the Target Company has outstanding shareholder loans as of the date of this Agreement, which outstanding shareholder loans, together with any new shareholder loans incurred prior to the Closing Date, shall not be deemed to be equity for any purpose under this Agreement.

2.6.2 Subject to the completion of the Capital Reduction, the Target Company shall have its registered capital increased by RMB 6,766,000,000 (in words: six billion seven hundred and sixty-six million yuan) ("**Increased Registered Capital**"), and the Investor agrees to contribute RMB 6,766,000,000 (in words: six billion seven hundred and sixty-six million yuan) in cash to subscribe for the Increased Registered Capital, based on the representations, warranties and undertakings made by the Existing Shareholders and the Target Company to the Investor and subject to the satisfaction (or waiver by relevant party) of all conditions precedent under Article 3.1 of this Agreement.

After the completion of this Investment, the Investor shall hold RMB 6,766,000,000 registered capital of the Target Company, representing 51% equity interest in the Target Company, while Wuhu Chery and Quantum shall respectively hold RMB 3,250,000,000 registered capital of the Target Company, representing 24.5% equity interest in the Target Company. From the Closing Date, all shareholders after this Investment shall share profits and bear losses of the Target Company in proportion to their equity interest in the Target Company.

2.7 Prior to the Closing Date, Party A, Party B and Party C agree to execute and deliver the AOA in the forms attached as Appendix I. In addition, prior to the Closing Date, each such Party shall cause Directors of the Target Company nominated by such Party to approve this Investment and approve the AOA.

2.8 The Existing Shareholders hereby waive any pre-emptive right to subscribe for any newly increased registered capital issued by the Company to the Investor in accordance with this Agreement.

2.9 Within five (5) Business Days after completion of all conditions precedent set forth in Article 3.1, other than Article 3.1.10, or waived by the relevant Party, the Investor shall transfer 50% of the Investment Price to the account designated by the Target Company, and within three (3) Business Days after the receipt of such funds, the Target Company shall submit the amendment registration of this Investment with the AIC. The Investor agrees to cooperate fully with such process.

2.10 The Investor shall identify and provide all relevant information with respect to any of its nominees to be appointed as Directors pursuant to this Agreement, subject to eligibility requirements.

2.11 The Investor shall provide all due diligence information reasonably requested by the Existing Shareholders within three (3) Business Days after the execution date of this Agreement. Such information shall be deemed as the confidential information under Article 8.2, and each Party shall perform the confidentiality obligation provided under Article 8. The Parties acknowledge that the Existing Shareholders will need to complete their due diligence process regarding the Investor to the satisfaction of the Existing Shareholders prior to the completion of Article 3.1.1 and the Existing Shareholder shall notify the Investor upon completion of such process. If the result of such due diligence is not satisfactory to the Existing Shareholders before the fulfillment of the condition precedent set forth in Article 3.1.1, then the Existing Shareholders shall have the right to terminate this Agreement and the Investment, and no Party shall bear liabilities arising therefrom to any other Party.

3. Conditions Precedent

3.1 The closing of this Investment hereunder shall be subject to the satisfaction (or waiver by the relevant party) of each of the following conditions:

3.1.1 the Target Company and/or the Existing Shareholders shall either have executed a formal agreement with the Cooperator with respect to the Qoros Project or have entered into an unconditional termination with the Cooperator, each in accordance with Article 2.2. above;

3.1.2 no Encumbrance exists on any equity interest in the Target Company which is being newly issued to the Investor or being transferred by the Existing Shareholders to the Investor under this Agreement, except for any Encumbrance resulting from the AOA;

3.1.3 As of the Closing Date, neither the Existing Shareholders nor the Target Company shall have materially breached this Agreement;

3.1.4 the Parties shall have executed and delivered the AOA of the Target Company in the same form and with the same terms and conditions as Appendix II hereto;

3.1.5 the board of directors of the Target Company shall have approved this Investment and shall have approved the AOA of the Target Company;

3.1.6 the Capital Reduction shall have been approved by the Approval Authority (if mandatory), and the Target Company shall have completed the AIC business license change with respect to the Capital Reduction;

3.1.7 the Target Company shall have notified all lending banks of this Investment in writing and obtained the written consent of or the waiver of the Investment by, the lending banks, to the extent required;

3.1.8 the Target Company shall have obtained the approval from the NDRC with respect to this Investment if required, and submitted to the Investor a photocopy of the such approval if any;

3.1.9 the Target Company shall have obtained the approval from the Approval Authority in connection with this Investment, if required, and submitted to the Investor a photocopy of such approval, if any;

3.1.10 the amendment registration of this Investment with the AIC shall have been completed, and the Target Company shall have obtained the new business license reflecting the shareholding percentage of the shareholders after the completion of this Investment, and the person designated by the Investor shall have been appointed as the director of the Target Company pursuant to the AOA of the Target Company and such appointment shall have been filed with the AIC, provided, however, that the Investor shall transfer 50% of the investment amount to the account designated by the Target Company prior to any such business license change or director appointment and registration, subject to completion of all other conditions precedent in this Article 3.1 (other than Article 3.1.10), and the Target Company shall make such relevant filings within three (3) Business Days of the receipt of such funds;

3.1.11 Wuhu Chery shall have completed the filing of an appraisal report with the state owned assets authority (if mandatory).

3.2 Satisfaction of Conditions Precedent

3.2.1 Within three (3) months after the execution date of this Agreement, the Target Company and the Existing Shareholders shall use their best endeavors to procure the satisfaction of the conditions precedent set forth in Article 3.1.1 hereof, and the Investor agrees to render necessary assistance in this regard. If such condition precedent fails to be satisfied upon expiration of such period, Party A, Party B and Party C shall jointly have the right to determine in writing to extend such period, and the consent to extend such period shall not be unreasonably withheld if reasonably requested by any other Party. Furthermore, upon the expiration of such extended period, in the event such condition precedent continues to be unsatisfied, any of Party A, Party B and Party C shall have the right to terminate this agreement, and no Party shall bear any liabilities to each other Party arising therefrom, or Party A, Party B and Party C shall have the right to jointly further extend such period in accordance with this provision.

3.2.2 For the purpose of clarity, the satisfaction by Existing Shareholders and the Target Company of the closing conditions set forth in Articles 3.1.10 is conditioned upon that the Investor shall have paid to the Target Company half of its Investment Price, i.e. RMB 3,383,000,000 (in words: Renminbi three billion three hundred eighty three million yuan).

3.2.3 The Parties agree that, with respect to each condition precedent set forth in Article 3.1:

(1) The conditions precedent set forth in Articles 3.1.2, 3.1.3, 3.1.5, 3.1.10 (other than the payment condition set forth therein) and 3.1.11, are created for the interest of the Investor, which has the right to determine in its discretion whether to waive such conditions precedent;

(2) The payment condition in Article 3.1.10 are created for the interest of the Existing Shareholders, and the Existing Shareholders shall have the right to determine in their discretion whether to waive such conditions precedent;

(3) The conditions precedent other than those set forth in Articles 3.2.3(1) and (2) shall be waived only upon mutual agreement by the Parties through consultation.

3.2.4 The Parties agree that, to the extent that the conditions precedent set forth in Article 3.1.1 are satisfied, the Target Company and/or the Existing Shareholders and/or the Investor (as the case may be) shall have the obligation to cause all the other conditions precedent under Article 3.1 to be satisfied as soon as possible. Any party hereto shall immediately notify the other Parties of any fact or circumstance it becomes aware of at any time which may render it impossible for a condition precedent in Article 3.1 to be satisfied. If any of the other conditions precedent set forth in Article 3.1 hereof fails to be satisfied or waived by the relevant Party before December 31, 2017, then:

(1) The Investor is entitled to set a new Closing Date, subject to the consent of the other Parties hereto; or

(2) If the Investor fails to set a new Closing Date, any Party is entitled to terminate this Agreement and this Investment.

4. Closing

4.1 Closing

The closing shall be conducted on the fifth (5) Business Day (the "Closing Date") after the date when all the conditions precedent provided in Article 3.1 are fulfilled (or waived by the relevant Party) at the primary office of the Target Company or other places as agreed by the Parties.

4.2 Obligations upon Closing

4.2.1 On the Closing Date, the Target Company and the Existing Shareholders shall ensure the following documents have been served on or provided to the Investor:

(1) applicable certificate documents or the certificate jointly issued by the Target Company and the Existing Shareholders, evidencing all relevant conditions precedents have been satisfied.

4.2.2 Payment of Investment Price On the Closing Date:

(1) The Existing Shareholders and the Investor shall mutually agree to pay all the amounts remaining in the Escrow Account as of the Closing Date to the account designated by the Target Company; and

(2) The Investor shall further pay the remaining Investment Price to the Target Company, which amount shall be equivalent to the full Investment Price less the amount paid to the Target Company pursuant to Article 4.2.2(1) and the prepaid investment amount. For purposes of this Article 4.2.2, the amount of any Loans made under the Loan Agreement and not repaid shall be considered amounts paid to the Target Company pursuant to Article 4.2.2(1), without double counting.

The total investment amount to be paid by the Investor upon the completion of the transaction contemplated hereunder shall be equivalent to RMB 6,766,000,000 (in words: Renminbi six billion seven hundred sixty six million).

5. Arrangements for Transitional Period

5.1 During the period from the execution date of this Agreement to the Closing Date (the **"Transitional Period"**), the Existing Shareholders and the Target Company shall ensure the Target Company and its Subordinate Entities: (a) carry out their business in the normal course of business consistent with their past practice, and not conduct any other business activity, or terminate or change current business activities, except for business activities that are currently conducted during the normal business operation, and (b) make reasonable endeavors to operate and conduct their business normally in all material respects. The Existing Shareholders shall ensure the Target Company and / or Subordinate Entities to use all the reasonable measures to conserve and protect their assets. Unless as otherwise provided in this Agreement and the Transaction Documents, without prior written notice to the Investor and written permit by the Investor, the Target Company and / or Subordinate Entities shall not:

5.1.1 Conduct any asset transfer which exceeds RMB10,000,000 singly or jointly;

5.1.2 Create any encumbrance or conduct any transfer of the whole or part of equity interest held by the Target Company, real estates or intellectual properties;

5.1.3 Hire or change any Target Company's general manager/CEO or CFO;

5.1.4 Provide guarantee or any loan to third parties;

5.1.5 Change the accounting policies or the remuneration polices of the Target Company;

5.1.6 Conduct merger, division, equity interest change, capital increase, capital reduction, joint operation with third parties, change of organizations, equity investment, etc. (except as carried out pursuant to this Agreement);

5.1.7 Declare, pay any dividend or conduct profit distribution in other forms;

5.1.8 Disposal of material assets for nominal consideration or waiver of material debts, of which the amount is or more than RMB1,000,000;

5.1.9 Enter into any transaction or a series of transactions of which the transaction value exceeds RMB10,000,000, excluding those within the normal business operation scope;

5.1.10 Make a payment or a series of payments, which exceeds RMB10,000,000, other than in the ordinary course of business;

5.1.11 Make a capital commitment or a series of capital commitments, which exceeds RMB10,000,000;

5.1.12 Conduct connected transactions with a single payment of RMB50,000,000 or more, other than with respect to engine and other automotive parts supply agreements.

5.2 After three days upon the completion of the condition precedent provided in Article 3.1.1 and the Investor has issued to the Target Company an irrevocable and unconditional bank guarantee in an amount of RMB 3,400 million (in words: three billion and four hundred million yuan), or to transfer equivalent RMB to the Escrow Account, until the Closing Date or the Termination of this Agreement (whichever is earlier), at the sole discretion of the Investor, in order to have full knowledge of the entire business and management situation of the Target Company, the Investor has the right to further appoint to the Target Company one research and development staff, one manufacturing staff, one procurement staff, one sales staff to observe the research and development, manufacturing, procurement and sales operation of the Target Company, so that the Investor can understand the operation process of the Target Company as soon as possible. The staff appointed by the Investor shall keep the business secrets of the Target Company and the Existing Shareholders confidential, and sign confidentiality agreements with the Target Company, complying with the internal management rules of the Target Company, and shall not interrupt, affect or hinder the operation and management of the Target Company. The Existing Shareholders and the Target Company shall provide necessary supports that are requisite for the staff to understand the operation and management of the Target Company (including, but not limited to granting necessary access to the information to such staff, disclosing the materials as reasonably requested by such staff and/or providing necessary working office and facility). The Target Company and its senior management may decline any unreasonable request raised by the said staff and request the Investor to replace any staff that are not appropriate. The Parties acknowledge that no employer-employee relationship or contractor relationship shall be created between the Target Company and the said staff, such staff shall not obtain any benefits or compensation from the Target Company or the Existing Shareholders for any behavior and the Investor shall be solely responsible for the salaries, welfares, security assurance and indemnifications of such staff. And the Investor shall be jointly and severally liable and indemnify the Target Company or the employees of the Target Company for any damages to the health of such employees or any damages to the property of the Target Company and its employees caused by the appointed staff according to applicable laws and regulations.

6. Post-investment Covenants

6.1 As soon as practicable after the Closing Date, the Parties agree to enter into a specific agreement with respect to the sharing of liabilities in connection with the guarantee and equity pledges provided by the Existing Shareholders for the financing of the Target Company prior to the Closing Date. The Investor agrees to assume part of such guarantee liabilities in proportion to its shareholding percentage in the Target Company after the completion of this Investment, and pledge the equity interest to the bank directly in accordance with the bank's requirements or provide guarantee in other form. In the event of any change to such shareholding percentage of the Investor, the guarantee liabilities assumed by the Investor shall be adjusted based on such change in its shareholding percentage. In the event that Party A transfers equity interest to a third party, the transferee shall assume part of such guarantee liabilities in proportion to its shareholding percentage in the Target Company and shall be consented by the relevant bank. For avoidance of doubts, such guarantee liabilities shall take Party B and Party C's current guarantee liabilities undertaking into consideration, and shall not add the guarantee liabilities of Party B and Party C. Parties agree to execute agreements to reflect such arrangement as soon as practicable after the Closing Date.

6.2 The Parties agree that the Target Company shall (i) repay 50% of the total amount of shareholder loans outstanding on the date of this Agreement and owing, directly or indirectly, to Wuhu Chery and Quantum and/or affiliates of each within seven (7) Business Days after the Closing Date; and (ii) repay all of the remaining shareholder loans to Wuhu Chery and Quantum and/or affiliates of each within six (6) months starting from the Closing Date. The Parties agree that if required for the operation of the Target Company, either of the Existing Shareholders may extend extra shareholder loan to the Target Company before the Closing Date, and the Investor shall not raise any unreasonable objection on it. To the extent the Investor agrees to any additional shareholder loans from either Existing Shareholder prior to the Closing Date, such shareholder loans shall be repaid in accordance with the schedule above.

6.3 If the Target Company and/or Subordinate Entities suffer losses exceeding RMB 50 million within 18 months after the Closing Date from penalties or third party claims as a result of any Undisclosed Liabilities not disclosed to the Investor, the Target Company shall indemnify all losses, liabilities, costs, fees and expenses suffered and incurred by the Investor as a result therefrom.

6.4 Unless otherwise agreed, from the Closing Date, the Existing Shareholders and the Investor shall be entitled to and bear the operational profits and risks of the Target Company following the Closing Date in accordance with their respective shareholding percentages. Distribution and administration of the relevant rights and interests of the Target Company shall be executed by the Existing Shareholders and the Investor according to the agreement after the Investor makes the Investment and the AOA.

6.5 The Investor hereby undertakes that upon completion of the transaction contemplated hereunder, between 2018 and 2020, each year, it shall provide Qoros Automobile with orders for 100,000 vehicles, to push a further expansion of the domestic market of Qoros Automobile and to make best efforts to realize the initial public offering of Qoros Automobile as early as possible.

7. Representations and Warranties

7.1 The Existing Shareholders make to the Investor the representations and warranties contained in Appendix VI-A and the Target Company make to the Investor the representations and warranties contained in Appendix VI -B. Each of the representations and warranties shall be true, accurate, without material omission and not misleading as of the signing date of this Agreement and the Closing Date. It is acknowledged that the Investor enters into this Agreement and makes this Investment on the basis of such representations and warranties being true and accurate.

7.2 The Investor makes the representations and warranties contained in Appendix VI-C to the Target Company and the Existing Shareholders, which shall be true, accurate, without material omissions and not misleading at the execution and closing date of this Agreement, and acknowledges that the Target Company and the Existing Shareholders enter into this Agreement and accept this Investment by the Investor on the basis of such representations and warranties being true and accurate.

8. Confidentiality

8.1 Without prior written consent of other Parties, any Party shall not make any public statements in relation to this Agreement and any other or subsequent documentations executed in connection with matters as contemplated hereunder.

8.2 Unless otherwise set forth in Article 8.3, the Parties shall regard any information in relation to the following contents received or obtained as a result of entering into this Agreement or any agreements entered into in accordance with this Agreement as confidential and shall not disclose to third parties or use at its own discretion.

8.2.1 terms under this Agreement and any agreements entered into in accordance with this Agreement;

8.2.2 all contents of the negotiation conducted for the purpose of this Agreement and such other agreements;

8.2.3 business, finance or other matters of any other Party, including further plans and targets.

8.3 Article 8.2 shall not prohibit the disclosure to the necessary extent under the following circumstances, provided that such disclosure shall be promptly notified to relevant Parties, but shall notify the other Parties in writing prior to such disclosure and take all possible measures to reduce such disclosure as much as possible together with the other Parties:

8.3.1 where it is required to disclose or use any information by laws and regulations of any regulatory authorities or any certified stock exchanges;

8.3.2 where it is required to disclose or use any information in accordance with the requirements under this Agreement;

8.3.3 where it is required to disclose or use any information for the purpose of any judicial proceedings, or where it is reasonably required to disclose any information regarding taxation matters to tax authorities;

8.3.4 to disclose any information to the Parties' professional counsels, provided that such professional counsels shall comply the requirements of information confidentiality;

8.3.5 where the other Party has approved the disclosure or use in writing in advance;

8.3.6 For the purpose of this Article 2.2, where it is necessary to make the disclosure by the Existing Shareholders or the Target Company to the Cooperator.

8.4 This article is still in forth upon termination of this Agreement and until the date when the relevant confidential information is published.

9. Notice

9.1 All notices shall be written in Chinese and English and delivered to the following address or facsimile number by means of specialized person, registered airmail or facsimile, as applicable:

The Investor:

Address:	Room 316, Buliding 9, 588 Feijiatang Road, Xiacheng District, Hangzhou City, Zhejiang Province, P.R. China, 310006
Attention to:	Zhan Hao
Tel:	+86 13825223063
Fax:	

Wuhu Chery:

Address:	8 Changchun Road, Wuhu Economic and Technological Development Area, Anhui Province, PRC, 241009
Attention to:	Haibo Zhou
Tel:	+86 553 5922024
Fax:	

Quantum:

Address:	Temasek Avenue#36-01 Millenia Tower Singapore 039192
Attention to:	Robert Rosen
Tel:	(65)6351 1788
Fax:	(65)6351 1798

Target Company:

Address:	1 Tongda Road, Changshu Economic and Technology Development Area, Jiangsu Province, PRC
Attention to:	Legal Representative
Tel:	0086 512 5202 2000
Fax:	0086 512 5202 2040

9.2 To make or serve any notice, letter or documentation:

9.2.1 in the circumstance that it is served by specialized person and a written receipt is received, if it is delivered no later than 17:00 on a Business Day of the place of service, it shall be deemed to be delivered on such Business Day; or, if it is delivered later than 17:00 on a Business Day of the place of service or anytime on a non-Business Day of the place of service, it shall be deemed to be delivered on the next Business Day; or

9.2.2 if it is served by domestic mail and pre-paid express mail service, it shall be deemed to be delivered on the third (3rd) Business Day after the mail date; or

9.2.3 if it is served by facsimile, it shall be deemed to be delivered on the date when the addressee confirms the receipt of the facsimile.

9.3 Within the term of this Agreement, any Party is entitled to change its addressee, address or facsimile number for receiving notice upon notifying other Parties in writing.

10. Termination of the Agreement

10.1 Unanimous Termination

This Agreement may be terminated in writing by unanimous agreement of the Existing Shareholders and the Investor.

10.2 Unilateral Termination

10.2.1 This Agreement may be rescinded by any Party in accordance with Article 3.2 hereof;

10.2.2 if any Party materially breaches the provisions hereof, any non-breaching Party shall be entitled to terminate this Agreement.

10.3 After the termination of this Agreement in accordance with the provisions above,

(1) the Parties will no longer have any right or obligation under this Agreement, except for the rights and obligations accrued prior to the rescission hereof;

(2) The Target Company shall immediately when possible and no later than one (1) year after the rescission of this Agreement (and if such rescission is a result of the sole breach by the Investor, the aforesaid period shall be no later than two (2) years after rescission of this Agreement) repay the Investment Advance of the Investor if any, plus interest calculated at the rate for one-year loan for the same period of time (from the date when such amount is paid to the account of the Target Company), and the Existing Shareholders agree to immediately cancel the escrow arrangement regarding the Escrow Account (for the avoidance of doubt, repayment of the Investment Advance shall take precedence over the repayment of shareholders loans from the Existing Shareholders, and no part of the shareholder loans of the Target Company from the Existing Shareholders then outstanding shall in any way be repaid prior to the full repayment of the Investment Advance). For the avoidance of doubt, if the rescission of this Agreement is a result of the sole breach by the Investor, the Investor has the obligation to extend to the Target Company a fund of an aggregate amount of up to RMB 1,000 million (in words: RMB one billion) (such amount shall include all the funds already provided to the Target Company by the Investor or a third party designated by the Investor under this Agreement and the Loan Agreement), provided that for any additional drawdown after the rescission of this Agreement, the Existing Shareholders would have sufficient equity to pledge in accordance with Article 2.3 (a) of this Agreement. If the Target Company cannot promptly repay the above funds to Party A, and the Existing Shareholders do not provide guarantee or a share pledge for such repayment (on a 50/50 basis), the Party that fails to provide such guarantee shall appoint one Investor-designated director to the board of directors of the Target Company until such Investment Advance and interest have been fully paid. For the avoidance of doubt, in the event that party C already appointed one Investor based director following Article 2.3(a) it will not need to appoint an additional director and to the extent it provide the share pledge or guarantee for its 50%, all previously appointed Investor-board members will be removed;

(3) Subject to the provisions of the above paragraph (2), the Existing Shareholders may replace the financial staff appointed by the Investor in accordance with Article 2.3.1 and the research and development, manufacturing, procurement, sales staff and etc. The Investor shall immediately withdraw such staff and shall not appoint any staff to the Target Company in any manner

11. Governing Law and Dispute Resolution

11.1 Governing Law

Matters regarding the entering into, taking effect, performing, interpreting, modifying, terminating of this Agreement and any disputes occurring as a result of the aforesaid matters shall apply the laws and regulations of the People's Republic of China. For the purpose of this Agreement, laws and regulations of Hong Kong SAR, Macau SAR and Taiwan are not applicable hereunder.

11.2 Dispute Resolution

11.2.1 The Parties shall make their efforts to resolve any disputes resulting from or relating to this Agreement through amicable negotiation. If the disputes cannot be resolved through negotiation within thirty (30) days after any Party serves a notice to other Parties, any Party may refer such dispute to arbitration in Beijing before China International Economic and Trade Arbitration Commission in accordance with its arbitration rules then in effect. The arbitration tribunal shall consist of three (3) arbitrators. Each of the Investor and the Existing Shareholders shall have the right to appoint one (1) arbitrator. . All arbitration proceedings shall be conducted in both English and Chinese languages, provided that if only one language is permitted, the proceedings shall be conducted in English. Any arbitration award rendered by the arbitration tribunal shall be final and binding upon the Parties. The arbitration costs, including attorney's fees, shall be borne by the losing Party, unless otherwise specified in the arbitration award.

11.2.2 In the process of resolving the disputes, the Parties shall continue exercising their rights and performing their obligations under this Agreement that are not affected in good faith, except for the disputed matters.

12. Taxes and Expenses

12.1.1 Taxes relevant with this Investment and occurred by executing or performing this Agreement (including stamp duty, etc.) are to be paid by the taxpayer in accordance with the laws; all the verification fees, government fees (including AIC change / recordal registration fees of this Investment) shall be paid by the Target Company.

12.1.2 Each of the Parties shall bear all reasonable expenses actually incurred by it for the transactions hereunder, including, without limitation, costs of financial, legal and commercial due diligence, legal service fees, legally required taxes, governmental charges and expenses.

13. Severability

If any provision of this Agreement is adjudicated to be invalid or unenforceable, such provision shall not be implemented to the extent that it is invalid or unenforceable, and shall be deemed as not contained in this Agreement, but shall not invalidate the remaining provisions of this Agreement or make the remaining provisions of this Agreement unenforceable. The Parties shall make all reasonable efforts to replace such provisions by substitute provisions. Substitute provisions shall be as close to the planned effect of such provisions as possible and be enforceable.

14. Waiver

14.1 If any Party fails or delays to exercise any rights or remedies under this Agreement or obtained according to this Agreement and required by law, such circumstances will not constitute damages to such rights or remedies and shall not constitute or regarded as waiver or modification of such rights or remedies, and shall not hinder the exercise of such rights or remedies anytime in the future. The exercise of any such rights or remedies individually or partly shall not hinder any other or further exercise of such rights or remedies or the exercise of any other rights or remedies.

14.2 Rights and remedies that the Parties obtained under this Agreement or according to this Agreement are accumulative, and may be exercised where such Party deems appropriate and are supplementary to its rights and remedies under the law.

15. Formation and Effectiveness

15.1 Article 2.1, 2.2, 2.3 and 3, 8, 9, 12, 13, 14, 15, 16 of this Agreement shall take effect upon duly execution by the Parties, and the other provisions shall take effect after the Investor has approved the Cooperator Meeting Minutes or entered into an unconditional termination agreement with the Cooperator in accordance with Article 2.2.

16. Miscellaneous

16.1 This Agreement is executed in four (4) counterparts. Each Party holds one (1) counterpart. Each counterpart has the equal legal effect.

16.2 This Agreement shall be signed in Chinese and English, and both language versions shall have the same legal effect.

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[This page is the signature page of Qoros Automobile Company Limited Investment Agreement with no text contained.]

Hangzhou Chengmao Investment Co., Ltd. (Seal)

Sign by the legal representative or authorized reprensentative: _____

Wuhu Chery Automobile Investment Company (Seal)

Sign by the legal representative or authorized representative: _____

Quantum(2007) LLC

Sign by the legal representative or authorized representative: _____

Qoros Automobile Company Limited (Seal)

Sign by the legal representative or authorized representative: _____

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Hangzhou Chengmao Investment Co., Ltd. (Seal)

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Wuhu Chery Automobile Investment Company (Seal)

Sign by the legal representative or authorized representative: _____

Qnantum(2007) LLC

Sign by the legal representative or authorized representative: _____

Qoros Automobile Company Limited (Seal)

Sign by the legal representative or authorized representative: _____

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Hangzhou Chengmao Investment Co., Ltd. (Seal)

Sign by the legal representative or authorized representative:

Wuhu Chery Automobile Investment Company (Seal)

Sign by the legal representative or authorized representative:

Quantum(2007) LLC

Sign by the legal representative or authorized representative:

Qoros Automobile Company Limited (Seal)

Sign by the legal representative or authorized representative:

[This page is the signature page of Qoros Automobile Company Limited Investment Agreement with no text contained.]

Hangzhou Chengmao Investment Co., Ltd. (Seal)

Sign by the legal representative or authorized representative: _____

Wuhu Chery Automobile Investment Company (Seal)

Sign by the legal representative or authorized representative: _____

Quantum(2007) LLC

Sign by the legal representative or authorized representative: _____
Title:

Qoros Automobile Company Limited (Seal)

Sign by the legal representative or authorized representative:

Appendices

Appendix I [Intentionally left blank]

Appendix II Form of AOA

Appendix III Form of Loan Agreement

Appendix IV Form of Equity Pledge Agreement

Appendix V [Intentionally left blank]

Appendix VI-A Representations and warranties of the Existing Shareholders

Appendix VI-B Representations and warranties of the Target Company

Appendix VI-C Representations and warranties of the Investor

Appendix VII Disclosure Schedule

Memorandum of Understanding Regarding the

Second Amendment to the Investment Agreement

among

Hangzhou Chengmao Investment Co., Ltd.

Wuhu Chery Automobile Investment Company Limited

Quantum (2007) LLC

and

Qoros Automotive Co., Ltd.

in respect of

Qoros Automotive Co., Ltd.

August 8, 2017

MEMORANDUM OF UNDERSTANDING REGARDING THE SECOND AMENDMENT TO THE INVESTMENT AGREEMENT

This binding Memorandum of Understanding Regarding the Second Amendment to the Investment Agreement (this **"MOU")** in respect of Qoros Automotive Co., Ltd, is entered into in the PRC on this August 8, 2017 by and among:

(1) **Hangzhou Chengmao Investment Co., Ltd.,** a company organized and validly existing under the laws of China, with its registered address at Room 316, Building 9, 588 Feijiatang Road, Xiacheng District, Hangzhou City, Zhejiang Province, the PRC (hereinafter referred to as the **"Investor"** or **"Party A");**

(2) **Wuhu Chery Automobile Investment Company Limited,** a company organized and validly existing under the laws of China, with its registered address at 8 Changchun Road, Wuhu Economic and Technological Development Zone, Anhui Province, holding 50% equity interest in Qoros Automotive Co., Ltd, as of the date hereof (hereinafter referred to as **"Wuhu Chery"** or **"Party B");**

(3) **Quantum (2007) LLC,** a company organized and validly existing under the laws of State of Delaware, the United States of America, with its registered address at 16192 Coastal Highway Lewes Delaware 19958 USA, holding 50% equity interest in Qoros Automotive Co., Ltd. as of the date hereof (hereinafter referred to as **"Quantum"** or **"Party C";** together with Wuhu Chery, the **"Existing Shareholders");** and

(4) **Qoros Automotive Co., Ltd.,** a company organized and validly existing under the laws of China, with its registered address at 1 Tongda Road, Changshu Economic & Technological Development Zone, Jiangsu Province (hereinafter referred to as **"Party** D", the **"Target Company"** or **"Qoros Automotive").**

The parties hereto may be referred to collectively as the **"Parties",** and a **"Party",** individually.

Whereas:

(1) The Parties entered into that certain Investment Agreement on May 23, 2017, as amended by the Amendment to the Investment Agreement (the **"Amendment Agreement")** on July 12, 2017 (as amended, the **"Investment Agreement")** in respect of an investment by the Investor into the Target Company in accordance with terms and conditions set forth therein.

(2) The Investor and the Target Company entered into that certain Investment Advance Agreement on June 13, 2017 (the **"First Investment Advance Agreement")** pursuant to which the Investor has provided investment advances of a total amount of RMB 500 million to the Target Company.

(3) The Parties wish to enter into a Second Amendment Agreement (the **"Second Amendment Agreement"**) to set out their understanding in relation to the alternative solution to certain investment structure under the Investment Agreement and to further amend the Investment Agreement in accordance with the terms and conditions herein.

THE PARTIES NOW AGREE as follows:

1. Definitions

Unless otherwise defined herein, capitalized terms used but not defined herein shall have the same meaning ascribed to them in the Investment Agreement.

2. Second Amendment to the Investment Agreement.

The Parties agree that, as soon as practicable after the date of this binding MOU, but in no event later than August 14, 2017, the Parties shall enter into the Second Amendment Agreement reflecting the terms herein, together with any corresponding and necessary changes.

3. 3.3B Escrow Fund

3.1 On or before August 25, 2017, the Investor agrees to transfer an amount of RMB 3,315,340,000 (Three Billion Three Hundred and Fifteen Million Three Hundred and Forty Thousand) (**"3.3B Escrow Fund"**) into the Escrow Account (defined below), so as to secure the performance of the Investor's obligations under the Investment Agreement with respect to the payment of the Equity Transfer Price.

3.2 The Parties further agree that in addition to the escrow account opened under the name of the Investor, the Investor may also transfer the above-mentioned 3.3B Escrow Fund into one or several escrow accounts (the **"Escrow Accounts"**) set up under the name of the Investor and/or the affiliate of the Investor which have been agreed by the other Parties hereunder.

3.3 Such Escrow Accounts shall be set up in accordance with, and any such transfers of the 3.3B Escrow Fund into other escrow accounts shall be subject to, the escrow agreement(s) executed among and by Wuhu Chery, Quantum, the Investor and/or the affiliate of the Investor and each escrow bank providing for the terms of such escrow, including:

(i) the release of 3.3B Escrow Fund shall only occur pursuant to the terms hereof and the Investment Agreement; and

(ii) direct rights for the Existing Shareholders to require the owner of the Escrow Account (the Investor and/or any such affiliate) to apply full or partial amount of 3.3B Escrow Fund in accordance with relevant terms of the payment of the Equity Transfer Price under the Investment Agreement. Each Existing Shareholders agrees to provide all necessary cooperation with the Investor on the partial or complete release of 3.3B Escrow Fund from the Escrow Account for the purpose of the payment of its respective transfer price.

4. Further Investment Funds.

4.1 Remaining First Investment Advance

Pursuant to Article 5(iv) of the Amendment Agreement, the Investor agrees to further transfer RMB 500,000,000 (in words: RMB five hundred million yuan) (the **"Remaining First Investment Advance"**) from the Escrow Account to the Controlled Account of the Target Company (as defined in the Investment Advance Agreement) under Article 2.4.3 of the Investment Agreement on or before August 18, 2017. Restrictions on the Target Company's use of the Investment Advance (including but not limited to Article 2.3 and Article 2.4 of the Investment Agreement) shall also apply to the Remaining First Investment Advance, provided that, the Investor shall not object to the reasonable use of funds if for the business needs of the Target Company.

4.2 Second Investment Advance Agreement

Within five (5) Business Days from the date of this MOU, the Investor and the Target Company shall enter into a second investment advance agreement (the **"Second Investment Advance Agreement"**) pursuant to which:

(i) On or before August 15, 2017, the Investor shall ensure there are investment funds of at least RMB 1,200,000,000 (in words: Renminbi one billion, two hundred million yuan) (**"1.2B Escrow Fund"**) in the Escrow Account owned by the Investor. For the avoidance of doubt, the 1.2B Escrow Fund shall be separate from, and in addition to, the 3.3B Escrow Fund set forth in Article 3 and also shall not include the Remaining First Investment Advance transferred into the account of the Target Company pursuant to the aforesaid Article 4.1;

(ii) Based on the review of relevant operational plans and financial budget submitted by the management to the board of the Target Company, and pursuant to the actual operation needs of the Target Company as determined unanimously by all members of the board of the Target Company, the Investor agrees to transfer the 1.2B Escrow Account Fund to the Controlled Account of the Target Company in two (2) installments, with each installment of RMB 600,000,000 (in words: RMB six hundred million yuan). The Parties agree to procure their respectively appointed directors to approve and pass the resolution of the board as mentioned under this item (ii) in the best interests of the Company and shall approve any such funding of the reasonable business needs of the Target Company.

4.3 Except as otherwise provided herein, in the event of termination of the Investment Agreement, the Target Company shall repay to the Investor the already transferred Remaining First Investment Advance as well as all or part of the 1.2B Escrow Fund pursuant to Article 10 of the Investment Agreement. If the termination of the Investment Agreement results from the sole breach of the Investor after the effective date of this MOU (including performance failure before stated cutoff dates):

(i) the Target Company shall first have the right to request to further transfer all the remaining amount of the 1.2B Escrow Fund which has not been transferred, and the Investor shall execute required documents and go through necessary procedures to complete the transfer;

(ii) second, at the sole discretion of the Existing Shareholders, (A) all amounts of the Investment Advance already transferred by the Investor to the Target Company in accordance with the Article 2.4 of the Investment Agreement and Article 4.1 of this MOU, and (B) all or part of the 1.2B Escrow Fund transferred by the Investor to the Target Company in accordance with this MOU and Second Investment Advance Agreement, shall be converted into the equity interest of the Target Company held by the Investor.

For the avoidance of doubt, the aggregated amount of the Investment Advance and 1.2B Escrow Fund that shall be converted as the Target Company's equity interests as mentioned in item (A) and (B) above may be up to, hut shall not exceed, RMB2,200,000,000 (in words: RMB two billion two hundred million yuan). To the extent converted, such amount shall be converted as soon as possible based upon the pre-investment valuation currently provided in the Investment Agreement, and the Investor shall have the right to appoint one Director upon such conversion. The Parties agree that all provisions of the AOA requiring unanimous approval by the Directors of the Target Company shall be revised to provide for two-thirds approval, other than as may be required by law.

4.4 The Parties agree that the restrictions on the Target Company's use of the Investment Advance (including but not limited to Article 2.3 and Article 2.4 of the Investment Agreement) shall also apply to the 1.2B Escrow Fund, of which the funds shall be used by the Target Company only if agreed upon by the Investor and the Existing Shareholders, provided that, the Investor shall not object to the reasonable use of funds if for the business needs of the Target Company.

5. Second Bidding of Chery Equity Transfer

5.1 The parties agree that with respect to the Chery Equity Transfer (as defined in the Investment Agreement), Wuhu Chery shall apply to the competent SASAC or any competent entity authorized by SASAC for re-approval (if necessary), and shall apply to the Exchange House (as defined in the Investment Agreement) for the second bidding on or before the bid date to be determined in accordance with this Article by the Parties (the **"Bid Date"**). The Bid Date shall be determined through friendly consultation among the Existing Shareholders and the Investor on or before October 15, 2017, and if no such date is finally agreed until October 15, 2017, the Bid Date shall be a date during the week starting November 13, 2017.

5.2 The Parties further agree that if Wuhu Chery fails to initiate the process of the listing and bidding of Chery Equity on or before the Bid Date or there is no successful listing or bidding of Chery Equity for whatever reason, the Parties shall switch to the previous investment structure as agreed by the Parties in the Investment Agreement (before as amended by the Amendment Agreement), and the long-stop date set forth in Section 3.3.3 shall be extended accordingly to June 30, 2018 and the deadline of December 31, 2017 for failure to complete the Chery Equity Transfer after the Investor has become the successful bidder set forth in Section 2.5.3(v) shall be extended accordingly to March 31, 2018.

6. Purchase of Qoros Vehicles

On or before August 21, 2017, the Investor (or a party designated by the Investor and acceptable to the Parties, the "Purchaser") and the Target Company shall enter into an agreement for the purchase of 15,000 Qoros vehicles (the **"Vehicle Purchase Agreement"**). Unless otherwise agreed by the Target Company and the Purchaser; the Vehicle Purchase Agreement shall provide for:

6.1 the purchase by the Investor (or such Designated Purchaser) of 15,000 vehicles from the Target Company to be delivered on or prior to December 31, 2017;

6.2 the purchase price for such vehicles (the **"Vehicle Purchase Price"**) will be the wholesale price of which the exact price will be determined in good faith and by mutual consent between the Purchaser and the Target Company;

6.3 the Purchaser shall pay a deposit of 25% of the total Vehicle Purchase Price within five (5) Business Days of the date of the Vehicle Purchase Agreement. Based upon the manufacturing progress of the vehicles, the Purchaser will further transfer 25% of the total Vehicle Purchase Price (together with the initial 25% deposit, the **"50% Deposit"**) on or before, but in no event later than, October 31, 2017 and the details of the business terms will be determined by further discussions between the Purchaser and the Target Company. The Parties agree that the funds paid by the Purchaser under this Article 6.3 shall solely be used for relevant production and operation activities conducted by the Target Company in respect of the 15,000 vehicles;

6.4 the Purchaser shall pay all the remaining amounts of the Vehicle Purchase Price upon the completion of the delivery of any such vehicles pursuant to the Vehicle Purchase Agreement; and

6.5 such vehicle purchases mentioned under this Article 6 shall be in addition to, and separate from, the undertaking by the Investor set forth in Article 6.5 of the Investment Agreement, provided that the number of vehicles to be ordered in 2018 shall be reduced to 95,000 vehicles.

7. Investment Structure Adjustment

7.1 The Parties agree that the Target Company and Wuhu Chery (or its affiliate) shall further discuss about the matters and arrangements with respect to emission compliance and credit compliance according to the relevant circular on the management on the emission and CAFC credits of enterprise-owned passenger vehicles and the credits of new energy vehicles to be issued by Ministry of Industry and Information Technology. For the aforesaid purpose, the Parties may adjust the investment structure such that after the completion of this Investment and the Registered Capital Increase, the percentage of equity interest held by Wuhu Chery in the Target Company shall be 25% (instead of 24.5% as currently provided under the Investment Agreement).

7.2 The Parties further agree that the pre-investment valuation, the percentage of the equity interest to be held by the Investor in the Target Company upon completion of this Investment (51%) and the arrangements for Transitional Period currently provided in the Investment Agreement remain unchanged, and the Parties agree to cooperate and provide necessary assistance after the execution of the Second Amendment Agreement so that the Investor will be entitled to further participate in the Target Company's daily operation and management during the Transitional Period. Any such adjustment to the investment structure, if agreed by the Parties, would not change the essence of this deal and the Parties will adjust relevant transaction documents to reflect the aforesaid changes.

8. This MOU shall constitute an integral part of the Investment Agreement, subject to the entering into of the Second Amendment to the Investment Agreement. Save for the express amendments and modifications contained herein, all the provisions of the Investment Agreement shall remain in full force and effect. In the event of any inconsistency between the provisions of this MOU and the Investment Agreement, the provisions of this MOU shall prevail.

9. This MOU is executed in Chinese and English languages. Each language version shall be executed in ten (10) counterparts. Each Party holds one (1) counterpart. Each counterpart has the equal legal effect.

10. This MOU shall take effect upon due execution by each Party hereto.

[Signature Page to the Memorandum of Understanding Regarding the Second Amendment to the Investment Agreement in respect of Qoros Automotive Co., Ltd.]

Hangzhou Chengmao Investment Co., Ltd. (Seal)

Sign by the legal representative or authorized representative: _____

Wuhu Chery Automobile Investment Company (Seal)

Sign by the legal representative or authorized representative: _____

Quantum (2007) LLC

Sign by the legal representative or authorized representative: _____
Title:

Qoros Automotive Co., Ltd. (Seal)

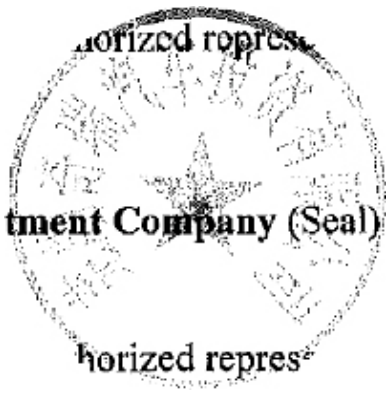
Sign by the legal representative or authorized representative: _____

[Signature Page to the Memorandum of Understanding Regarding the Second Amendment to the Investment Agreement in respect of Qoros Automotive Co., Ltd.]

Hangzhou Chengmao Investment Co., Ltd. (Seal)

Sign by the legal representative or authorized representative: _____

Wuhu Chery Automobile Investment Company (Seal)



Sign by the legal representative or authorized representative: _____

Quantum (2007) LLC

Sign by the legal representative or authorized representative: _____
Title:

Qoros Automotive Co., Ltd. (Seal)

Sign by the legal representative or authorized representative: _____

[Signature Page to the Memorandum of Understanding Regarding the Second Amendment to the Investment Agreement in respect of Qoros Automotive Co., Ltd.]

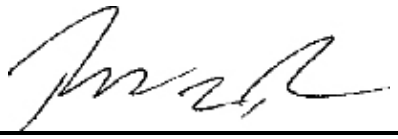
Hangzhou Chengmao Investment Co., Ltd. (Seal)

Sign by the legal representative or authorized representative: _____

Wuhu Chery Automobile Investment Company (Seal)

Sign by the legal representative or authorized representative: _____

Quantum (2007) LLC

Sign by the legal representative or authorized representative: 
Title:

Qoros Automotive Co., Ltd. (Seal)

Sign by the legal representative or authorized representative: _____

[Signature Page to the Memorandum of Understanding Regarding the Second Amendment to the Investment Agreement in respect of Qoros Automotive Co., Ltd.]

Hangzhou Chengmao Investment Co., Ltd. (Seal)

Sign by the legal representative or authorized representative: _____

Wuhu Chery Automobile Investment Company (Seal)

Sign by the legal representative or authorized representative: _____

Quantum (2007) LLC

Sign by the legal representative or authorized representative: _____
Title:

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Qoros Automotive Co., Ltd. (Seal)

Sign by the legal representative or authorized representative: _____

Second Amendment to the Investment Agreement

among

Hangzhou Chengmao Investment Co., Ltd.

and

Wuhu Chery Automobile Investment Company Limited

Quantum (2007) LLC

Qoros Automotive Co., Ltd.

in respect of

Qoros Automotive Co., Ltd.

September , 2017

SECOND AMENDMENT TO THE INVESTMENT AGREEMENT

This Second Amendment to the Investment Agreement (this **"Second Amendment Agreement")** in respect of Qoros Automotive Co., Ltd. is entered into in the PRC on this September , 2017 by and among:

(1) **Hangzhou Chengmao Investment Co., Ltd.,** a company organized and validly existing under the laws of China, with its registered address at Room 316, Building 9, 588 Feijiatang Road, Xiacheng District, Hangzhou City, Zhejiang Province, the PRC (hereinafter referred to as the **"Investor"** or **"Party A");**

(2) **Wuhu Chery Automobile Investment Company Limited,** a company organized and validly existing under the laws of China, with its registered address at 8 Changchun Road, Wuhu Economic and Technological Development Zone, Anhui Province, holding 50% equity interest in Qoros Automotive Co., Ltd. as of the date hereof (hereinafter referred to as **"Wuhu Chery"** or **"Party B");**

(3) **Quantum (2007) LLC,** a company organized and validly existing under the laws of State of Delaware, the United States of America, with its registered address at 16192 Coastal Highway Lewes Delaware 19958 USA, holding 50% equity interest in Qoros Automotive Co., Ltd. as of the date hereof (hereinafter referred to as **"Quantum"** or **"Party C";** together with Wuhu Chery, the **"Existing Shareholders");** and

(4) **Qoros Automotive Co., Ltd.,** a company organized and validly existing under the laws of China, with its registered address at 1 Tongda Road, Changshu Economic & Technological Development Zone, Jiangsu Province (hereinafter referred to as **"Party D",** the **"Target Company"** or **"Qoros Automotive").**

The parties hereto may be referred to collectively as the **"Parties",** and a **"Party",** individually.

Whereas:

(1) The Parties entered into that certain Investment Agreement on May 23, 2017 (the **"Investment Agreement"),** in respect of an investment by the Investor into the Target Company in accordance with terms and conditions set forth therein.

(2) The Parties entered into that certain Amendment to the Investment Agreement on July 12, 2017 (the **"First Amendment Agreement"),** in respect of an amendment to the Investment Agreement in accordance with terms and conditions set forth therein.

(3) The Investor and the Target Company entered into that certain Investment Advance Agreement on June 13, 2017 (the **"First Investment Advance Agreement"**) pursuant to which the Investor shall provide an investment advance of an amount of RMB 500 million (the "**Initial Investment Advance**") to the Target Company upon satisfaction of certain conditions set forth therein.

(4) The Parties entered into that certain binding Memorandum of Understanding regarding the Second Amendment to the Investment Agreement on August 8, 2017 (the **"MOU"**).

(5) On , 2017, the Investor and the Target Company entered into that certain second investment advance agreement (the **"Second Investment Advance Agreement"**), pursuant to which the Investor shall provide an investment advance of an amount of at least RMB 1.2 billion to the Target Company upon satisfaction of certain conditions set forth therein.

(6) The Parties wish to enter into this Second Amendment Agreement to set out their understanding in relation to the alternative solution to certain investment structure under the Investment Agreement and amend the Investment Agreement and the First Amendment Agreement in accordance with the terms and conditions herein.

THE PARTIES NOW AGREE as follows:

1. Definitions

1.1 The following new definitions are added to Section 1.1 of the Investment Agreement:

"Transaction Documents" means any other agreements and documents signed by the Parties for the purpose of completion of this Investment, including but not limited to the Investment Agreement, the First Investment Agreement, the Second Amendment Agreement, the First Investment Advance Agreement, the Second Investment Advance Agreement, the AOA, the JVC and etc.

1.2 Unless otherwise defined herein, capitalized terms used but not defined herein shall have the same meaning ascribed to them in the Investment Agreement and the First Amendment Agreement.

2. Article 2.3(c) of the Investment Agreement shall be in its entirety be replaced by the following:

(i) On or before August 29, 2017, the Investor agrees to transfer any additional amount into the Escrow Account (defined below) so that there will be an amount of RMB 3,315,340,000 (Three Billion Three Hundred and Fifteen Million Three Hundred and Forty Thousand) **("3.3B Escrow Fund"**) in the Escrow Accounts, so as to secure the performance of the Investor's obligations under the Investment Agreement with respect to the payment of the Equity Transfer Price.

(ii) The Parties further agree that in addition to the escrow account opened under the name of the Investor, the Investor may also transfer the above-mentioned 3.3B Escrow Fund into one or several escrow accounts (the **"Escrow Accounts"**) set up under the name of the Investor and/or the affiliate of the Investor which have been agreed by the other Parties in advance.

(iii) Such Escrow Accounts shall be set up in accordance with, and any such transfers of 3.3B Escrow Fund into other escrow accounts as well as the termination of escrow arrangement for each Escrow Account, shall be respectively subject to, the escrow agreement(s) executed among and by Wuhu Chery, Quantum, the Investor and/or the affiliate of the Investor and each escrow bank (if applicable) providing for the terms of such escrow, including:

(a) the release of 3.3B Escrow Fund shall only occur pursuant to the terms of the Investment Agreement, the First Amendment Agreement and the Second Amendment Agreement; and

(b) direct rights for the Existing Shareholders to require the owner of the Escrow Accounts (the Investor and/or any such affiliate) to apply to the bank for transferring full or partial amount of 3.3B Escrow Fund in accordance with relevant terms of the payment of the Equity Transfer Price under the Investment Agreement. Each Existing Shareholders agrees to provide all necessary cooperation with the Investor on the partial or complete release of 3.3B Escrow Fund from the Escrow Account for the purpose of the payment of its respective transfer price.

3. Article 2.4 of the Amendment Agreement shall be in its entirety be replaced by the following:

2.4.1 First Investment Advance

The Parties hereby acknowledge, confirm and agree that:

(i) the following conditions as described in Article 2.4 of the Investment Agreement have been satisfied: (A) relevant matters under Articles 2.3 (a) and (b) of the Investment Agreement have been completed; and (B) the Cooperator Meeting Minutes has been approved by the Investor, and the unconditional termination with the Cooperator in the form of Memorandum on Termination of Agreement, entered into by and among the Cooperator, Wuhu Chery Automobile Investment Co., Ltd., Quantum and Qoros Automotive has been completed and the Investor has received a copy of such Memorandum on Termination of Agreement, each in accordance with Article 2.2 of the Investment Agreement;

(ii) the Investor has remitted RMB 500,000,000 (in words: RMB five hundred million yuan) from the Escrow Account to the Controlled Account of the Target Company in accordance with Article 2.4 of the Investment Agreement and Article 4.2(1) and Article 4.2(2) of the First Investment Advance Agreement;

(iii) The Investor has further transferred RMB 500,000,000 (in words: RMB five hundred million yuan) from the Escrow Account to the Controlled Account of the Target Company on August 18, 2017 (the **"Remaining First Investment Advance"**); and

(iv) All the funds transferred by the Investor to the Controlled Account of the Target Company under the items (ii) and (iii) of this Article 2.4.1 are collectively referred to as the first investment advance (the **"First Investment Advance"**). In addition to the restriction on the Target Company's use of the First Investment Advance provided in Article 2.3 of the Investment Agreement, the First Investment Advance shall not be used for the purpose of equity investment by the Target Company. The utilization of such funds by the Target Company shall be in compliance with its management and operation requirements and only be allowed with unanimous consent by the Investor and the Existing Shareholders, however, the Investor shall not object to any reasonable use of such funds by the Target Company if for such purposes for its ordinary course of business.

2.4.2 Second Investment Advance

(i) Pursuant to the Second Investment Advance Agreement, as of the date of this Second Amendment, the Investor ensures that there are investment funds of an amount of RMB 1,200,000,000 (in words: Renminbi one billion, two hundred million yuan) (the **"Second Investment Advance"**) in the Escrow Account owned by the Investor. For the avoidance of doubt, the Second Investment Advance shall be separate from, and in addition to, the 3.3B Escrow Fund set forth in Article 2.3(c) and also shall not include the Remaining First Investment Advance transferred into the Controlled Account of the Target Company; and

(ii) Based on the review of relevant operational plans and financial budget submitted by the management to the board of the Target Company, and pursuant to the actual operation needs of the Target Company as determined unanimously by all members of the board of the Target Company, the Investor agrees to transfer the Second Investment Advance to the Controlled Account of the Target Company in two (2) installments, with each installment of RMB 600,000,000 (in words: RMB six hundred million yuan). The Parties agree to procure their respectively appointed directors to approve and pass the resolution of the board as mentioned under this item (ii) in the best interests of the Company and shall approve any such funding of the reasonable business needs of the Target Company.

(iii) Any funds actually transferred by the Investor or its designated third party to the Target Company under this Article 2.4.1 and Article 2.4.2. are collectively referred to as the investment advance (the **"Investment Advance"**). The Parties agree that the restrictions on the Target Company's use of the First Investment Advance shall also apply to the Second Investment Advance, of which the funds shall be used by the Target Company only if agreed upon by the Investor and the Existing Shareholders, provided that, the Investor shall not object to the reasonable use of funds if for the business needs of the Target Company.

2.4.3 The Existing Shareholders have completed the due diligence on the Investor and are satisfied with the result of such due diligence.

4. Section 2.5.3 of the Investment Agreement

2.5.3 *Chery Equity Transfer:*

(i) The Existing Shareholders and the Investor agree that with respect to the Chery Equity Transfer, Wuhu Chery shall apply to the competent SASAC or any competent entity authorized by SASAC for re-approval (if necessary), and shall apply to the Exchange House for the second bidding (the **"Second Bidding"**) on or before the bid date to be determined in accordance with this Article by the Existing Shareholders and the Investor (the **"Bid Date"**). The Bid Date shall be determined through friendly consultation among the Existing Shareholders and the Investor on or before October 15, 2017, and if no such date is finally agreed until October 15, 2017, the Bid Date shall be a date during the week starting November 13, 2017.

(ii) The Parties acknowledge and agree that Section 2.5.3 (iii) to Section 2.5.3 (v) of the Investment Agreement shall be applicable to the Second Bidding and be incorporated herein by reference in this Second Amendment Agreement except that the deadline of December 31, 2017 for failure to complete the Chery Equity Transfer after the Investor has become the successful bidder set forth in Section 2.5.3(v) of the Investment Agreement shall be extended accordingly to March 31, 2018.

5. Section 2.5.4 of the Amendment Agreement shall be in its entirety be replaced by the following:

Consequence of the Failure of the Investor to be the Final Buyer:

If Chery fails to initiate the process of the listing and bidding of Chery Equity on or before the Bid Date or the Second Bidding is not successful for whatever reason (there is no successful bidder for the Second Bidding that becomes the ultimate buyer), the Parties shall switch to the previous investment structure as agreed by the Parties in this Agreement (before as amended by the First Amendment Agreement and this Second Amendment Agreement) whereby (a) the Target Company shall first reduce its registered capital from RMB 10,425,480,000 to RMB 6,500,000,000 **("Capital Reduction")** after which Wuhu Chery and Quantum will respectively continue to hold 50% of the equity interest in the Target Company; and (b) subsequently the Investor shall contribute RMB 6,766,000,000 in cash to subscribe for the increased registered capital of the Target Company, which equals to RMB 6,766,000,000; and the Long Stop Date set forth in Section 3.3.3 shall be extended to June 30, 2018. If the Investor fails to become the final buyer of Chery Equity following the completion of the bidding process at the Exchange House, either Quantum or the Investor may terminate the Quantum Equity Transfer Agreement without bearing any breach liability arising therefrom (and if the failure of the Investor to be the final buyer of Chery Equity is result from the breach by the Investor of the Investment Agreement, the Investor shall not be entitled to terminate the Quantum Equity Transfer Agreement). Upon termination of the Quantum Equity Transfer Agreement, any Party shall have the right to terminate the Investment Agreement, the First Amendment Agreement and this Second Amendment Agreement with a written notice to the other Parties, but such termination shall not affect the accrued rights or liabilities of a Party under Article 10.3 of the Investment Agreement.

6. Section 3.3.3 of the Investment Agreement:

The Parties agree that the Long Stop Date set forth in Section 3.3.3 of the Investment Agreement shall be extended from December 31, 2017 to March 31, 2018.

7. Article 6.5 of the Investment Agreement shall be in its entirety be replaced by the following:

6.5.1 As of the date of this Second Amendment Agreement, the Investor (or a party designated by the Investor and acceptable to the Parties, the **"Purchaser"**) and the Target Company shall enter into an agreement for the purchase of 15,000 Qoros vehicles (the **"Vehicle Purchase Agreement"**). Unless otherwise agreed by the Target Company and the Purchaser, the Vehicle Purchase Agreement shall provide for:

(i) the Purchaser shall pay a deposit of 25% of the total Vehicle Purchase Price within five (5) Business Days of the date of the Vehicle Purchase Agreement. Based upon the manufacturing progress of the vehicles, the Purchaser will further transfer 25% of the total Vehicle Purchase Price (together with the initial 25% deposit, the **"50% Deposit"**) on or before, but in no event later than, October 31, 2017 and the details of the business terms will be determined by further discussions between the Purchaser and the Target Company. The Parties agree that the funds paid by the Purchaser under this Article 6.3 shall solely be used for relevant production and operation activities conducted by the Target Company in respect of the 15,000 vehicles;

(ii) the Purchaser shall pay all the remaining amounts of the Vehicle Purchase Price upon the completion of the delivery of any such vehicles pursuant to the Vehicle Purchase Agreement; and

(iii) such vehicle purchases mentioned under this Article 6 shall be in addition to, and separate from, the undertaking by the Investor set forth in Article 6.5 of the Investment Agreement, provided that the number of vehicles to be ordered in 2018 shall be reduced to 95,000 vehicles.

6.5.2 The Investor hereby undertakes that upon completion of the transaction contemplated hereunder, between 2018 and 2020, each year, it shall provide Qoros Automobile with orders for 100,000 vehicles, to push a further expansion of the domestic market of Qoros Automobile and to make best efforts to realize the initial public offering of Qoros Automobile as early as possible. Notwithstanding the foregoing provision, subject to the entry of the Vehicle Purchase Agreement, the Parties agree that the number of the vehicles to be ordered in 2018 by the Investor set forth in Article 6.5 of the Investment Agreement shall be reduced to 95,000 vehicles.

8. Article 10.3 of the Investment Agreement shall be in its entirety be replaced by the following:

After the termination of this Agreement in accordance with the provisions above:

(1) the Parties will no longer have any right or obligation under this Agreement, except for the rights and obligations accrued prior to the rescission hereof;

(2) The Target Company shall immediately when possible and no later than one (1) year after the rescission of this Agreement repay to the Investor all the First Investment Advance and all or part of the Second Investment Advance which has been actually paid plus interest calculated at the rate for one-year loan for the same period of time (fiom the date when such amount is paid to the account of the Target Company). The Existing Shareholders agree to immediately terminate the escrow arrangements regarding the Escrow Accounts and the Investor agrees to immediately terminate its control on the Controlled Account. For the avoidance of doubt, repayment of the Investment Advance shall take precedence over the repayment of shareholder loans from the Existing Shareholders, and no part of the shareholder loans of the Target Company from the Existing Shareholders then outstanding shall in any way be repaid prior to the full repayment of the Investment Advance. Further, in the event that Quantum has already appointed one director nominated by the Investor following Article 2.3(a) of the Investment Agreement, Quantum shall have the right to remove the director previously nominated by the Investor.

If the termination of the Investment Agreement results from the sole breach of the Investor after the effectiveness date of the MOU (including performance failure before stated cutoff dates):

(i) the Target Company shall first have the right to request to further transfer all the remaining amount of the Second Investment Advance which has not been transferred, and the Investor shall execute required documents and go through necessary procedures to complete the transfer;

(ii) second, at the sole discretion of the Existing Shareholders, (A) all amounts of the First Investment Advance already transferred by the Investor to the Target Company in accordance with Article 2.4.1 of the Investment Agreement, and (B) all or part of the Second Investment Advance transferred by the Investor to the Target Company, shall be converted into the equity interest of the Target Company held by the Investor.

For the avoidance of doubt, the aggregated amount of the First Investment Advance and Second Investment Advance that shall be converted as the Target Company's equity interests as mentioned in item (A) and (B) above may be up to, but shall not exceed, RMB 2,200,000,000 (in words: RMB two billion two hundred million yuan). To the extent converted, such amount shall be converted as soon as possible based upon the Pre-Money Valuation currently provided in the Investment Agreement, and the Investor shall have the right to appoint one Director upon such conversion. The Parties agree that all provisions of the AOA requiring 'unanimous approval by the Directors of the Target Company shall be revised to provide for two-thirds approval, other than as may be required by law.

(3) Subject to the provisions of the above sub-section (2), the Existing Shareholders may replace the financial staff appointed by the Investor in accordance with Article 5.2 of the Investment Agreement and the research and development, manufacturing, procurement, sales staff and etc. The Investor shall immediately withdraw such staff and shall not appoint any staff to the Target Company in any manner.

9. Investment Structure Adjustment

(1) After the Ministry of Industry and Information Technology has issued the relevant circular on the management on the emission and CAFC credits of enterprise-owned passenger vehicles and the credits of new energy vehicles, the Parties agree that the Target Company and Wuhu Chery (or its affiliate) shall further discuss about the matters and arrangements with respect to emission compliance and credit compliance in connection therewith. For the aforesaid purpose, the Parties may adjust the investment structure provided in the Investment Agreement such that after the completion of this Investment and the Registered Capital Increase, the percentage of equity interest held by Wuhu Chery in the Target Company shall be 25%.

(2) The Parties further agree that the pre-investment valuation, the percentage of the equity interest to be held by the Investor in the Target Company upon completion of this Investment (51%) and the arrangements for Transitional Period currently provided in the Investment Agreement remain unchanged, and the Parties agree to cooperate and provide necessary assistance after the execution of the Second Amendment Agreement so that the Investor will be entitled to further participate in the Target Company's daily operation and management during the Transitional Period. Any such adjustment to the investment structure, if agreed by the Parties, would not change the essence of this deal and the Parties will adjust relevant Transaction Documents to reflect the aforesaid changes.

10. This Second Amendment Agreement shall constitute an integral part of the Investment Agreement. Save for the express amendments and modifications contained herein, all the provisions in the Investment Agreement and the First Amendment Agreement shall remain in full force and effect. In the event of any inconsistency between the provisions of this Second Amendment Agreement and the First Amendment Agreement, or between the provisions of this Second Amendment and the Investment Agreement, the provisions of this Second Amendment Agreement shall prevail.

11. This Second Amendment Agreement is executed in Chinese and English languages. Each language version shall be executed in ten (10) counterparts. Each Party holds one (1) counterpart. Each counterpart has the equal legal effect.

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[Signature Page to the Second Amendment to the Investment Agreement in respect of Qoros Automotive Co., Ltd.]

Hangzhou Chengmao Investment Co., Ltd. (Seal)

Sign by the legal representative or authorized representative:

Wuhu Chery Automobile Investment Company (Seal)

Sign by the legal representative or authorized representative:

Quantum(2007) LLC

Sign by the legal representative or authorized representative:

Title:

Qoros Automotive Co., Ltd. (Seal)

Sign by the legal representative or authorized representative:

[Signature Page to the Second Amendment to the Investment Agreement in respect of Qoros Automotive Co., Ltd.]

Hangzhou Chengmao Investment Co., Ltd. (Seal)

Sign by the legal representative or authorized representative: _____

Wuhu Chery Automobile Investment Company (Seal)

Sign by the legal representative or authorized representative: _____

Quantum(2007) LLC

Sign by the legal representative or authorized representative: _____

Title:

Qoros Automotive Co., Ltd. (Seal)

Sign by the legal representative or authorized representative: _____

[Signature Page to the Second Amendment to the Investment Agreement in respect of Qoros Automotive Co., Ltd.]

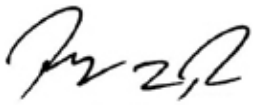
Hangzhou Chengmao Investment Co., Ltd. (Seal)

Sign by the legal representative or authorized representative: _____

Wuhu Chery Automobile Investment Company (Seal)

Sign by the legal representative or authorized representative: _____

Quantum(2007) LLC

Sign by the legal representative or authorized representative: 

Title: MANAGER

Qoros Automotive Co., Ltd. (Seal)

Sign by the legal representative or authorized representative: _____

[Signature Page to the Second Amendment to the Investment Agreement in respect of Qoros Automotive Co., Ltd.]

Hangzhou Chengmao Investment Co., Ltd. (Seal)

Sign by the legal representative or authorized representative: _____

Wuhu Chery Automobile Investment Company (Seal)

Sign by the legal representative or authorized representative: _____

Quantum(2007) LLC

Sign by the legal representative or authorized representative: _____

Title:

., Ltd. (Seal)

sentative or authorized re

Qoros Automotive Co., Ltd. (Seal)

Sign by the legal representative or authorized representative: _____

Third Amendment to the Investment Agreement

among

Hangzhou Chengmao Investment Co., Ltd.

and

Wuhu Chery Automobile Investment Company Limited

Quantum (2007) LLC

Qoros Automotive Co., Ltd.

in respect of

Qoros Automotive Co., Ltd.

November 8, 2017

THIRD AMENDMENT TO THE INVESTMENT AGREEMENT

This Third Amendment to the Investment Agreement (this "**Third Amendment Agreement**") in respect of Qoros Automotive Co., Ltd. is entered into in the PRC on this November 8, 2017 by and among:

(1) **Hangzhou Chengmao Investment Co., Ltd.**, a company organized and validly existing under the laws of China, with its registered address at Room 316, Building 9, 588 Feijiatang Road, Xiacheng District, Hangzhou City, Zhejiang Province, the PRC (hereinafter referred to as the "**Investor**");

(2) **Wuhu Chery Automobile Investment Company Limited**, a company organized and validly existing under the laws of China, with its registered address at 8 Changchun Road, Wuhu Economic and Technological Development Zone, Anhui Province, holding 50% equity interest in Qoros Automotive Co., Ltd. as of the date hereof (hereinafter referred to as "**Wuhu Chery**");

(3) **Quantum (2007) LLC**, a company organized and validly existing under the laws of State of Delaware, the United States of America, with its registered address at 16192 Coastal Highway Lewes Delaware 19958 USA, holding 50% equity interest in Qoros Automotive Co., Ltd. as of the date hereof (hereinafter referred to as "**Quantum**"); and

(4) **Qoros Automotive Co., Ltd.**, a company organized and validly existing under the laws of China, with its registered address at 1 Tongda Road, Changshu Economic & Technological Development Zone, Jiangsu Province (hereinafter referred to as "**Qoros Automotive**" or "**Target Company**").

The parties hereto may be referred to collectively as the "**Parties**", and a "**Party**", individually.

Whereas:

(1) The Parties entered into that certain Investment Agreement on May 23, 2017, as amended by the Amendment to the Investment Agreement on July 12, 2017, the Second Amendment to the Investment Agreement on September 25, 2017, in respect of an investment by the Investor into Qoros Automotive in accordance with terms and conditions set forth therein (the "**Initial Investment Agreement**", together with this Third Amendment Agreement, the "**Investment Agreement**").

(2) The Investor and Qoros Automotive entered into that certain Investment Advance Agreement on June 13, 2017 and that certain Second Investment Advance Agreement on August 14, 2017, pursuant to which the Investor (i) has provided an investment advance of a total amount of RMB 1 billion to Qoros Automotive (the "**First Investment Advance**") and (ii) shall provide an investment advance of an amount of RMB 1.2 billion (the "**Second Investment Advance**") to Qoros Automotive upon satisfaction of certain conditions set forth therein.

NOW THREFORE, in consideration of the foregoing recitals, which are incorporated herein, and the mutual intention of the Parties to set forth their understanding in relation to the amendment to the investment structure contemplated under the Initial Investment Agreement, the Parties agree as follows:

1. Definitions

Unless otherwise defined herein, capitalized terms used but not defined herein shall have the same meaning ascribed to them in the Initial Investment Agreement.

2. Section 2.5.2(i) of the Initial Investment Agreement

2.5.2 Quantum Equity Transfer

The Parties agree that (i) the definition of Quantum Equity in the Initial Investment Agreement shall be amended in such way that the equity interest in Qoros Automotive proposed to be transferred by Quantum is the one representing 26% of the total registered capital of Qoros Automotive; (ii) the Quantum Transfer Price shall be adjusted to RMB 1,690,000,000; and (iii) the Investor and Quantum shall enter into the Quantum Equity Transfer Agreement in the form set forth in Appendix I attached hereto.

3. Section 2.5.3(i) of the Initial Investment Agreement

2.5.3 Chery Equity Transfer

With respect to the Chery Equity Transfer, Wuhu Chery shall apply to the competent SASAC or any competent entity authorized by SASAC for re-approval for the Second Bidding before November 17, 2017, and shall apply to the Exchange House for the Second Bidding on November 17, 2017. The Parties agree that (i) the definition of Chery Equity in the Initial Investment Agreement shall be amended in such way that the equity interest in Qoros Automotive proposed to be transferred by Wuhu Chery is the one representing 25% of the total registered capital of Qoros Automotive; and (ii) the base listing price in the public announcement for Chery Equity Transfer proposed by Wuhu Chery at the Exchange House shall be no higher than RMB 1,630,000,000.

4. Section 2.5.4 of the Initial Investment Agreement shall be in its entirety be replaced by the following:

Consequence of the Failure of the Investor to be the Final Buyer.

If Chery fails to initiate the process of the listing and bidding of Chery Equity on or before the Bid Date or the Second Bidding is not successful (the Investor registers and participates in the bidding procedure to bid for Chery Equity in accordance with the applicable regulations and rules, but there is no successful bidder for the Second Bidding that becomes the ultimate buyer), the Parties shall switch to the previous investment structure as agreed by the Parties in this Agreement (before as amended by the First Amendment Agreement and this Second Amendment Agreement) whereby (a) the Target Company shall first reduce its registered capital from RMB 10,425,480,000 to RMB 6,500,000,000 ("**Capital Reduction**") after which Wuhu Chery and Quantum will respectively continue to hold 50% of the equity interest in the Target Company; (b) subsequently the Investor shall contribute RMB 6,500,000,000 in cash to subscribe for the increased registered capital of the Target Company, which equals to RMB 6,500,000,000; and (c) simultaneously with (b) the Investor shall acquire from Quantum 1% of the equity interest of the Target Company at the price of RMB 130,000,000; and the Long Stop Date set forth in Section 3.3.3 shall be extended to June 30, 2018. If the Investor fails to become the final buyer of Chery Equity following the completion of the bidding process at the Exchange House, either Quantum or the Investor may terminate the Quantum Equity Transfer Agreement without bearing any breach liability arising therefrom (and if the failure of the Investor to be the final buyer of Chery Equity is result from the breach by the Investor of the Investment Agreement, the Investor shall not be entitled to terminate the Quantum Equity Transfer Agreement). Upon termination of the Quantum Equity Transfer Agreement, any Party shall have the right to terminate the Initial Investment Agreement and this Third Amendment Agreement with a written notice to the other Parties, but such termination shall not affect the accrued rights or liabilities of a Party under Article 10.3 of the Investment Agreement.

5. Section 2.6.1 of the Initial Investment Agreement shall be in its entirety be replaced by the following:

Within three months after the occurrence of the Equity Transfer Closings, the Target Company shall have its registered capital increased by RMB 6,500,000,000 (the "**Registered Capital Increase**"), and (i) the Investor agrees to contribute RMB 3,315,000,000 ("**Investor Capital Increase Price**") to subscribe for 51% of the aforesaid increased registered capital in cash and/or convertible loans (as set forth in Section 2.6.2); (ii) Quantum shall contribute RMB 1,560,000,000 in cash and/or convertible loans ("**Quantum Capital Increase Price**") to subscribe for 24% of the aforesaid increased registered capital; and (iii) Wuhu Chery shall contribute RMB 1,625,000,000 in cash and/or convertible loans (as set forth in Section 2.6.2) with the full purchase price for the Chery Equity Transfer to subscribe for 25% of the aforesaid increased registered capital.

6. Section 2.6.2 of the Initial Investment Agreement shall be in its entirety be replaced by the following:

Notwithstanding any terms in this Article 2.6, the Investor and the Existing Shareholders agree that upon the occurrence of the Equity Transfer Closings, the Parties shall respectively provide, simultaneously and in proportion to their then shareholding percentages to be contemplated upon the Equity Transfer Closings, Quantum Capital Increase Price, the Chery Transfer Price and Investor Capital Increase Price, each in the form of a shareholder loan free of interests and free from Encumbrances, to the Target Company, *provided that* each of such loans shall be convertible into equity interest in the Target Company as agreed by the Investor and the Existing Shareholders. For the avoidance of doubt, the Parties agree that any remaining amounts in respect of the Quantum Transfer Price after the provision of such shareholder loan by Quantum shall not be subject to any further limitation or restriction under the Investment Agreement. For the avoidance of doubt, the First Investment Advance which has been transferred to the Target Company by the Investor and any or all of the Second Investment Advance actually transferred to the Target Company by the Investor on or before the Equity Transfer Closings shall be considered as part of the Investor Capital Increase Price, without double counting.

7. Section 2.6.4 of the Initial Investment Agreement shall be in its entirety be replaced by the following:

Upon the completion of the Registered Capital Increase, the total registered capital of the Target Company shall be RMB 16,925,480,000, the Investor shall hold RMB 8,631,994,800 registered capital of the Target Company, representing 51% equity interest in the Target Company, Wuhu Chery shall hold RMB 4,231,370,000 registered capital of the Target Company, representing 25% equity interest in the Target Company, and Quantum shall hold RMB 4,062,115,200 registered capital of the Target Company, each representing 24% equity interest in the Target Company. All the shareholders shall share profits and bear losses of the Target Company in proportion to their equity interests in the Target Company.

8. Section 4.1.1 of the Initial Investment Agreement shall be in its entirety be replaced by the following:

Shareholding Percentage at Equity Transfer Closing Date. Upon the occurrence of the Equity Transfer Closing, the Investor shall hold RMB 5,316,994,800 registered capital of the Target Company, representing 51% equity interest in the Target Company, Quantum shall hold RMB 2,502,115,200 registered capital of the Target Company, representing 24% equity interest in the Target Company, and Wuhu Chery shall hold RMB 2,606,370,000 registered capital of the Target Company, representing 25% equity interest in the Target Company. After the Equity Transfer Closing Date, the Investor shall share profits and bear losses of the Target Company in proportion to its equity interests in the Target Company.

9. Amended AOA of Qoros Automotive

The Parties acknowledge and agree that based on the foregoing provisions of this Third Amendment Agreement and the recent discussion among the Investor and the Existing Shareholders, the amended AOA of Qoros Automotive shall be adjusted accordingly, the form of which is set forth in Appendix II attached hereto. On or prior to the date of the Equity Transfer Closings, the Parties agree to execute and deliver the amended AOA which shall reflect the respective registered capital subscribed by and the shareholding structure of the relevant Party upon the Equity Transfer Closings.

10. Limitation of Liabilities of Legal Representative and Indemnity

10.1 The Investor, Wuhu Chery, Quantum and Qoros Automotive acknowledge that pursuant to the letter of designation and revocation, dated as of October 18, 2017, the designation of An'ning Chen as the chairman of the board of Qoros Automotive has been revoked by Wuhu Chery while An'ning Chen remains as the legal representative of Qoros Automotive on record with the relevant corporate registration authorities. The Investor and its nominated person who acts as the chairman of the board of Qoros Automotive shall diligently perform its obligations thereof according to the laws, regulations and article of association of Qoros Automotive.

10.2 The Parties agree to waive any claims against Chen An'ning and/or Wuhu Chery and release each of them from any and all liability that results from or relates to any action or decision taken by Chen An'ning as the legal representative of Qoros Automotive during the period from the effective date of the foregoing letter of designation and revocation through the date when the registration with the competent corporate registration authorities of the removal of Chen An'ning as the legal representative of Qoros Automotive is completed (the "**Chairmanship Transition Period**"). For the avoidance of doubt, Chen An'ning and/or Wuhu Chery shall not be liable to any of the Parties, nor any of their respective employees, managers, directors, or shareholders in any respect for any damages or losses that any of them may incur or suffer as a result of or in connection with any action or decision taken by Chen An'ning as the legal representative of Qoros Automotive during the Chairmanship Transition Period.

10.3 The Parties agree that Chen An'ning will not take any action or decision as legal representative of Qoros Automotive during the Chairmanship Transition Period upon the direction of the Investor or its representatives, unless at such time the Investor or Qoros Automotive agrees to defend and hold harmless Chen An'ning from and against any and all losses, damages, claims, liabilities, penalties, judgments, costs and expenses (including, without limitation, the fees and expenses of attorneys and experts) arising out of or in connection with any such action or decision.

11. Transfer of CAFC Credits

Wuhu Chery agree that within three (3) years as from the Closing Date, Qoros Automotive is entitled to internally trade corporate average fuel consumption and new energy vehicle dual credits ("**CAFC Credits**") with Wuhu Chery and its Affiliates under the *Administrative Measures on Corporate Average Fuel Consumption and New Energy Vehicle Dual-credit Scheme for Passenger Vehicle Enterprises* or any other PRC laws and regulations with respect to the trade of CAFC Credits, provided Wuhu Chery and its Affiliates have extra credits after adequately satisfying Wuhu Chery and its Affiliates' own credits requirement. Wuhu Chery shall, and shall procure its Affiliates to, offer price of the credits available to Qoros Automotive no higher than market price, and no higher than the one Chery Jaguar Land Rover Automotive Co., Ltd. can obtain from Wuhu Chery and its Affiliates, with respect to the said trade of the CAFC credits.

12. This Third Amendment Agreement shall constitute an integral part of the Initial Investment Agreement. Save for the express amendments and modifications contained herein, all the other provisions in the Initial Investment Agreement shall remain in full force and effect. In the event of any inconsistency between the provisions of this Third Amendment Agreement and the Initial Investment Agreement, the provisions of this Third Amendment Agreement shall prevail.

13. This Third Amendment Agreement is executed in the Chinese and English languages. Each language version shall be executed in ten (10) copies with each Party holding one (1) copy. Each copy has the equal legal effect.

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[Signature Page to the Third Amendment to the Investment Agreement in respect of Qoros Automotive Co., Ltd.]

Hangzhou Chengmao Investment Co., Ltd. (Seal)

Sign by the legal representative or authorized representative: _____

Wuhu Chery Automobile Investment Company (Seal)

Sign by the legal representative or authorized representative: _____

Quantum(2007) LLC

Sign by the legal representative or authorized representative: _____
Title:

Qoros Automotive Co., Ltd. (Seal)

Sign by the legal representative or authorized representative: _____

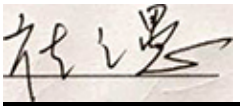
[Signature Page to the Third Amendment to the Investment Agreement in respect of Qoros Automotive Co., Ltd.]

Hangzhou Chengmao Investment Co., Ltd. (Seal)

Sign by the legal representative or authorized representative:

Wuhu Chery Automobile Investment Company (Seal)

Sign by the legal representative or authorized representative:



Quantum(2007) LLC

Sign by the legal representative or authorized representative:

Title:

Qoros Automotive Co., Ltd. (Seal)

Sign by the legal representative or authorized representative:

[Signature Page to the Third Amendment to the Investment Agreement in respect of Qoros Automotive Co., Ltd.]

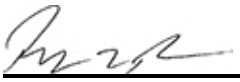
Hangzhou Chengmao Investment Co., Ltd. (Seal)

Sign by the legal representative or authorized representative: _____

Wuhu Chery Automobile Investment Company (Seal)

Sign by the legal representative or authorized representative: _____

Quantum(2007) LLC

Sign by the legal representative or authorized representative: 
Title: Manager

Qoros Automotive Co., Ltd. (Seal)

Sign by the legal representative or authorized representative: _____

[Signature Page to the Third Amendment to the Investment Agreement in respect of Qoros Automotive Co., Ltd.]

Hangzhou Chengmao Investment Co., Ltd. (Seal)

Sign by the legal representative or authorized representative: _____

Wuhu Chery Automobile Investment Company (Seal)

Sign by the legal representative or authorized representative: _____

Quantum(2007) LLC

Sign by the legal representative or authorized representative: _____
Title:

Qoros Automotive Co., Ltd. (Seal)

Sign by the legal representative or authorized representative: _____

Exhibit 4.18

JOINT VENTURE CONTRACT

among

Wuhu Chery Automobile Investment Co., Ltd.

Quantum (2007) LLC

and

Hangzhou Chengmao Investment Co., Ltd.

in respect of

Qoros Automotive Co., Ltd.

DATE: December 20, 2017

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Appendices

Appendix 1 JV Products

Appendix 2 Articles of Association

JOINT VENTURE CONTRACT

Preliminary Statement

THIS JOINT VENTURE CONTRACT (the **"Contract")** is made on this December 20, 2017 by and between:

Wuhu Chery Automobile Investment Co., Ltd., a limited liability company duly organized and existing under the laws of the People's Republic of China **("PRC"),** with its legal address at 8 Changchun Road, Wuhu Economic and Technological Development Area, Anhui Province, PRC (hereinafter referred to as **"Party A");**

Quantum (2007) LLC, a limited liability company established and existing under the laws of the State of Delaware, the United States of America, with its legal address at16192 Coastal Highway, Lewes, Delaware19958, USA (hereinafter referred to as **"Party B");** and

Hangzhou Chengmao Investment Co., Ltd, a limited liability company established and existing under the laws of the PRC, with its legal address at Room 316, Building 9, 588 Feijiatang Road, Xiacheng District, Hangzhou City, Zhejiang Province, PRC (hereinafter referred to as **"Party C").**

Party A, Party B and Party C are hereinafter collectively referred to as **"Parties",** and individually referred to as a **"Party".**

After friendly consultations conducted in accordance with the principles of equality and mutual benefit, Party A, Party B and Party C have agreed to jointly operate a limited liability Sino-foreign equity joint venture enterprise in accordance with the *Law of the People's Republic of China on Equity Joint Ventures Using Chinese and Foreign Investment* (hereinafter referred to as the **"Joint Venture Law"),** the *Regulations for the Implementation of the Law of the People's Republic of China on Equity Joint Ventures Using Chinese and Foreign Investment* (hereinafter referred to as the **"Joint Venture Regulations"),** the *Company Law of the People's Republic of China* (hereinafter referred to as the **"Company Law"),** other relevant laws and regulations of the PRC, and the provisions of this Contract.

Parties have signed this Contract in China on 20th day of December 2017 after unanimous consent.

NOW THEREFORE, it is hereby agreed as follows:

Article 1: Definitions

The following words and terms used in this Contract shall have the meanings set forth below:

1.1 Intentionally left blank.

1.2 **"Articles of Association"** means the Articles of Association of the JV Company that are signed by the Parties simultaneously with this Contract and are attached hereto as Appendix 2.

1.3 **"Board"** means the board of directors of the JV Company.

1.4 **"Business License"** means the business license issued to the JV Company by the PRC State Administration for Industry and Commerce (including its authorized local branches, as applicable).

1.5 **"Closing Date"** means the date on which (i) Party A has completed its transfer of 25% of the Equity Interest in the JV Company to Party C; and (ii) Party B has completed its transfer of 26% of the Equity Interests in the JV Company to Party C. Such date shall be deemed as the closing date set out in the closing certificate which is jointly delivered by Party A, Party B and JV Company to Party C.

1.6 **"Company Establishment Date"** means the date of issuance of the first Business License.

1.8 **"Contract Term"** means the term of this Contract as set forth in Article 17.

1.9 **"Control"** means that power, which is possessed directly or indirectly by a person or entity, to direct or cause the direction of the management and policies of another person or entity through ownership of more than fifty percent (50%) of the voting stock or equity interest.

1.10 **"Effective Date"** means the date when this Contract comes into force, which shall be the date on which this Contract and the Articles of Association are approved by the Examination and Approval Authority.

1.11 **"Examination and Approval Authority"** means the appropriate PRC government department with the legal authority to approve this Contract and the Articles of Association under the applicable PRC laws and regulations.

1.12 **"JV Company"** means Qoros Automotive Co., Ltd., the Sino-foreign equity joint venture limited liability company.

1.13 **"JV Products"** means those products produced by theJV Company, which are set forth in Appendix 1, and any other products that the Parties agree, in writing, that the JV Company shall produce.

1.14 Intentionally left blank.

1.15 Intentionally left blank.

1.16 Intentionally left blank.

1.17 **"Motor Vehicle"** means passenger cars, sport utility vehicles, light trucks, and other self-propelled land vehicles, all either with electric engines or combustion engines used for transportation of people or goods, provided however that agricultural transportation equipment and material transportation handling equipment are not included.

1.18 **"Phase One"** means the period of time during which the JV Company is expected to launch those JV Products specified in Appendix 1.

1.19 **"PRC"** means the People's Republic of China; provided that, for the purpose of this Contract, the term shall not include Taiwan, the Special Administrative Region of Macau, and the Special Administrative Region of Hong Kong.

1.20 **"Renminbi"** or "**RMB**" means the lawful currency of the PRC.

1.21 **"Second-Convened Meeting"** shall have the meaning ascribed in Article 9.10.

1.22 **"Senior Management Employees"** means the JV Company's General Manager, Deputy General Manager, Chief Financial Officer, and other management employees who directly report to the General Manager.

1.23 Intentionally left blank.

1.24 **"Supervisor"** has that meaning asset forth in Article 10.1.

1.25 **" Supervisory Committee''** means the supervisory committee of the JVCompany as constituted in accordance with Article 10 of this Contract.

1.26 **"Supply Contract"** means the supply contract to be executed between Wuhu Chery Automobile Purchasing Co., Ltd. and the JV Company, pursuant to which the JV Company shall purchase components and parts from Wuhu Chery Automobile Purchasing Co., Ltd.

1.27 Intentionally left blank.

1.28 **"Third Party"** means any natural person, legal person or other organization or entity that is other than the Parties to this Contract.

1.29 **"Three Funds"** means the JV Company's reserve fund, enterprise development fund, and employee bonus and welfare fund as stipulated in the joint Venture Regulations.

1.30 **"United States Dollars"** or "**US$**" means the lawful currency of the United States of America.

1.31 **"Working Employees"** means all employees of the JVCompany, other than the Senior Management Employees.

Unless otherwise stated, all references herein to numbered Articles and Appendices are to Articles and Appendices of this Contract.

Article 2: Parties to this Contract

2.1 The Parties to this Contract are:

(1) Party A: Wuhu Chery Automobile Investment Co., Ltd., a limited liability company duly organized and existing under the laws of the PRC, with its legal address at 8 Changchun Road, Wuhu Economic and Technological Development Area, Anhui Province, PRC.

Legal Representative of Party A:

Name: Cui Zhiyu (崔之愚)
Position: Chairman
Nationality: PRC

(2) Party B: Quantum (2007) LLC, a limited liability company established and existing under the laws of the State of Delaware, the United States of America, with its legal address at 16192 Coastal Highway, Lewes, Delaware 19958, USA.

Legal Representative of Party B:

Name: Robert Rosen
Position: Manager
Nationality: USA

(3) Party C: Hangzhou Chengmao Investment Co., Ltd, a limited liability company established and existing under the laws of the PRC, with its legal address at Room 316, Building 9, 588 Feijiatang Road, Xiacheng District, Hangzhou City, Zhejiang Province, PRC.

Legal Representative of Party C:

Name: Sun Li (孙莉)
Position: Legal Representative
Nationality: PRC

2.2 If a Party changes its legal representative, it shall promptly notify the other Parties in writing of such change and the name, position and nationality of its new legal representative.

Article 3: Legal Form of the JV Company

3.1 Intentionally left blank.

3.2 The name of the JV Company shall be 观致汽车有限公司 in Chinese and Qoros Automotive Co., Ltd. in English.

3.3 The legal address of the JV Company shall be 1 Tongda Road, Changshu Economic and Technology Development Area, Jiangsu Province, PRC.

3.4 The JV Company may establish branch offices and subsidiaries within and/or outside of the PRC with the consent of the Board, in accordance with the Contract, other agreements and documents executed by the parties and, if required, with approval from the relevant governmental authorities.

3.5 The JV Company shall be an enterprise legal person under the laws of the PRC. The activities of the JV Company shall be governed by the laws, decrees, rules and regulations of the PRC, and its lawful rights and interests shall be protected by the laws, decrees, rules and regulations of the PRC.

3.6 The JV Company shall be a limited liability company. Unless otherwise provided in this Contract or otherwise agreed by a Party in writing, such Party shall only be liable to the JV Company to the extent of that Party's respective subscribed contributions to the JV Company's registered capital that are required to be made pursuant to this Contract. Unless otherwise provided in a written agreement signed by a Party, creditors of the JV Company and other claimants against the JV Company shall have recourse only to the assets of the JV Company and shall not seek compensation, damages or other remedies from such a Party.

Subject to the foregoing, in accordance with relevant PRC laws and regulations, the Parties shall share the profits and bear risks and losses of the JV Company in proportion to their equity interest in the JV Company.

Article 4: Purpose, Scope of Business and Scale of Production

4.1 The purpose of the JV Company is to use efficient and advanced technology, product planning and management, production and distribution techniques to manufacture in the PRC, market and sell the JV Products worldwide, to improve the value and competitiveness of such products, to introduce new products, and to obtain satisfactory economic benefits for the Parties.

4.2 The business scope of the JV Company shall be:

Business items under license management: other hazardous chemical products: flammable liquids in intermediate flashpoint group under Item 2 Class 3: adhesives for automobile doors and windows; liquid sealants. Corrosives presenting acidic properties under Item 1 Class 8: batteries [with acid liquid] (stock prohibited; for commodities subject to administration licensing, the relevant procedures shall be carried out in accordance with the applicable regulations).

Business items without license management: production and sale of motor vehicles under the Qoros-brand; vehicle development and testing; technical services and technology trade; wholesale and import/export of parts and accessories for vehicles, special tools, lubricant oil, chemicals, vehicle decorations, electronic product accessories, clothing and daily use articles (not involving commodities subject to State-run trade administration, for commodities subject to quota and licensing, the Government regulation application process shall apply); motor vehicles after-sales services, technical services and business consulting service; software development and sales, and technical services, data processing and storage service.

4.3 The JV Company's production scale is expected, in Phase One, to reach no less than 150,000 Motor Vehicles per annum. In accordance with relevant market and sales conditions, such scale may be gradually expanded.

4.4 If the JV Company proposes to establish a new subsidiary or branch office, for the purpose of the industrial development of the JV Company, the Parties agree that Wuhu, Anhui Province, shall be given priority consideration when establishing such new subsidiary or branch. The Parties shall use best endeavors to provide cooperation with the JV Company on its conduct of feasibility study as soon as possible on the establishment of Wuhu subsidiary or branch office, and further discuss with the government authority about the investment plan so that Wuhu subsidiary or branch office will be established as soon as possible.

Article 5: Total Amount of Investment and Registered Capital

5.1 The JV Company's total amount of investment is Eighteen Billion Four Hundred Eighty Eight Million Five Hundred Ninety Thousand RMB (RMB 18,488,590,000), and its registered capital is Ten Billion Four Hundred Twenty Five Million Four Hundred Eighty Thousand RMB (RMB 10,425,480,000). The registered capital has been paid up in full by Party A, Party B and Party C.

5.2 The Parties agree that the Parties' equity interest proportion in the JV Company shall be as follows:

5.2.1 Party A: holding a registered capital of RMB 2,606,370,000 in the JV Company, accounting for twenty five percent (25%) of the equity interest in the JVCompany.

5.2.2 Party B: holding a registered capital of RMB 2,502,115,200 in the JV Company, accounting for twenty four percent (24%) of the equity interest in the JV Company.

5.2.3 Party C: holding a registered capital of RMB 5,316,994,800 in the JV Company, accounting for fifty one percent (51%) of the equity interest in the JV Company.

5.3 Intentionally left blank.

5.4 In the event that any Party fails to make its capital contribution, in whole or in part, in accordance with Article 5.1, such Party shall pay simple interest to the JV Company on the unpaid amount (or the value of the in-kind contribution) from the date due until the date the contribution is made. Such interest shall be computed using the loan interest rate published by the People's Bank of China for the corresponding period.

5.5 Each time a Party makes a contribution to the JV Company's registered capital, an accountant registered in the PRC and agreed upon by the Parties shall, at the expense of the JV Company, promptly verify the contribution and issue a capital verification report to the JV Company. Such capital verification report shall be prepared on the basis that any capital contribution in the form of cash shall be deemed to be made on the date on which the relevant amount of cash has been deposited into a bank account of the JV Company, and that any capital contribution in the form of assets shall be deemed to be made on the date on which such assets are transferred to the possession of the JVCompany.

The JV Company shall issue an investment certificate to each Party according to the *Joint Venture Regulations*, that is signed by the Chairperson of the Board, and that is chopped with the JV Company's chop. Each investment certificate shall indicate the amount of the capital contribution and the date on which such contribution was made, and a copy shall be submitted to the Examination and Approval Authority and the competent Administration for Industry and Commerce for the record. The General Manager shall maintain a file of all capital verification reports and copies of all investment certificates that have been issued to the Parties.

5.6 Intentionally left blank.

5.7 Any increase in the registered capital and total investment of the JV Company shall require the written consent of the Parties and the unanimous approval of the Board.

5.7.1 The Parties shall contribute to any increase in registered capital in proportion to their respective equity interest at the time of such increase, unless otherwise agreed in writing by the Parties and the Board, and except for the capital increase of Party C as agreed in Article 5.12 hereof.

5.7.2 All increases in the registered capital and total investment shall be approved by the Examination and Approval Authority, if required by relevant PRC laws and regulations. Upon receipt of such approval, the JVCompany shall register the increase in the registered capital and total .investment with the competent Administration for Industry and Commerce.

5.7.3 In the event that the registered capital of the JV Company is increased, any Party which provides US$ or Euro cash as capital contribution shall be credited with a RMB amount equivalent to such US$ or Euro cash amount. Such RMB equivalent shall be calculated using the median of the official buying and selling rates for RMB that is published by the People's Bank of China on the date on which that US$ or Euro contribution was made.

5.8 Subject to Article 9.14(r) and (s), the JV Company shall be responsible for obtaining any loans or other financing that may be required by the JV Company to fmance its operation and capital expenditures. Subject to the foregoing, the Parties shall cooperate with each other and the JV Company in facilitating the approval and grant by third party lenders of loans to the JV Company. In order to fund the difference between the total amount of investment and the registered capital, the JVCompany may obtain, in accordance with the following, loans from banks or other authorized lenders in the PRC or from banks, export credit agencies, international financial organizations and other lenders abroad:

(a) The JV Company shall first attempt to obtain such a loan on its own credit.

(b) Secondly, the JVCompany may pledge or mortgage its assets for the benefit of any lender as collateral for a loan by any such lender.

5.9 Any cost incurred by a Party in connection with the making of a capital contribution shall be pad by such Party unless otherwise has been agreed in writing among the Parties.

5.10 Subject to the Lock-Up Period (Article 5.10.1) and Right of First Refusal (Article 5.10.3) stipulated in this Contract below as well as other limitations on transfer of the equity interests in the registered capital of the JV Company (each, an "**Equity Interest**") under this Articles of Association, any Party shall have the right to sell, assign, transfer or otherwise dispose all or part of its Equity Interests without prior written consent of the other Parties.

5.10.1 Lock-Up Period

(a) The Parties agree that Party A shall have the right at any time to assign all or part of its Equity Interest to an Affiliate (Party A's Affiliates includes but not limited to Chery Automobile Co., Ltd., similarly hereinafter); and if it is necessary based on the IPO requirements of Party A or Party A's Affiliates to transfer Party A's Equity Interest in the JV Company to a third party to the extent meeting the upper limit required by laws, regulations and security regulatory authority, then the Parties shall agree Party A's Equity Interest transfer, and perform necessary formalities in order to implement Party A's Equity Interest transfer, including without limitation, issuing necessary board resolutions and conducting necessary AIC registration change, etc.. Unless for the purpose of said IPO of Party A or Party A's Affiliates, within five (5) years of the Closing Date, Party A shall not transfer any or all of its Equity Interest in the JV Company to any third parties without unanimous agreement by the Parties. On or after the fifth (5^{th}) anniversary of the Closing Date, Party A shall have the right to transfer or dispose of otherwise up to 50% of its Equity Interest (subject to the right of first refusal under Article 5.10.3) to any person and remaining 50% of its Equity Interest shall be disposed of in concert with the Equity Interest of Party C.

Party C shall have a right of first refusal with regard to the Equity Interest transferred by Party A to a Third Party if the transfer price is higher than Thirteen Billion RMB (RMB 13,000,000,000) ("**Base Price**") (subject to inflation adjustment as set forth in Article 5.10.2(c) and adjustments for any subsequent capital investments) multiplied with the percentage of the Equity Interest to be transferred in the total registered capital of the Company and shall exercise such right of first refusal in accordance with Article 5.10.3; for avoidance of doubt, Party B shall have no right of first refusal under such circumstance.

(b) The Parties agree that (i) Party B shall have the right at any time to transfer or dispose of otherwise up to 50% of its Equity Interest; (ii) Party B shall have the right at any time to assign all of its Equity Interest to an Affiliate; and (iii) agreements with respect to mortgage, pledge, lending or transfer of Equity Interest to Party A by Party B that have been entered into between Party A and Party B before this amendment to the Contract, should be executed as is agreed by Party A and Party B. Within three (3) years since the Closing Date, Party B shall not transfer the remaining fifty percent (50%) of its Equity Interest in the JV Company to any third party without unanimous agreement by the Parties. On or after the third (3^{rd}) anniversary of the Closing Date, Party B shall have the right to transfer or dispose of otherwise all of its Equity Interest to any person (subject to the right of first refusal under Article 5.10.3). Party C shall have a right of first refusal with regard to the Equity Interest transferred by Party B to a Third Party (other than a transfer in accordance with this Article 5.10.l (b)(ii) above) if the transfer price is higher than the Base Price (subject to inflation adjustment as set forth in Article 5.10.2(c)) multiplied with the percentage of the Equity Interest to be transferred in the total registered capital of the Company and shall exercise such right of first refusal in accordance with Article 5.10.3; for avoidance of doubt, Party A shall have no right of first refusal under such circumstance.

(c) Notwithstanding Article 5.10, the Parties agree that, Party C shall have the right at any time to assign all or part of its Equity Interest to its Affiliate. Unless for the purpose of transfer to the Affiliate of Party C, within five (5) years since the Closing Date, Party C or any Affiliate of Party C shall not transfer any or all of its Equity Interest in the JV Company to any third parties without unanimous agreement by the Parties.

If Party C or any Affiliate of Party C transfers or dispose of otherwise any or all of its Equity Interest to any Third Party, Party A and Party B shall have the right to elect to (i) transfer their Equity Interest to the same Third Party together with Party C on the same terms and conditions in proportion to their then respective actual capital contribution percentage of Party A, Party B and Party C in the JV Company (provided that in no event shall any such arrangements (x) result in indemnities or liabilities beyond net proceeds from exercise of such tag along rights, (y) require any joint and several representations or indenmity or (z) require any person other than the seller to provide any representations, warranties or indemnities); or (ii) transfer their respective Equity Interests to Party C in accordance with Articles 5.10.2 with a fifteen-business-day prior written notice. For the avoidance of doubt, the six-month prior written notice requirement under Articles 5.10.2 shall not apply to this Article 5.10.1 (c).

As long as Party A remains a shareholder of the JV Company holding no less than 7% of the equity interest of the JV Company, Party C and/or its Affiliate will not directly or indirectly transfer all or part of its equity interest in the JV Company (including the provision of any share pledge or similar encumbrance) to any domestic company engaged in the vehicle manufacturing business without the prior written consent of Party A.

(d) Any assignment by Party A of its Equity Interest to its Affiliate, any assignment of Party B of its Equity Interest to its Affiliate, any assignment by Party C of its Equity Interest to its Affiliate, any assignment of the Equity Interest among the Parties as the shareholders of the JV Company and assignment in accordance with the Contract are hereinafter in each case referred to as **"Internal Assignment".** By entering into the Joint Venture Contract, the Articles of Association or agreements in writing, the Parties shall be deemed to have provided their respective consents to any Internal Assignment and shall waive their respective rights of first refusal to purchase the Equity Interest to be assigned. The Parties shall cause their respective directors appointed at the Board to vote in favour of such Internal Assignment and shall execute all documentation and take any other action required to carry out such Internal Assignment. After any transfer to an Affiliate by any Party, any further transfers of its Equity Interest of such Affiliate shall be subject to this Article 5.10.

An Internal Assignment shall only be carried out by a Party provided that such Party obtains a written irrevocable commitment letter from its Affiliate transferee to the other Parties providing that such Affiliate agrees to be bound by all the terms applicable to such Party hereunder, and for the avoidance of doubt, an Internal Assignment shall include any transfer to an Affiliate of a Party resulting from a foreclosure or enforcement of a share pledge in favor of such Affiliate.

5.10.2 Put Option

(a) Subject to the further increase of the actual paid-in registered capital of the JV Company, by RMB6,500,000,000 (the **"Further Capital Increase"),** at RMB 1 yuan per registered capital that has been agreed by the Parties, by each of Party A, Party B and Party C in proportion to its current equity interest percentage, on or after the fifth (5th) anniversary of the Closing Date but no later than the sixth (6th) anniversary of the date of April 6, 2017, Party A has the right to cause Party C (or any Affiliate of Party C) to purchase up to 50% of the Equity Interest owned by Party A immediately after the Further Capital Increase, at a value equal to RMB 6,370,000,000 multiplied by the percentage of the Post-Investment Equity Interest to be transfened (the **"Put Price"). "Post-Investment Equity Interest"** shall mean the total Equity Interest owned by Party A and Party B immediately after the Further Capital Increase. For the avoidance of doubt, the Put Price of the total amount of Post-Investment Equity Interest held by each of Party A and Party B in Qoros shall at any time and irrespective of any capital reduction or increase equal to RMB 3,250 million and RMB 3,120 million, respectively, and the Put Price in respect of the exercise of the Put by Party A of 50% of its Post-Investment Equity Interest would be at any time equal to RMB 1,625 million, subject to the inflation adjustment as set forth in Article 5.10.2 (c) below. Party A may exercise the put option by providing written notice of such election to Party C at least six (6) months prior to the date (the **"Party A Expiration Date")** Party A desires to consummate such transfer to Party C (the **"Party A Put Notice").** The Parties shall complete the execution of the necessary transaction documents in connection with the proposed transfer, subject to completion of the bidding process required under applicable laws, as soon as possible after the delivery of the Party A Put Notice and shall complete such transfer on or prior to the Party A Expiration Date. Party C shall purchase such Equity Interest at the Put Price upon completion of such transfer.

To the extent the Further Capital Increase has not been completed at the time of any such exercise pursuant to this Article 5.10.2(a), the Put mechanics shall be adjusted such that Party A has the right to cause Party C (or any Affiliate of Party C) to purchase up to 50% of the Post-Investment Equity Interest owned by Party A together with a proportionate amount of any shareholder loans owed to Party A which would have otherwise been converted pursuant to the Further Capital Increase, at the Put Price (or alternatively, with respect to such shareholder loans, Party C (or any Affiliate of Party C) may procure the JV Company to repay such loans to Party A at the same time when Party C is purchasing the aforesaid Post-Investment Equity Interest provided Party C (or any Affiliate of Party C) provides the funding for such repayment, the JV Company receives the necessary third party approvals for such repayment and such repayment does not materially impact timing for such payments under the Put). In the event that the JV Company fails to complete the repayment of such propmtionate amount of the shareholder loans for any reason whatsoever, Party A shall be entitled to detetmine at its discretion to convert such proportionate amount of the shareholder loans into the equity interest of the JV Company to be held by Party A, and Party C and the JV Company shall take all actions necessary and execute required documents so that Party A is able to complete such conversion and such equity shall be subject to such Put rights. For the avoidance of doubt, the total value of Party A's Post-Investment Equity Interest together with such respective shareholder loan amounts which would have otherwise been converted shall be equal to the Put Price of RMB 3,250 million subject to any adjustment pursuant to Article 5.10.2(c).

(b) Following, but not subject to, the completion of the Further Capital Increase, within three (3) years from the Closing Date, Party B has the right to cause Party C (or any Affiliate of Party C) to purchase up to 50% of the Post-Investment Equity Interest owned by Party B at the Put Price. For the avoidance of doubt, the Put Price for 50% of the Post-Investment Equity Interest owned by Party B would be at any time equal to RMB 1,560 million, subject to the inflation adjustment as set forth in Article 5.10.2(c) below. On or after the third (3rd) anniversary of the Closing Date but no later than the sixth (6th) anniversary of the date of April 6, 2017, Party B has the right to cause Party C (or any Affiliate of Party C) to purchase any or all of the remaining Post-Investment Equity Interest owned by Party B following the Further Capital Increase at the Put Price. For the avoidance of doubt, the Put Price for 100% of the Post-Investment Equity Interest owned by Party B following the Further Capital Increase would be at any time equal to RMB 3,120 million, subject to the inflation adjustment as set forth in Article 5.10.2(c) below. Party B may exercise the put option by providing written notice of such election to Party C at least six (6) months prior to the date **("Party B Expiration Date")** Party B desires to consummate such transfer to Party C (the **"Party B Put Notice").** The Parties shall complete the execution of the necessary transaction documents in connection with the proposed transfer as soon as possible after the delivery of the Party B Put Notice and shall complete such transfer on or prior to the Party B Expiration Date. Party C shall purchase such Equity Interest at the Put Price upon completion of such transfer. With respect to any guarantee liabilities provided by Party B for the fmancing of the JV Company prior to the completion of such transfer (whether directly or indirectly), Party C shall assume from party B such guarantee liabilities in proportion to its then shareholding percentage in the JV Company immediately after the completion of such transfer.

(c) The Put Price under Articles 5.10.2(a) and 5.10.2(b) shall be subject to inflation adjustment at an inflation rate which shall be equivalent to an inflation rate starting from the Closing Date to the date of the purchase date under this Article 5.10.2 with reference to the inflation rate published by the National Bureau of Statistics of China.

(d) To the extent the Further Capital Increase has not been completed at the time of any such exercise pursuant to Article 5.l0.2(b), the Put mechanics shall be adjusted such that Party B has the right to cause Party C (or any Affiliate of Party C) to purchase the Post-Investment Equity Interest owned by Party B that Party B would have the right to cause Party C to purchase had the Further Capital Increase been completed together with a proportionate amount of any shareholder loans owed to Party B which would have otherwise been converted pursuant to the Further Capital Increase, at the Put Price. For the avoidance of doubt, Party C's purchase of the Post-Investment Equity Interest and shareholder loans of Party B mentioned in this Article 5.10.2(d) shall be subject to the time period and corresponding proportion of Post-Investment Equity Interest that Party B could exercise as specified in Article 5.10.2(b). (or altematively, with respect to such shareholder loans, Party C (or any Affiliate of Party C) may procure the JV Company to repay such loans to Party B at the same time when Party C is purchasing the aforesaid Post-Investment Equity Interest provided Party C (or any Affiliate of Party C) provides the funding for such repayment, and the JV Company receives the necessary third party approvals for such repayment and such repayment does not materially impact timing for such payments under the Put). In the event that (i) the purchase by Party C of such proportionate amount of the shareholder loans owed to Party B has not been completed due to the foreign exchange control and regulation by the competent authority, or (ii) the JV Company fails to complete the repayment of such proportionate amount of the shareholder loans for any reason whatsoever, Party B shall be entitled to determine at its discretion to convert such proportionate amount of the shareholder loans into the equity interest of the JV Company to be held by Party B, and Party C and the JV Company shall take all actions necessary and execute required documents so that Party B is able to complete such conversion and such equity shall be subject to such Put rights. For the avoidance of doubt, the total value of Party B's Post-Investment Equity Interest together with such respective shareholder loan amounts which would have otherwise been converted shall be equal to the Put Price of RMB 3,120 million subject to any adjustment pursuant to Article 5.10.2(c).

5.10.3 Right of First Refusal

Subject to Article 5.10.1, if a Party proposes to transfer any of its Equity Interest to a Third Party (other than to its Affiliate), the other Parties shall have the right of first refusal to purchase all, but not less than all, of the Equity Interest to be transferred at a price and on terms and conditions not less favorable than those offered by such Third Party. The Party who proposes to transfer its Equity Interest shall give the other Parties two-month prior written notice of its intention of the transfer before entering into any binding agreement with regard to the transfer of its Equity Interest. Such notice shall set out in full details of such proposed transfer, including without limitation the identity of the Third Party interested in acquiring such Equity Interest, the proposed purchase price and all other material terms and conditions of the transfer.

The other Parties having the right of first refusal provided in this Article 5.10.3 shall decide and notify the transferring Party in writing within two (2) months of its receipt of the transferring Party's notice (the "**Transfer Notice Period**") whether it decides to exercise the right of first refusal to purchase all, but not less than all, of the Equity Interest to be transferred; such a notice shall constitute a binding commitment to purchase all Equity Interests to be transferred. In the event that more than one Party exercises the right of first refusal provided in this Article 5.10.3, each of such Parties shall purchase the Equity Interest to be transferred in proportion to its then actual capital contribution percentage in the JV Company. Any Party failing to notify the transferring Party of its decision to exercise its right of first refusal in writing within the said Transfer Notice Period shall be deemed to have consented to the proposed transfer, and, and if no Party timely exercises such right of first refusal, the transferring Party may sell and transfer such equity interest to the proposed transferee on the terms and conditions set forth in the notice to the other Parties. The non-transferring Parties may request the transferring Party to provide a copy of the written equity interest transfer agreement entered into with the transferee and evidence of payment of the consideration therefor. In the event that the right of first refusal is exercised pursuant to this paragraph, the Party(s) exercising such rights shall consummate the purchase of the Equity Interests being transferred within 5 business days of the exercise of such rights and the Parties shall execute customary transfer documentation and instruments to give effect to such transfer. In the event that a Party exercises a right of fust refusal but fails to complete the purchase as required by the foregoing sentence, (i) if more than one Party has exercised the right, then the other Party shall be required to complete the purchase of the Equity Interests within 5 business days of the failed purchase and (ii) if such other Party does not complete the sale pursuant to clause (i) or no other Party exercised the right of first refusal, then the Party seeking to transfer Equity Interests shall be free to sell its Equity Interests to any Party. The foregoing two sentences shall not relieve a defaulting Party from any obligations or liabilities it may have with respect to a commitment to purchase Equity Interests pursuant to this paragraph.

5.10.4 "Affiliates" means, any other company or entity, through possessing with voting shares or other ways, that directly or indirectly Controls, is Controlled by, or is under common Control with, such company or entity.

5.10.5 If required by relevant PRC laws and regulations, an assignment of Equity Interest under this Article 5.10 shall be submitted to the Examination and Approval Authority for approval. Upon receipt of such approval, the JV Company shall register the change in ownership with the competent Administration for Industry and Commerce.

5.11 The Parties agree that within the respective lock-up period applicable to the each Party as described in Article 5.10.1 (Lock-Up Period) above, no Party shall mortgage, pledge or otherwise encumber all or any part of its Equity Interest without the prior written consent of the other Parties, except for (1) agreement of(or to) mortgage or pledge that have been registered before this amendment to the Contract, and relevant amendments and adjustments to said agreements; and (2) agreements of mortgage, pledge, lending or transfer by Party B to Party A or Party A's Affiliates and to third parties by Party B on behalf of Party A or Party A's Affiliates that have been entered into before this amendment to the Contract and have been provided to Party C for its information.

After the expiration of the aforementioned lock-up period, subject to the limitations on the transfer of the Equity Interest, each Party shall have the right to mortgage, pledge, or otherwise encumber all or any part of its Equity Interest without obtaining the prior written consent of the other Parties.

5.12 Call Option

(a) The Parties agree that under condition of compliance with PRC laws, within the twenty-four (24) months after the Closing Date and following the Further Capital Increase, Party C shall have the right but not obligation to send written notice **("Call Notice")**to Party A and Party B, to require to continue to increase its shareholding ratio in the JV Company up to 67% of the registered capital of the JV Company by then ("**Call Option**"). Subject to the applicable law and regulations, the price for such call shall be the same as the price for subscription of the increased capital that has been agreed by the Parties, and shall be added with the interest at rate of 10% per annum (the calculating period shall be commencing from the Closing Date to the actual payment date of the investment amount under the Call Option). To the extent the Further Capital Increase has not been completed at the time of any such exercise pursuant to this Article 5.12(a), Party C shall continue to have the right to exercise the Call Option and the parties agree to negotiate to seek and execute an alternative solution of which shall have an equivalent economic effect as if the Further Capital Increase had been completed and Party C had exercised the Call Option thereafter.

(b) Upon receipt of a Call Notice, Party A and Party B shall have the obligation to take such actions as reasonably required by Party C in a timely manner (and in any event within such time periods as may be specified by Party C), in order to successfully complete the transactions (the specific transaction patterns for the Call Option including but not limited to the capital increase of the JV Company, hereinafter referred to as the **"Call")** contemplated by the Call Notice, including but without limitation to using best efforts to procure any internal or external authorization necessary to consummate the Call, causing its designated board member to vote in favor of (and not exercising any veto rights against) the Call, waiving any dissenter's rights or preemptive rights or similar rights in respect of the Call, entering into definitive agreements with respect to the Call, and, as applicable, delivering duly executed agreements and/or other documents as reasonably requested by Party C to facilitate the proposed transaction.

(c) For the purpose of the Call provided in this Article 5.12, the Parties agree that after the completion of the Call, the number of the Board members shall remain six (6) directors, four of which are appointed by Party C, one of which is appointed by Party A, and one of which is appointed by Party B. In addition, subject to the provision in respect of Second-Convened Meeting under Article 9.10 hereof, the quorum for all meetings of the Board of Directors provided under Article 9.9 and the board number described under Article 9.16 shall be changed to six (6) directors.

5.13 The Parties hereto agree, notwithstanding anything to the contrary contained in the Contract, that nothing herein shall be construed as an obligation of any Party to provide additional contributions to the JV Company in excess of the contributions set forth in Article 5.2 hereof or financial support to the JV Company.

Article 6: [Intentionally left blank]

Article 7: [Intentionally left blank]

Article 8: Technology, Trademarks, Sales and Procurement

8.1 The Parties agree that the JV Company is free to develop Motor Vehicles independently from the Parties and their Affiliates, including combustion engine and electric powered Motor Vehicles and relevant Motor Vehicle platforms, parts, components and accessories for Motor Vehicles and that all related intellectual property rights shall be solely owned by the JV Company. If any intellectual property rights are developed jointly by the JV Company and either Party or its Affiliates, the Board shall approve unanimously and on a case-by-case basis if such intellectual property rights will be jointly owned by the JV Company and such Party (or its Affiliate, as case may be). Before any intellectual property rights are developed jointly by the JV Company and either Party or its Affiliates, the JV Company shall first submit a feasibility study report to the Board and any such joint development shall be executed only after an affirmative unanimous Board approval. Subject to a reasonable cost-sharing agreement between the JV Company and Party A or its Affiliates and any such agreements and related documentation to be approved unanimously by the Board, Party A or its Affiliates may enjoy the usufruct rights of such JV Company's intellectual property rights. Regarding all development work carried out by or commissioned by the JV Company in regard to such Models of Motor Vehicles and Motor Vehicle platforms, parts, components and accessories independently developed the JV Company, and subject to an unanimous approval by the Board, Party A or its Affiliates may at their cost and for purpose of training of technical staff of Party A or its Affiliates be involved in any such development work carried out by commissioned by the JV Company. Subject to an unanimous approval by the Board, the JV Company may decide to commission Party A or its Affiliates to participate in the development work provided that Party A or its Affiliates have the same or better ability and at least equally favorable terms and conditions to conduct such work compared to other entities.

8.2 The brand(s), trade name(s), trademark(s), emblem(s) and any other registered and non-registered intellectual property of any kind to be used for, in connection with or on the JV Products or parts therefor or equipment shall be determined subject to unanimous approval by the Board. The JV Company shall own any and all intellectual property rights (including but not limited to statutory or common law intellectual property rights) in respect of any brand(s), trade name(s), trademark(s), emblem(s) and any other registered and non-registered intellectual property of any kind to be used for, in connection with or on any of the JV Products or parts therefor or equipment. Those brand(s), trade name(s), trademark(s), emblem(s) and any other registered and non-registered intellectual property of any kind which has been or will be created specially for the JV Company is and will be owned by the JV Company for its exclusive use during the existence of the JV Company for, in connection with or on the JV Products and parts therefor and no other parties including the Parties and their respective Affiliates are permitted to use such brand(s), trade name(s), trademark(s), emblem(s) and any other registered and non-registered intellectual property of any kind or the like, unless otherwise agreed jointly by the Parties. Those brand(s), trade name(s), trademark(s), emblem(s) and any other registered and non-registered intellectual property of any kind which is owned by the JV Company at the point in time of the JV Company's liquidation shall be part of the assets of the JV Company during liquidation.

8.3 Intentionally left blank.

8.4 Intentionally left blank.

8.5 The JV Company will sell and distribute the JV Products worldwide, i.e. inside and outside of the PRC. The JV Company through unanimous decision of the Board will decide to either establish its own distribution network in any country it intends to sell the JV Products by establishing wholly-owned sales subsidiaries in order to carry out its sales and distribution activities or entrust other distributors to do so.

8.6 The Parties agree that Party A or its Affiliate shall have a non-exclusive right to supply to the JV Company the parts and components which may be required for the production of the JV Products and which also are used or will be used for the production of any Motor Vehicles by Party A or any of its Affiliates. Subject to approval of the Board of the JV Company, the JV Company shall purchase such parts and components pursuant to the terms and conditions set forth in supply contracts or similar agreements/orders which shall follow the arms-length principle. The JV Company shall timely pay for such parts and components following normal commercial principle. Also, Party A or its Affiliates may directly supply such parts and components to the distributors or dealers of the JV Products.

8.7 If, for whatever reason, the JV Company, is unable to sell the JV Products in a certain country because of restrictions imposed on either Party ("affected Party") or its Affiliates under laws and regulations to which such affected Party or its Affiliates are subject, then the JV Company shall decide upon unanimous Board approval if the non-affected Party and/or its designates is/are qualified to sell and/or to distribute the JV Products in that country pursuant to an agreement entered into between the unaffected Party and the JV Company. If the Board finds that the non-affected Party and/or its designates is/are not qualified to sell and/or to distribute the JV Products in that country, the Board shall discuss and approve alternative sales/distribution channels in the best interest of the JV Company.

Article 9: Board of Directors

9.1 The JV Company shall have a board.

9.2 The Board shall consist of nine (9) directors, two (2) of whom shall be appointed by Party A and two (2) of whom shalI be appointed by Party B, and five (5) of whom shall be appointed by Party C.

9.3 Each director shall be appointed for a term of four (4) years; provided that, the Party which has appointed a director may remove that director and appoint a replacement at any time. A director may serve consecutive terms if reappointed by the Party that originally appointed him/her.

9.3.1 If a seat on the Board is vacated by the retirement, resignation, disability or death of a director or by the removal of such director by the Party which originally appointed him/her, the Party which originally appointed such director shall appoint a successor to serve out such director's term.

9.3.2 At the time this Contract is signed and each time a director is appointed or replaced, each Party shall notify the other Parties in writing of the name of the appointee or replacement.

9.4 Party C shall designate a director to serve as the Chairperson of the Board. Each of Party A and Party B shall each designate a Vice Chairperson of the Board.

The Chairperson of the Board shall be the legal representative of the JV Company, and shall have the authority delegated to him/her by the Board. The Chairperson shall act in accordance with the provisions of this Contract, those in the Articles of Association, and the applicable PRC laws and regulations.

Whenever the Chairperson of the Board is unable to perform his/her responsibilities for any reason, he/she may designate the Vice Chairperson designated by Party A and Party B by turns to act as proxy for the Chairperson in his/her capacity as Chairperson of the JV Company when the Chairperson is unable to perform his/her responsibilities.

9.5 The JV Company shall indemnify each director against all claims and liabilities incurred by reason of his/her being a director of the JV Company, provided that the director's acts or omissions giving rise to such claim or liability did not constitute intentional misconduct or gross negligence or a violation of criminal laws.

9.6 The first meeting of the Board shall be held in the PRC within thirty (30) days following the Company Establishment Date. Thereafter, the Board shall hold at least two (2) regular meetings in each calendar year. The Chairperson of the Board has the right to convene an interim meeting of the Board following notice to all directors in accordance with Article 9.8, and shall convene an interim meeting of the Board upon request of at least two (2) directors to convene such a meeting.

9.7 Board meetings shall be held at the registered address of the JV Company or such other place as may be agreed to by the Chairperson of the Board. Meetings may also be held by telephone or other electronic audio or video means such that everyone can hear each other at all times. Participation by a director or his/her proxy in a meeting held by such means shall constitute presence of such director or his proxy in person at a meeting.

9.8 A written notice of convocation of a Board meeting, that is in both English and Chinese and includes the time, place, date and agenda of the Board meeting, shall be distributed to all directors of the Board at least fifteen (15) calendar days in advance of that meeting.

For that meeting, the Chairperson shall prepare a draft of the agenda, and shall distribute the written agenda to each director at least seven (7) calendar days prior to the meeting.

9.9 Eight (8) directors present in person or by proxy shall constitute a quorum for all meetings of the Board of Directors, and no meeting shall be held and no resolution shall be adopted unless a quorum is present.

9.10 If, at any properly convened meeting, no quorum is constituted, then the Chairperson of the Board shall convene another meeting (the **"Second-Convened Meeting"**) as soon as practical (but not later than thirty (30) days thereafter) by giving seven (7) days' notice to each director. In the event that there are directors who fail to attend that Second-Convened Meeting in person or by proxy, then those directors who are present at that meeting in person or by proxy shall be deemed to constitute a quorum.

9.11 If a director is unable to attend a Board meeting, he/she may issue a proxy in writing and entrust another director, the General Manager or the CFO as his/her representative to attend the meeting on his/her behalf. The representative so entrusted shall have the same rights and powers as the director who entrusted him/her. One representative who is a director may represent more than one other director by proxy. The Parties shall ensure that their appointed directors attend each Board meeting, either in person or by proxy. A director may also attend the meeting by telephone or video conference, provided that, he/she can hear and be heard by all other directors at the meeting.

9.12 When the General Manager is not a director, he/she may attend Board meetings only upon the request of the Board and in a non-voting capacity. If a matter concerning the appointment, dismissal, performance or remuneration of the General Manager who is also a director is to be discussed by the Board, then, at the request of any other director, the General Manager shall leave that Board meeting during which the discussion of such matter and any vote corresponding to it occurs.

9.13 The Board will cause complete and accurate minutes to be kept of all Board meetings in writing and in Chinese and English.

9.13.1 Unless otherwise required under applicable laws and regulations, minutes of all meetings of the Board shall be signed by the directors present at the relevant meeting, and then be distributed to all the directors as soon as practicable after each meeting but not later than thirty (30) days from the date of such meeting.

9.13.2 The JV Company shall maintain a file of all Board meeting minutes and make the same freely available to the Parties and their authorized representatives.

9.14 The Board shall be the highest authority of the JV Company. The Board shall convene the Board meeting and achieve board resolutions, exercise the following rights of the Board as provided by the PRC laws and agreed by the Parties:

(a) amendment of the Articles of Association of the JV Company;

(b) merger and division of the JV Company;

(c) termination or dissolution of the JV Company, and the liquidation matters in accordance with the Articles of Association and PRC laws;

(d) increase, decrease of the JV Company's registered capital;

(e) investment by the JV Company in other companies or entities, subject to subsection (f) below;

(f) acquisition of majority equity interests in another entity with an annual cumulative amount exceeding 5% of the net asset value for the immediately prior fiscal year of the JV Company and termination of any material partnership or joint venture contract;

(g) profit distribution plans, plans for making up losses, and the amount of allocations to the Three Funds;

(h) sell, convey, transfer, lease or otherwise dispose of, or grant an option or other right to purchase, lease or otherwise acquire (whether in one transfer or a series of related transfers) all or a material part of the JV Company's fixed assets, provided that in all cases a single transaction or a series of related transaction within a twelve (12) months' period equal to or exceeds a transaction value of aggregate Two Hundred Million RMB (RMB 200,000,000);

(i) appointment, dismissal, salary and other compensation benefits of the Senior Management Employees and the salary and other compensation benefits of the General Manager and Chief Financial Officer other than as set forth in Article 11;

(j) employee salary and welfare system of the JV Company;

(k) approval of the JV Company's annual budgets (including addition or elimination of any JV Product) and final accounts, annual and long-term business plans;

(1) [intentionally left blank;]

(m) [intentionally left blank;]

(n) [intentionally left blank;]

(o) issue of any debenture or the creation of any mortgage, charge, lien, encumbrance or other Third party security interest over any of the JV company's material fixed assets, other than those provided in connection with legitimate borrowings for the JV Company;

(p) any change of any significant accounting principles and practices, subject to the applicable PRC laws and regulations, and further subject to Article 13.6;

(q) enter into any contract or other arrangement with a Party, a member of the Board or an Affiliate or any other Third Party entering into an agreement with JV Company on behalf of any Party, unless such contract or other arrangement is entered into pursuant to (i) an existing agreement or contract approved by the Board as a related-party transaction or (ii) an item expressly approved by the Board in an annual budget of the JV Company or any Board resolutions as related party transaction;

(r) sell, convey, transfer, lease or otherwise dispose of, or grant an option or other right to purchase, lease or otherwise acquire (whether in one transfer or a series of related transfers) all or a material part of the JV Company's fixed assets, provided that in all cases a single transaction or a series of related transaction within a twelve (12) months' period equal to or exceeds an aggregate transaction value of Sixty Million RMB (RMB 60,000,000) but under Two Hundred Million RMB (RMB 200,000,000);

(s) any borrowing equal to or in excess of Thirty Million RMB (RMB 30,000,000) and the giving by the JV Company of any guarantee or indemnity to or becoming surety for any Third Party in connection with such borrowing;

(t) a decision to initiate an IPO of the shares of the JV Company;

(u) settle any litigation matter or claim which would adversely affect the JV Company to conduct business or where the amount under dispute equal to or exceeds seven million United States dollars (US$ 7,000,000), save that where any action is to be taken against one or more Parties or their Affiliates or any other Third Party entering into an agreement with JV Company on behalf of any party, the approval of those Parties shall not be required;

(v) capital expenditures and investments which are equal to or exceeding the approved annual budget by more than ten percent (10%) or whereby a single transaction or a series of related transactions within a twelve (12) months' period equal to or exceeds an investment value of aggregate four million United States Dollars(US$ 4,000,000), whichever is higher;

(w) [intentionally left blank;]

(x) designation of the external annual auditors of the JV Company for annual auditing, subject to Article 13.6;

(y) [intentionally left blank;]

(z) other matters that need to be approved by the board

With regard to the resolution mechanism of the Board, the Parties agree as follows:

(1) the actions described under subsections (a), (b), (c), (d), (h) and (o) of Article 9.14 above shall come into force only to be approved unanimously by the Board through affirmative votes by all directors present at a duly convened board meeting;

(2) the actions described from subsections (f), (g), (r) and (v) of Article 9.14 above shall come into force only after adopted through affirmative votes by two thirds(2/3) (inclusive) of the directors of the Board present at a duly convened board meeting;

(3) the actions described from subsections (e), (i), (j), (k), (p), (s), (t), (u), (x) and (z) of Article 9.14 above shall come into force only after adopted through affirmative votes by a simple majority of the directors of the Board present at a duly convened board meeting; and

(4) the actions described in subsection (q) of Article 9.14 above shall come into force only after adopted through affirmative votes by a simple majority of the directors of the Board, not including directors appointed by or on behalf of the interested Party. For the avoidance of doubts, any related-party transaction that has been approved by the JV Company's annual budgets shall be made on an arm's length basis. Any of the non-interested Parties is entitled to engage an independent third party to audit such related-party transaction. If there is any infringement to the legitimate interests of any non-interested Parties, the interested Party shall indemnify such non-interested Party.

The Board of the JV Company shall approve the performance of all the resolutions of the Joint Venture Contract, other written agreements and relevant amendments and supplements executed by the JV Company and all the shareholders.

9.15 Intentionally left blank.

9.16 The Board may, without convening a meeting, adopt any resolution, if eight (8) or more than eight (8) directors then holding office consent in writing to such action. The Chairperson or any person authorized by the Chairperson pursuant to Article 9.4 shall send a written notice in both Chinese and English with the proposed agenda and the proposed resolutions to alI directors at least twenty (20) calendar days in advance of the adoption of such resolutions. The directors shall inform the Chairperson or such person authorized by the Chairperson of his or her position on the proposed resolutions within fourteen (14) days of the aforementioned notice. Such written consent shall be filed with the minutes of the relevant Board proceedings and shall have the same force and effect as a unanimous vote of all directors present at a meeting of the Board. Such consent may be signed in counterparts which, taken together, shall constitute a single consent document.

9.17 Directors shall serve without any remuneration, but all reasonable costs which are within the scope approved by the Board, including travel and accommodations, and which are incurred by the directors in the performance of their duties as directors shall be borne by the JV Company.

9.18 Intentionally left blank.

9.19 Intentionally left blank.

9.20 Intentionally left blank.

9.21 Intentionally left blank.

Article 10: Supervisory Committee

10.1 The JV Company shall have a Supervisory Committee which shall consist of five (5) supervisors (each, a **"Supervisor"**), where each of Party A, Party B and Party C shall appoint one (1) Supervisor, and the rest of two (2) supervisors shall be appointed by the employees of the JV Company. The Supervisory Committee shall have one Chief Supervisor who shall be suggested by Party C and elected by the Supervisory Committee. When the Chief Supervisor is unable to exercise his/her duties and powers, then a Supervisor elected by all of the other Supervisors shall perform the Chief Supervisor's duties.

10.2 The Supervisory Committee shall exercise the following duties and powers:

(a) to inspect the financial affairs of the JV Company;

(b) to supervise the Board and Senior Management Employees in the performance of their duties, put forward proposals on the dismissal of any such person who violates laws or administrative regulations, the Articles of Association or any resolution of the Board;

(c) to request that the Board members, the General Manager of the JV Company, and other Senior Management Employees redress conduct which is detrimental to the interests of the JV Company;

(d) to institute legal proceedings against Directors or Senior Management Employees of the JV Company in accordance with Article 152 of the PRC Company Law; and

(e) to exercise other duties and powers specified in the Company Law and the Articles of Association.

10.3 The Supervisors are entitled to attend Board meetings, but shall not have the right to cast a vote at those Board meetings.

10.4 The Supervisory Committee shall convene at least two (2) meetings each year. Written notice shall be sent by its Convener to each Supervisor at least fourteen (14) calendar days prior to the meeting.

10.5 The notice of meetings of the Supervisory Committee shall include the following contents: the date, place and time of the meeting, main contents and topics for discussion and the date of dispatch of the notice.

10.6 Supervisors shall be elected in accordance with the following rules:

(a) Party A shall be entitled to appoint one Supervisor, Party B shall be entitled to appoint one (1) Supervisor, and Party C shall be entitled to appoint one (1) Supervisor, and the employees of the JV Company shall be entitled to appoint two (2) Supervisors.

(b) No member of the Board, General Manager of the JV Company, or Senior Management Employees may concurrently act as a Supervisor of the JV Company.

10.7 The term of office of a Supervisor shall be three (3) years. Supervisors may be re-elected to serve consecutive terms.

10.8 All of the Supervisors shall be present at a duly convened meeting, two-thirds of Supervisors present in person shall constitute a valid quorum.

10.9 Decisions adopted at a meeting of the Supervisory Committee shall only be valid if adopted by the affirmative vote of more than fifty percent (50%) of the Supervisors present in person or by proxy at a duly convened meeting.

10.10 The Parties shall ensure that their appointed Supervisors attend each meeting of the Supervisory Committee, either in person or by proxy.

10.11 Meetings of the Supervisory Committee may be attended by the Supervisors in person, or by conference telephone or similar communication equipment where all persons participating in the meeting can hear and speak to each other or by proxy and such participation shall constitute presence in person. If a Supervisor is unable to attend for any reason, he/she may appoint another Supervisor or person by proxy to attend on his/her behalf.

10.12 The Supervisory Committee may adopt any resolution without a meeting if all the Supervisors then holding office consent unanimously in writing to such action

10.13 Supervisors shall serve without any remuneration, but all reasonable costs which are within the scope approved by the Supervisory Committee, including travel and accommodations, and which are incurred by the supervisors in the performance of their duties as supervisors shall be borne by the JV Company.

10.14 The JV Company shall indemnify each of Supervisors against all claims and liabilities incurred by reason of that person being a Supervisor of the JV Company, provided that the acts or negligence of the giving rise to such claim or liability did not constitute intentional misconduct or gross negligence or a violation of criminal laws.

Article 11: Management Organization

11.1 The JV Company's management organization shall be under the leadership of a General Manager who shall report directly to the Board. The senior management employees (the "Senior Management Employees") of the JV Company shall include the General Manager, CFO (defined below) and other management employees as approved by the Board. In addition to the General Manager and the CFO, , the JV Company also shall have other Senior Management Employees as set forth in this Contract and the Articles of Association, or as determined by the Board. All Senior Management Employees shall be responsible to and shall report to the General Manager.

11.2 The Senior Management Employees shall be nominated and appointed as follows:

11.2.1 The General Manager and the chief financial officer (**"CFO"**) shall be nominated by Party C. Such nomination shall be presented to the Board. The Board shall then approve the nomination by a simple majority vote of those directors on the Board who are present in person or by proxy at a duly convened Board meeting and the approval of the Board shall not be unreasonably withheld. Party C may request at any time to dismiss the General Manager and/or CFO and the approval of the Board shall not be unreasonably withheld. Among the other Senior Management Employees, vice general managers who are in charge of strategy planning, research and development and procurement shall be recommended by any Party. Such recommendations shall be presented to the Board. The Board shall then approve any such appointment by a simple majority vote of those directors on the Board who are present in person or by proxy at a duly convened Board meeting and the approval of the Board shall not be unreasonably withheld. Any Party may request at any time to dismiss one or more of the vice general managers who are in charge of strategy planning, research and development and procurement and the approval of the Board shall not be unreasonably withheld.

11.2.2 The General Manager and CFO each shall serve for a term of four (4) years. Each of the General Manager and CFO may each serve successive terms, if re-nominated by Party C.

11.3 11.2.3 Each of Party A and Party B may each suggest one Deputy CFO. The suggestions for each Deputy CFO shall be presented to the Board for approval. The Board shall then approve the suggestion by a simple majority vote of those directors on the Board who are present in person or by proxy at a duly convened Board meeting and the approval of the Board shall not be unreasonably withheld. Either Party A or Party B may propose at any time to dismiss the Deputy CFO suggested by it and the approval of the Board shall not be unreasonably withheld. The replacements for the General Manager, CFO, any Deputy CFO and all other Senior Management Employees, whether by reason of retirement, resignation, disability or death or by removal for any reason shall be nominated/suggested and appointed in the same manner as the original appointee in accordance with Article 11.2.

The General Manager, CFO, each Deputy CFO and all other Senior Management Employees may be dismissed by the Board at any time, for intentional misconduct or gross negligence or for graft or serious dereliction of duties or other due causes as required by PRC law.

11.4 The General Manager shall be in charge of the day-to-day operation and management of the JV Company and shall carry out all matters entrusted to him/her by the Board. All other Senior Management Employees shall assist the General Manager in his/her work and shall carry out the functions delegated to him/her by specific written authorization of the General Manager.

Subject to the power of the Board as stipulated under the Articles of Association, the General Manager shalI obtain the consent of the Chairperson before he/she can commit the JV Company to spend more than five million Renminbi (RMB 5,000,000) (or the equivalent amount in another currency) in any transaction or series of related transactions within twelve consecutive months, unless such expenditure is approved by the Board in its annual budget.

11.5 The General Manager has the right and the responsibility to take actions and make decisions, in accordance with this Contract and the Articles of Association, that are within the scope of operations set out in the annual business plan approved by the Board, or are within such additional scope of authority as the Board may delegate to the General Manager.

11.6 Unless otherwise approved by the Board, the General Manager and all other Senior Management Employees shall perform their duties on a full-time basis and, except for positions which they hold with a Party or its Affiliate, shall not concurrently serve as a manager, an employee or a consultant of any other company or enterprise, nor shall they serve as a director of, or hold any interest in, any company or enterprise that competes with the JV Company.

11.7 The General Manager and CFO shall provide the Board with at least thirty (30) days' written notice prior to resigning from their respective duties.

11.8 The JV Company shall indemnify the Senior Management Employees against all claims and liabilities incurred by reason of that person being a Senior Management Employee of the JV Company, provided that the acts or omissions of the Senior Management Employee giving rise to such claim or liability did not constitute intentional misconduct or gross negligence or a violation of criminal laws.

11.9 The JV Company should ensure the information right of each Deputy CFO on material financial matters of the JV Company, and material financial matters should be sent to each Deputy CFO for him/her to read.

Article 12: Labor Management and Labor Union

12.1 Matters relating to the recruitment, employment, dismissal, resignation, wages and welfare of the Senior Management Employees and the Working Employees of the JV Company shall be handled in accordance with the *Labor Law of the People's Republic of China* and related PRC national and local government regulations (hereinafter collectively referred to as the **"Labor Laws"**). The JV Company's internal labor policies and the major rules and regulations shall be approved by the Board, and the JV Company's detailed rules and regulations shall be determined by the General Manager and CFO provided that such internal policies and rules and regulations shall not conflict with the Labor Laws.

12.2 All employees shall be employed by the JV Company in accordance with the terms of labor contracts entered into between the JV Company and individual employees. Such labor contracts shall provide, among other terms, such appropriate restrictive covenants as may be determined necessary by the General Manager concerning competition and confidentiality. Every employee shall also sign a separate confidentiality agreement with the JV Company.

12.3 Employees will be selected according to their professional qualifications, individual characteristics and working experience. The specific number and qualifications of the Working Employees shall be determined by the General Manager, in accordance with the operating needs of the JV Company.

12.4 Each employee may be examined and interviewed by the General Manager (or his/her designated representative) prior to commencement of employment by the JV Company. The General Manager shall have the right to decide, on behalf of the JV Company, whether to employ any person, except for those employees whose appointment and dismissal shall be approved by the Board, in accordance with this Contract.

12.5 All employees hired by the JV Company (other than employees seconded or transferred from Party A) must complete satisfactorily an appropriate probationary period of employment before they will be considered regular employees of the JV Company. The General Manager may discharge any employee during the probationary period if he/she determines that such employee is not suitable to the requirements of the JV Company.

12.6 The JV Company shall conform to rules and regulations of the PRC government concerning labor protection and ensure safe and civilized production. Labor insurance for the Working Employees of the JV Company shall be handled in accordance with the *Labor Laws*.

12.7 Employees shall have the right to establish a labor union in accordance with the *Trade Union Law* and other labor laws that are applicable to Sino-foreign equity joint ventures. The labor union shall have one chairperson. In accordance with the *Trade Union Law*, the JV Company shall allot each month two percent (2%) of the total amount of the real wages received by the JV Company employees for payment into a labor union fund, such payment to be a pre-tax expense of the JV Company. The labor union may use these funds in accordance with the relevant control measures for labor union funds formulated by the All China Federation of Trade Unions.

Article 13: Financial Affairs and Accounting

13.1 The JV Company shall have a CFO and two Deputy CFOs. The CFO, under the leadership of the General Manager, shall be responsible for the financial management of the JV Company. The Deputy CFO shall assist the CFO in the financial management of the JV Company.

13.2 The General Manager and the CFO shall prepare the JV Company's accounting system and procedures in accordance with the Enterprise Accounting System in the PRC and other relevant PRC laws and regulations, and shall submit the same to the Board for adoption. Once adopted by the Board, the accounting system and financial accounting procedures shall be filed with the department in charge of the JV Company and with the relevant local department of finance and the tax authorities for the record.

13.3 The JV Company shall adopt Renminbi as its bookkeeping base currency, but may also adopt United States Dollars or other foreign currencies as supplementary bookkeeping currencies.

13.4 All accounting records, vouchers, books and statements of the JV Company must be made and kept in Chinese. Upon reasonable request, the JV Company shall provide each Party with full access to its accounting records, vouchers, books and statements during normal business hours.

13.5 For the purpose of preparing the JV Company's accounts and statements, calculation of profits to be distributed to the Parties, and for any other purposes where it may be necessary to effect a currency conversion, such conversion shall be made using the median rate for buying and selling for such currency announced by the People's Bank of China on the date of actual receipt or payment by the JV Company.

13.6 An accountant independent of any Party, who is registered in PRC, shall be engaged by the Board as its auditor to examine and verify the JV Company's annual financial statements and reports. The JV Company shall submit to the Parties an annual statement of final accounts in both Chinese and English not later than sixty five (65) calendar days after the end of the fiscal year in a form consistent with PRC laws and regulations. Upon request of Party B, the JV Company will prepare and submit to Party B quarterly statements within thirty (30) calendar days in a form consistent with PRC laws and regulations. The JV Company shall prepare and submit to the Parties financial statements in accordance with International Accounting Standards and US audit standards subject to an agreement between the Parties as to whether Party B or the JV Company shall bear the cost and expense to be incurred by the JV Company in connection therewith.

13.7 The JV Company shall separately open foreign exchange accounts and Renminbi accounts at banks within the PRC that have been approved and duly certified by the relevant PRC government authorities. Following approval by the State Administration of Foreign Exchange, the JV Company may also open foreign exchange bank accounts outside of the PRC. The JV Company shall apply for and maintain a Foreign Exchange Registration Certificate in accordance with applicable legal requirements. The JV Company's foreign exchange transactions shall be handled in accordance with PRC laws and regulations concerning foreign exchange control.

13.8 The JV Company shall be responsible for maintaining a balance in its foreign exchange receipts and expenditures, primarily through the export of JV Products. However, in order to maintain such balance, the JV Company may also purchase foreign exchange from banks in accordance with the relevant laws of the PRC and adopt other methods permitted under the laws of the PRC. All costs incurred in converting Renminbi to foreign exchange in connection with the operating expenses of the JV Company shall be treated as operating expenses of the JV Company.

13.9 The JV Company shall adopt the calendar year as its fiscal year. The JV Company's first fiscal year shall commence on the Company Establishment Date and shall end on the immediately succeeding December 31.

13.10 After payment of income taxes by the JV Company in accordance with relevant laws of China, the Board will determine the annual allocations to the Three Funds from the after-tax net profits.

13.11 The distribution of after-tax profits to the Parties shall be handled in accordance with those laws of the PRC that apply to financial administration of foreign-invested enterprises, and shall be carried out as follows:

13.11.1 The Board shall, once every year and by a formally adopted resolution, decide on the amount of after-tax profit of the JV Company (after allocations to the Three Funds) to be retained in the JV Company for expanding its production and operations and the amount to be distributed to the Parties in proportion to their respective equity interest in the JV Company at the time of the Board resolution.

13.11.2 If the JV Company carries losses from the previous years, the profit of the current year shall first be used to cover those losses. No profit shall be distributed unless the deficit from the previous years is made up. The profit retained by the JV Company and carried over from the previous years may be distributed together with the distributable profit of the current year, or after the deficit of the current year is made up therefrom.

13.11.3 The profits available for distribution shall be calculated in Renminbi. After the JV Company has made payments in respect of its foreign exchange obligations, Party B shall be entitled to receive its share of profits in foreign exchange, with translation from Renminbi to United States Dollars for calculation purposes made at the median rate for buying and selling published by the People's Bank of China on the date on which remittance to Party B is made. All costs incurred in converting Renminbi to foreign currency in connection with the distribution of profits to Party B, including the remittance thereof, shall be borne by Party B.

Article 14: Taxation and Insurance

14.1 The JV Company shall pay all taxes and duties required under the national and local laws and regulations of the PRC. The JV Company's PRC and expatriate personnel shall pay individual income tax in accordance with the *Individual Income Tax Law of the People's Republic of China.*

14.2 The JV Company shall submit an application for confirmation of the JV Company as a "Technologically Advanced Enterprise" pursuant to relevant regulations and, upon receipt of such confirmation, shall register with the local tax authorities for the preferential tax treatment granted to Technologically Advanced Enterprises. The JV Company shall apply for other preferential tax treatment which may be available to the JV Company from time to time under the applicable PRC laws and regulations.

14.3 The JV Company, at its own expense, shall take out and maintain at all times during the Contract Term adequate insurance for the JV Company against loss or damage by fire, natural disasters, and such other risks as are customarily insured against in the industry during the construction of a manufacturing plant and operation of a manufacturing company. The JV Company shall also obtain and pay for all types of insurance required by laws and regulations of the PRC.

14.3.1 The property, transport and other types of insurance of the JV Company will be denominated in RMB, as appropriate.

14.3.2 The JV Company shall take out the appropriate amount of product liability and personal injury insurance in order to indemnify and protect the JV Company from Third Party product liability and personal injury claims.

14.4 The JV Company shall take out the required insurance from an insurance company or organization that is authorized by the relevant PRC authorities.

Article 15: Confidentiality

15.1 Prior to and during the Contract Term, each Party has disclosed or may disclose to the other Parties confidential and proprietary information and materials concerning their respective businesses, financial condition, proprietary technology, research and development, and other confidential matters. Furthermore, during the Contract Term, the Parties may obtain such confidential and proprietary information concerning the JV Company and the JV Company may obtain such confidential and proprietary information of the Parties. Each of the Parties and the JV Company receiving such information as aforesaid (hereinafter referred to as **"Confidential Information")** shall, for the Contract Term and a period of ten (10) years thereafter;

(1) maintain the confidentiality of such Confidential Information; and

(2) not disclose it to any person or entity, except to their respective employees and advisors who need to know such Confidential Information to perform their work responsibilities for the establishment and operation of the JV Company.

15.2 The provisions of Article 15.1 above shall not apply to Confidential Information that:

(1) can be proved to have been known by the receiving party by written records made prior to disclosure by the disclosing party;

(2) is or becomes public knowledge otherwise than through the receiving party's breach of this Contract;

(3) was obtained by the receiving party from a Third Party having no obligation of confidentiality with respect to such Confidential Information; or

(4) is required pursuant to any applicable securities law or regulation or by order of any competent court or governmental authority or any stock exchange to be disclosed.

15.3 Each Party shall advise its officers, directors, senior staff, and other employees receiving such Confidential Information of the existence of and the importance of complying with the obligations set forth in Article 15.1.

15.4 If required by any Party, the JV Company shall execute a separate confidentiality agreement with provisions consistent with those set out above with respect to Confidential Information obtained by the JV Company from such Party or its Affiliates.

15.5 Each of the Parties and the JV Company shall formulate rules and regulations to cause its directors, senior staff, and other employees, and those of their Affiliates, also to comply with the confidentiality obligations set forth in this Article 15. All officers, Board members, managers and other employees of the JV Company shall be required to sign a confidentiality undertaking, in a form acceptable to all Parties.

15.6 The provisions of this Article 15 shall not prejudice any rights or obligations that any Party or the JV Company might have under the provisions of applicable laws and regulations of the PRC.

15.7 This Article 15 shall remain binding on any natural or legal person who ceases to be a Party to this Contract through assignment of registered capital and of the corresponding contractual rights and obligations. In addition, the obligations and rights under this Article 15 shall survive the expiration or early termination of this Contract and shall remain in effect for the periods stated in this Article 15, notwithstanding the dissolution or liquidation of the JV Company.

Article 16: [Intentionally left blank]

Article 17: Contract Term

17.1 Unless early terminated pursuant to the terms of Article 18 hereof, the Contract Term shall commence upon the Effective Date and shall extend for a period of thirty-five (35) years from the Company Establishment Date.

17.2 If the Parties agree in writing to continue the JV Company, no less than six (6) months prior to the expiration of the Contract Term, each Party shalI cause its directors on the Board to vote in favor of a resolution to submit an application to the Examination and Approval Authority to extend the Contract Term for a term permitted by the PRC laws and regulations in effect at the time such application is submitted. The Contract Term shall be extended upon approval of the Examination and Approval Authority.

Article 18: Termination and Liquidation

18.1 Subject to the approval by relevant governmental authority, if any of the following events occur, the JV Company shall dissolve on or before the expiration date of the Contract Term, and this Contract shall be terminated consequently:

(a) the Parties unanimously agree to dissolve the JV Company;

(b) in the event of any other reasons for dissolution specified in the Joint Venture Contract and Articles of Association of the JV Company; or

(c) any other termination event, as specified in PRC laws and regulations, occurs.

18.2 Intentionally left blank.

18.3 Intentionally left blank.

18.4 Intentionally left blank.

18.5 Intentionally left blank.

18.6 Intentionally left blank.

18.7 Intentionally left blank.

18.8 Intentionally left blank.

18.9 Following an application to dissolve the JV Company pursuant to Article 18.1, the Board shall forthwith appoint a liquidation committee that shall have the power to represent the JV Company in all legal matters. The liquidation committee shall value and liquidate the JV Company's assets in accordance with the applicable PRC laws and regulations and the principles set forth herein.

18.10 The liquidation committee shall be made up of five (5) members: Party A shall appoint one (1) member, Party B shall appoint one (1) member and Party C shall appoint three (3) members. Members of the liquidation committee may, but need not be, directors or senior employees of the JV Company. The liquidation committee may engage a lawyer and an accountant registered in the PRC to assist the liquidation committee. When permitted by PRC law, any Party may also appoint professional advisors to assist the liquidation committee. The Board shall report the formation of the liquidation committee to the relevant PRC government department in charge of the JV Company.

18.11 The liquidation committee shall conduct a thorough examination of the JV Company's assets and liabilities, on the basis of which it shall develop a liquidation plan. If approved by the Board of Directors, such liquidation plan shall be executed under the liquidation committee's supervision.

18.12 During the liquidation procedures, all assets of the JV Company, including but not limited to such assets of the JV Company which are used specifically for the production and /or testing of the JV Products, shall be included in the assets of the JV Company to be liquidated in the process. Those brand(s), trade name(s), trademark(s), emblem(s) and any other registered and non-registered intellectual property of any kind which is owned by the JV Company at the point in time of the JV Company's liquidation shall also be part of the assets of the JV Company during liquidation..

18.13 Subject to applicable PRC laws and regulations, the liquidation expenses, including remuneration to members and the lawyers and accountants assisting the liquidation committee, shall be paid out of the JV Company's assets in priority to the claims of other creditors.

18.14 After the liquidation and division of the JV Company's assets and the settlement of all of its outstanding debts, the balance shall be paid over to the Parties in proportion to their respective holdings in the equity interest of the registered capital of the JV Company at the time of liquidation.

18.15 On completion of all liquidation work, the liquidation committee shall provide to the Examination and Approval Authority a liquidation completion report which has been approved by the Board, shall hand in the JV Company's Business License to the original registration authority, and shall complete all other formalities for nullifying the JV Company's registration in the PRC and other jurisdictions, where applicable. Party B and Party C shall have a right to obtain, at its own expense, copies of all ,of the JV Company's accounting books and other documents; but the originals of such books and documents shall be left in the care of Party A.

Except as otherwise provided in Articles 15, 18 and 19 of this Contract, neither Party shall have any further obligations or liabilities to the JV Company or other Parties under this Contract upon completion of the liquidation of the JV Company in accordance with this Article 18.

18.16 The obligations and benefits set forth in the liquidation provisions in this Article 18 shall survive termination or expiration of this Contract. Party C fully acknowledges, understands and agrees the arrangement of Party A and Party B provided in this Article 14, and will cooperate in necessary documents execution and conducting necessary formalities.

Article 19: Breach of Contract

19.1 In the event that a breach of contract committed by a Party to this Contract results in the non-performance of or inability to fully perform this Contract or its Appendices, the liabilities arising from the breach of contract shall be borne by the Party in breach. In the event that a breach of contract is committed by more than one Party, each such Party shall bear its individual share of the liabilities arising from that breach of contract.

19.2 Notwithstanding Article 19.1, the aggregate liability of each Party under this Article 19 shall be limited to the amount of its subscribed contribution to the JV Company's registered capital.

Article 20: Excusing Events

20.1 An **"Excusing Event"** shall mean any events which was unforeseeable at the time this Contract was signed, the occurrence and consequences of which cannot be avoided or overcome, and which arises after the Effective Date and prevents total or partial performance of this Contract by any Party of its commitments under this Contract. Such events shall include earthquakes, typhoons, flood, fire, war, failures of international or domestic transportation, acts of government or public agencies, epidemics, civil disturbances, strikes and any other instances which cannot be foreseen, avoided or overcome, including instances which are accepted as force majeure in general international commercial practice.

20.2 If an Excusing Event occurs, a Party's obligations under this Contract that are affected by such an event shall be suspended during the period of delay caused by the Excusing Event and shall be automatically extended, without penalty, for a period equal to such suspension.

20.3 The Party claiming an Excusing Event shall promptly inform other Parties in writing and shall furnish within thirty (30) days thereafter sufficient evidence of the occurrence and duration of such Excusing Event. The Party claiming an Excusing Event shall also use all reasonable endeavors to terminate that Excusing Event.

20.4 When an Excusing Event occurs, the Parties shall immediately consult with each other in order to find an equitable solution and shall use all reasonable endeavors to minimize the consequences of such Excusing Event.

Article 21: Settlement of Disputes

21.1 In the event a dispute between the Parties arising out of or in relation to this 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.

21.2 If the dispute is not resolved through consultations within thirty (30) days after one Party has served a written notice on the other Parties requesting the commencement of consultations, then the Parties shall refer and submit the dispute for final resolution by arbitration to the China International Economic and Trade Arbitration Commission (CIETAC) in Beijing in accordance with the arbitration rules then effective.

21.2.1 The place of arbitration shall be Beijing.

21.2.2 The arbitration shall be settled by three (3) arbitrators. Each Party shall appoint one arbitrator within the time stipulated in the arbitration rules of CIETAC.

21.2.3 The language of the arbitration proceedings shall be Chinese and English, provided that if only one language is permitted, the proceedings shall be conducted in English. But each 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.

21.2.4 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 preservative measures by a Party to a court shalI not be deemed to be or construed as incompatible with, or a waiver of, this agreement to arbitrate.

21.2.5 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 whether in judicial proceedings or otherwise in the normal course of business of the Parties.

21.2.6 The award of the arbitration tribunal shall be final and binding on each of the Parties and may be enforced, if necessary, in any court of competent jurisdiction.

21.2.7 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.

21.3 The costs of arbitration including attorneys' fees shall be borne by the losing Party unless otherwise decided in the arbitral award.

21.4 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 Contract.

21.5 In any arbitration proceeding or legal proceeding to enforce an arbitral award, in any other legal action between the Parties relating to this 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.

Article 22: **Applicable Law**

22.1 The formation, validity, interpretation and implementation of this Contract, and any disputes arising under this Contract, shall be governed by the laws of the PRC.

Article 23: Miscellaneous Provisions

23.1 To the extent permitted by PRC law, failure or delay on the part of any Party hereto to exercise a right under this Contract and the Appendices hereto shall not operate as a waiver thereof; nor shall any single or partial exercise of a right preclude any other future exercise thereof.

23.2 Except as otherwise provided herein, this Contract may not be assigned in whole or in part by any Party without the prior written consent of other Parties and, if required by PRC laws and regulations, the approval of the Examination and Approval Authority.

23.3 This Contract is made for the benefit of Party A, Party B and Party C and their respective lawful successors and assignees, and is legally binding on them. This Contract may not be amended orally, and any amendment hereto must be agreed to in a written instrument signed by all of the Parties and, if required by PRC laws and regulations, approved by the Examination and Approval Authority before taking effect.

23.4 The invalidity of any provision of this Contract shall not affect the validity of any other provision of this Contract. If a provision in this Contract is determined as invalid under applicable PRC laws and regulations, the Parties shall discuss and agree whether a replacement for or revision of such provision should be made.

23.5 This Contract is signed in the Chinese language in ten (10) originals and in the English language in ten (10) originals. Both the Chinese and English versions of the Contract shall be equally valid.

23.6 This Contract and the Appendices hereto constitute the entire agreement between the Parties with respect to the subject matter of this Contract and supersede all prior discussions, negotiations and agreements between them with respect to the subject matter of this Contract. In the event of any conflict between the terms and provisions of this Contract and the Articles of Association, the terms and provisions of this Contract shall prevail.

23.7 Prior to the date on which this Contract is duly executed by the Parties, any costs incurred by a Party in relation to this Contract and/or to the JV Company shall be borne by that Party.

23.8 Any notice or written communication provided for in this Contract from one Party to the other Parties or to the JV Company shall be made in writing in Chinese and English and sent by courier service delivered letter or by facsimile with a confirmation copy sent by courier service delivered letter. The date of receipt of a notice or communication hereunder shall be deemed to be seven (7) business days after the letter is given to the courier service or one (1) business day after sending in the case of a facsimile, provided that the delivery or sending is evidenced by a confirmation of receipt as well as confirmation that the communication letter was sent. All notices and communications shall be sent to the appropriate address set forth below, until such address is changed by notice given in writing to the other Parties.

Party A:

Wuhu Chery Automobile Investment Co., Ltd.

8 Changchun Road
Wuhu Economic and Technological Development Area
Anhui Province, PRC, 241009

Attention: Haibo Zhou
Telephone No: +86 553 5922024

Party B:

Quantum (2007) LLC

1 Temasek Avenue#36-01
Millenia Tower Singapore 039192

Attention: Robert Rosen

Facsimile No: (65) 6351 1798
TelephoneNo:(65)6351 1788

Party C:

Hangzhou Chengmao Investment Co., Ltd

Room 316, Buliding 9, 588 Feijiatang Road, Xiacheng District, Hangzhou City, Zhejiang Province, P.R.China
Post code: 310006

Attention: Sun Li

Telephone No: +86 136 0257 5157

The JV Company:

Qoros Automotive Co., Ltd.
1 Tongda Road, Changshu Economic and Technology Development Area, Jiangsu Province, PRC
Attention: Legal Representative
Facsimile No: 0086 512 5202 2040
Telephone No: 0086 512 5202 2000

23.9 The Appendices listed below constitute an integral part of this Contract and are equally binding on the Parties, along with the Articles 1 to 23. In the event of a conflict between the text of this Contract and any Appendix, the text of this Contract shall control.

Appendix 1 JV Products
Appendix 2 Articles of Association

IN WITNESS WHEREOF, the duly authorized representative of each Party has signed this Joint Venture Contract in respect of Qoros Automotive Co., Ltd. in the People's Republic of China on the date first set forth above.

WUHU CHERY AUTOMOBILE INVESTMENT CO., LTD.

Name:
Title:
Nationality:

QUANTUM (2007) LLC

Name:
Title:
Nationality:

HANGZHOU CHENGMAO INVESTMENT CO., LTD.

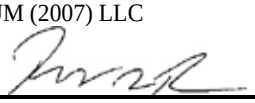
Name:
Title:
Nationality:

IN WITNESS WHEREOF, the duly authorized representative of each Party has signed this Joint Venture Contract in respect of Qoros Automotive Co., Ltd. in the People's Republic of China on the date first set forth above.

WUHU CHERY AUTOMOBILE
INVESTMENT CO., LTD.

Name:
Title:
Nationality:

QUANTUM (2007) LLC



Name:
Title:
Nationality:

HANGZHOU CHENGMAO INVESTMENT
CO., LTD.

Name:
Title:
Nationality:

IN WITNESS WHEREOF, the duly authorized representative of each Party has signed this Joint Venture Contract in respect of Qoros Automotive Co., Ltd. in the People's Republic of China on the date first set forth above.

WUHU CHERY AUTOMOBILE
INVESTMENT CO., LTD.

Name:
Title:
Nationality:

QUANTUM (2007) LLC

Name:
Title:
Nationality:

HANGZHOU CHENGMAO INVESTMENT
CO., LTD

Name:
Title:
Nationality:

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 Ltd.	Singapore	IC Power Ltd.
IC Power Distribution Holdings Pte. Ltd.	Singapore	IC Power Distribution Holdings Pte. Ltd.
Inkia Energy Ltd.	Bermuda	Inkia Energy Ltd.
Overseas Investments Peru S.A.	Peru	Overseas Investments Peru S.A.
OPC Energy Ltd.	Israel	OPC Energy Ltd.
OPC Rotem Ltd.	Israel	OPC Rotem Ltd.
OPC Hadera Ltd.	Israel	OPC Hadera Ltd.
A.G.S. Rotem Ltd.	Israel	A.G.S. Rotem Ltd.
OPC Operations Ltd.	Israel	OPC Operations Ltd.
OPC Solar (General Partner) Ltd.	Israel	OPC Solar (General Partner) Ltd.
Quantum (2007) LLC	USA	Quantum (2007) LLC
I.C. Green Energy Ltd.	Israel	IC Green Energy Ltd.
Primus Green Energy Inc.	USA	Primus Green Energy Inc.
Kenon TJ Holdings Pte. Ltd.	Singapore	Kenon TJ Holdings Pte. Ltd.
Kenon UK Services Ltd.	United Kingdom	Kenon UK Services Ltd.

Exhibit 12.1

Certification of the Co-Chief Executive Officer

I, Barak Cohen, 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 officers 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 9, 2018

By: /s/ Barak Cohen
Name: Barak Cohen
Title: Co-Chief Executive Officer

Exhibit 12.2

Certification of the Co-Chief Executive Officer

I, Robert L. Rosen, 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 officers 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 9, 2018

By: /s/ Robert L. Rosen
Name: Robert L. Rosen
Title: Co-Chief Executive Officer

Exhibit 12.3

Certification of the Chief Financial Officer

I, Mark Hasson, 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 officers 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 9, 2018

By: /s/ Mark Hasson
Name: Mark Hasson
Title: Chief Financial Officer

Exhibit 13.1

Certification of co-CEOs 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, 2017 as filed with the U.S. Securities and Exchange Commission (the "SEC") on the date hereof, Barak Cohen, as Co-Chief Executive Officer of the Company, Robert L. Rosen, as Co-Chief Executive Officer of the Company and Mark Hasson, 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/ Barak Cohen
Name: Barak Cohen
Title: Co-Chief Executive Officer
Date: April 9, 2018

/s/ Robert L. Rosen
Name: Robert L. Rosen
Title: Co-Chief Executive Officer
Date: April 9, 2018

/s/ Mark Hasson
Name: Mark Hasson
Title: Chief Financial Officer
Date: April 9, 2018

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.

Exhibit 15.1

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 on form S-8 (No. 333-201716) of Kenon Holdings Ltd. of our reports dated April 9, 2018 with respect to the consolidated statements of financial position of Kenon Holdings Ltd. as at December 31, 2017 and 2016, and the related consolidated statements of profit and loss, other comprehensive income (loss), changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the effectiveness of internal control over financial reporting as of December 31, 2017, which reports appear in the December 31, 2017 annual report on Form 20-F of Kenon Holdings Ltd.

Sincerely,

/s/ KPMG LLP
KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
April 9, 2018

Exhibit 15.2

Deloitte, Inc.
Contadores Públicos
Autorizados
RUC 16292-152-155203 D.V. 65
Torre Banco Panamá, piso 12
Avenida Boulevard y la
Rotonda
Costa del Este, Panamá
Apartado 0816-01558
Panamá, Rep. de Panamá

Teléfono: (507) 303-4100
Fax: (507) 269-2386
infopanama@deloitte.com
www.deloitte.com/pa

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the registration statement on Form S-8 (No. 333-201716) of Kenon Holdings Ltd. of our report dated March 29, 2018, appearing in the annual report on Form 20-F of Kenon Holdings Ltd., relating to the Combined Financial Statements of Di stribuidora de Electricidad de Occidente, S.A. ("DEOCSA") and Distribuidora de Electricidad de Oriente, S.A. ("DEORSA") as of December 31, 2017 and 2016 and for each of the two years then ended (such Combined Financial Statements are not separately presented in Kenon Holdings Ltd.'s annual report on Form 20-F), which report expresses an unqualified opinion and includes an explanatory paragraph referring to the recoverability of a tax receivable derived from the claim with the Guatemalan Tax Authority (Superintendencia de Administraci6n Tributaria).

/s/ Deloitte, Inc.

April 9, 2018
Panama City, Republic of Panama

Exhibit 15.3

KPMG Huazhen LLP
50th Floor, Plaza 66
1266 Nanjing West Road
Shanghai 200040
China
Telephone +86 (21) 2212 2888
Fax +86 (21) 6288 1889
Internet kpmg.com/cn

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**
电话 **+86 (21) 2212 2888**
传真 **+86 (21) 6288 1889**
网址 **kpmg.com/cn**

Consent of Independent Auditor

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 9 April 2018, with respect to the consolidated statements of financial position of Qoros Automotive Co., Ltd. and its subsidiaries as of 31 December 2017 and 2016, 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 2017, which report appears in the 31 December 2017 annual report on Form 20-F of Kenon Holdings Ltd..

/s/ KPMG Huazhen LLP

Shanghai, China
9 April 2018

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—毕马威国际合作组织("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。

Document and Entity Information	12 Months Ended Dec. 31, 2017 shares
Document And Entity Information	
Entity Registrant Name	Kenon Holdings Ltd.
Entity Central Index Key	0001611005
Document Type	20-F
Document Period End Date	Dec. 31, 2017
Amendment Flag	false
Current Fiscal Year End Date	--12-31
Is Entity a Well-known Seasoned Issuer?	No
Is Entity a Voluntary Filer?	No
Is Entity's Reporting Status Current?	Yes
Entity Filer Category	Large Accelerated Filer
Entity Common Stock, Shares Outstanding	53,807,578
Document Fiscal Period Focus	FY
Document Fiscal Year Focus	2017

Consolidated Statements of Financial Position - USD ($) $ in Thousands		Dec. 31, 2017	Dec. 31, 2016
Current assets			
Cash and cash equivalents		$ 1,417,388	$ 326,635
Short-term investments and deposits		7,144	89,545
Trade receivables, net		44,137	284,532
Other current assets, including derivatives		35,752	49,773
Income tax receivable		220	11,459
Inventories	[1]		91,659
Total current assets		1,504,641	853,603
Non-current assets			
Investments in associated companies		121,694	208,233
Deposits, loans and other receivables, including derivative instruments		106,717	176,775
Deferred payment receivable		175,000	
Deferred taxes, net			25,104
Property, plant and equipment, net		616,164	3,497,300
Goodwill and intangible assets, net		1,641	376,778
Total non-current assets		1,021,216	4,284,190
Total assets		2,525,857	5,137,793
Current liabilities			
Loans and debentures		447,956	482,813
Trade payables		58,895	285,612
Other payables, including derivative instruments		82,522	91,303
Guarantee deposits from customers			56,833
Provisions		44,342	119,531
Income tax payable		172,607	8,671
Total current liabilities		806,322	1,044,763
Non-current liabilities			
Loans, excluding current portion		503,785	1,972,926
Debentures, excluding current portion		84,758	856,670
Derivative instruments			44,637
Deferred taxes, net		52,753	225,354
Trade payables	[2]		44,057
Income tax payable		26,811	
Other non-current liabilities		81	55,182
Total non-current liabilities		668,188	3,198,826
Total liabilities		1,474,510	4,243,589
Equity			
Share capital		1,267,210	1,267,450
Shareholder transaction reserve		3,540	26,559
Translation reserve		(1,592)	(21,745)
Capital reserve		19,297	11,575
Accumulated deficit		(305,337)	(602,598)
Equity attributable to owners of the Company		983,118	681,241

Non-controlling interests	68,229	212,963
Total equity	1,051,347	894,204
Total liabilities and equity	$ 2,525,857	$ 5,137,793

[1] Inventories as at December 31, 2016 belongs to discontinued operations.

[2] As of December 31, 2016, non-current trade payables correspond mainly to spare parts, used for major maintenance of facilities of discontinued operations, acquired according to a long-term program (LTP) agreement signed with Siemens. During 2016, these trade payables have not generated interests and no specific guarantee have been granted.

Consolidated Statements of Profit & Loss - USD ($) $ in Thousands	12 Months Ended					
	Dec. 31, 2017	Dec. 31, 2016	[1]	Dec. 31, 2015	[1]	
Continuing Operations						
Revenue	$ 365,704	$ 324,253		$ 325,899		
Cost of sales and services (excluding depreciation)	(267,136)	(251,666)	[2]	(244,816)	[2]	
Depreciation	(30,102)	(26,697)		(25,435)		
Gross profit	68,466	45,890		55,648		
Selling, general and administrative expenses	(56,292)	(47,095)	[2]	(49,726)	[2]	
Gain from distribution of dividend in kind				209,710		
Write back/(impairment) of assets and investments	28,758	(72,263)		(6,541)		
Dilution gains from reductions in equity interest held in associates				32,829		
Other expenses	(51)	(229)	[2]	(802)	[2]	
Other income	1,410	2,757	[2]	3,742	[2]	
Operating profit/(loss) from continuing operations	42,291	(70,940)		244,860		
Financing expenses	(70,166)	(47,276)		(36,394)		
Financing income	2,904	7,724		10,721		
Financing expenses, net	(67,262)	(39,552)		(25,673)		
Provision of financial guarantee		(130,193)				
Share in losses of associated companies, net of tax	(110,665)	(186,215)		(187,033)		
(Loss)/profit from continuing operations before income taxes	(135,636)	(426,900)		32,154		
Income taxes	(72,809)	(2,252)		(9,043)		
(Loss)/Profit for the year from continuing operations	(208,445)	(429,152)		23,111		
Profit and gain from sale of discontinued operations	476,565	35,150		72,781		
Profit/(loss) for the year	268,120	(394,002)		95,892		
Attributable to:						
Kenon's shareholders	236,590	(411,937)		72,992		
Non-controlling interests	31,530	17,935		22,900		
Profit/(loss) for the year	$ 268,120	$ (394,002)		$ 95,892		
Basic/diluted profit/(loss) per share attributable to Kenon's shareholders (in dollars):						
Basic/diluted profit/(loss) per share	$ 4.40	$ (7.67)		$ 1.36		
Basic/diluted (loss)/profit per share from continuing operations	(4.00)	(8.08)		0.24		
Basic/diluted profit per share from discontinued operations	$ 8.40	$ 0.41		$ 1.12		

[1] Restated (See note 2.E and 28)

[2] Restated (See note 2.E)

Consolidated Statements of Other Comprehensive Income (Loss) - USD ($) $ in Thousands	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Statement of comprehensive income [abstract]			
Profit/(loss) for the year	$ 268,120	$ (394,002) [1]	$ 95,892 [1]
Items that are or will be subsequently reclassified to profit or loss			
Foreign currency translation differences in respect of foreign operations	29,320	157	(18,132)
Change in fair value of derivatives used to hedge cash flows	19,489	14,397	(6,365)
Group's share in other comprehensive loss of associated companies	(1,239)	(3,968)	(623)
Income taxes in respect of components other comprehensive (loss)/income	(6,142)	(1,507)	773
Total other comprehensive income/(loss) for the year	41,428	9,079	(24,347)
Total comprehensive income/(loss) for the year	309,548	(384,923)	71,545
Attributable to:			
Kenon's shareholders	270,175	(407,749)	52,423
Non-controlling interests	39,373	22,826	19,122
Total comprehensive income/(loss) for the year	$ 309,548	$ (384,923)	$ 71,545

[1] Restated (See note 2.E and 28)

Consolidated Statements of Changes in Equity - USD ($) $ in Thousands	Share Capital [Member]	Shareholder transaction reserve [Member]	Former Parent company investment [Member]	Translation reserve [Member]	Capital reserves [Member]	Accumulated deficit [Member]	Total Equity Attributable to Kenon shareholders [Member]	Non-controlling interests [Member]	Total	
Balance at Dec. 31, 2014			$ 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 subsidiaries								(12,340)	(12,340)	
Sale of colombian assets						(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	(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 restatement			13,402			(13,402)				
Total comprehensive income for the year										
Net profit for the year						72,992	72,992	22,900	95,892	[1]
Other comprehensive income/ (loss) for the year, net of tax				(17,414)	(3,788)	633	(20,569)	(3,778)	(24,347)	
Balance at Dec. 31, 2015	1,267,210			(16,916)	2,212	(191,292)	1,061,214	202,341	1,263,555	
Share based payments	240				307		547	285	832	
Dividend to holders of non-controlling interests subsidiaries								(35,255)	(35,255)	
Sale of colombian assets						670	670	20,325	20,995	
Non-controlling interests in respect of business combination								2,441	2,441	
Transactions with controlling shareholders		3,540					3,540		3,540	
Gain in fair value of shareholder loan		23,019					23,019		23,019	
Total comprehensive income for the year										
Net profit for the year						(411,937)	(411,937)	17,935	(394,002)	[1]
Other comprehensive income/ (loss) for the year, net of tax				(4,829)	9,056	(39)	4,188	4,891	9,079	
Balance at Dec. 31, 2016	1,267,450	26,559		(21,745)	11,575	(602,598)	681,241	212,963	894,204	
Share based payments	(240)				748		508	449	957	
Dividend to holders of non-controlling interests subsidiaries								(33,848)	(33,848)	
Capital reduction to non-controlling interests in subsidiaries								(13,805)	(13,805)	
Sale of colombian assets								(8,890)	(8,890)	
Non-controlling interests in respect of business combination								(50)	(50)	
Sale of subsidiaries - Latin America and Caribbean				(5,650)	2,045		(3,605)	(170,513)	(174,118)	

businesses								
Dilution of investment in subsidiary			299	(4,691)	62,210	57,818	42,550	100,368
Fair value of shareholder loan		(23,019)				(23,019)		(23,019)
Total comprehensive income for the year								
Net profit for the year					236,590	236,590	31,530	268,120
Other comprehensive income/ (loss) for the year, net of tax			25,504	9,620	(1,539)	33,585	7,843	41,428
Balance at Dec. 31, 2017	$ 1,267,210	$ 3,540	$ (1,592)	$ 19,297	$ (305,337)	$ 983,118	$ 68,229	$ 1,051,347

[1] Restated (See note 2.E and 28)

Consolidated Statements of Cash Flows - USD ($) $ in Thousands	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Cash flows from operating activities			
Profit/(loss) for the year	$ 268,120	$ (394,002) [1]	$ 95,892 [1]
Adjustments:			
Depreciation and amortization	178,461	172,381	120,047
(Write back)/impairment of assets and investments	(8,314)	72,263	6,541
Financing expenses, net	275,799	171,118	110,816
Share in losses of associated companies, net	109,980	185,592	186,759
Capital (gains)/losses, net	[2] (25,529)	2,534	4,506
Gain from changes in interest held in associates		[1]	[1] (32,829) [1]
Gain from distribution of dividend in kind		[1]	[1] (209,710) [1]
Provision for financial guarantee		130,193 [1]	[1]
Bad debt expense	7,866	4,896	
Share-based payments	957	832	876
Income taxes	278,447	59,334	62,378
Total adjustments	1,085,787	405,141	345,276
Change in inventories	1,291	(40,076)	4,361
Change in trade and other receivables	(62,436)	(68,634)	35,491
Change in trade and other payables	(568,364)	22,835	(29,800)
Change in provisions and employee benefits	2,021	(41,243)	(33,426)
Cash generated from operating activities	458,299	278,023	321,902
Income taxes paid, net	(66,830)	(116,429)	(36,218)
Dividends received from investments in associates	382	743	4,487
Net cash provided by operating activities	391,851	162,337	290,171
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets	4,727	426	539
Short-term deposits and loans, net	(4,876)	222,451	(83,408)
Cash paid for businesses purchased, less cash acquired		(206,059)	(9,441)
Sale of subsidiaries - Latin America and Caribbean businesses, net of cash disposed off	792,585		
Sale of Colombian assets, net of cash disposed off	600		
Investment in associates		(111,153)	(129,241)
Sale of securities held for trade and available for sale, net		17,334	13,217
Acquisition of property, plant and equipment	(227,601)	(280,955)	(515,838)
Acquisition of intangible assets	(10,412)	(9,598)	(16,844)
Proceeds from realization of long-term deposits	4,655		
Interest received	6,825	6,143	7,924
Payment of consideration retained		(2,204)	(3,795)
Payment to release financial guarantee	(72,278)	(36,023)	
Energuate Purchase Adjustment	10,272	[3]	[3]
Insurance claim received	80,000		
Net cash provided by/(used in) investing activities	584,497	(399,638)	(736,887)

Cash flows from financing activities			
Dividend paid to non-controlling interests	(29,443)	(32,694)	(12,340)
Proceeds from issuance of shares to holders of non-controlling interests in subsidiaries	100,478	9,468	6,110
Payment of issuance expenses related to long term debt	(34,391)		
Payment of consent fee	(4,547)		
Receipt of long-term loans and issuance of debentures	1,938,877	799,481	333,549
Repayment of long-term loans and debentures	(1,506,553)	(444,976)	(138,270)
Short-term credit from banks and others, net	(126,287)	(5,477)	123,053
Contribution from former parent company			34,271
Payment of swap unwinding and early repayment fee	(46,966)		
Purchase of non-controlling interest	(13,805)		(20,000)
Interest paid	(180,242)	(151,241)	(93,858)
Net cash provided by financing activities	97,121	174,561	232,515
Increase/(decrease) in cash and cash equivalents	1,073,469	(62,740)	(214,201)
Cash and cash equivalents at beginning of the year	326,635	383,953	610,056
Effect of exchange rate fluctuations on balances of cash and cash equivalents	17,284	5,422	(11,902)
Cash and cash equivalents at end of the year	$ 1,417,388	$ 326,635	$ 383,953

[1] Restated (See note 2.E and 28)

[2] Mainly relate to (gains)/losses from disposal of property, plant and equipment.

[3] Restated (See note 2.E)

Financial Reporting Principles and Accounting Policies

Disclosure of financial reporting principles and accounting policies [Abstract]

Financial Reporting Principles and Accounting Policies

12 Months Ended
Dec. 31, 2017

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 their former parent company, Israel Corporation Ltd. ("IC"). The Company was formed to serve as the holding company of several businesses (together referred to as the "Group").

Kenon shares are traded on New York Stock Exchange ("NYSE") and on Tel Aviv Stock Exchange ("TASE") (NYSE and TASE: KEN).

B. Sale of power business

In December 2017, Kenon, through its wholly-owned subsidiary Inkia Energy Limited ("Inkia"), sold its Latin American and Caribbean power business to an infrastructure private equity firm, I Squared Capital ("ISQ"). As a result, the Latin American and Caribbean businesses were classified as discontinued operations. Associated results of operations are separately reported for all periods presented. See note 29 for further information.

C. Definitions

In these consolidated financial statements -

1. Subsidiaries – Companies whose financial statements are fully consolidated with those of Kenon, directly or indirectly.

2. Associates – Companies in which Kenon has significant influence and Kenon's investment is stated, directly or indirectly, on the equity basis.

3. Investee companies – subsidiaries and/or associated companies.

4. Related parties – within the meaning thereof in International Accounting Standard ("IAS") 24 "*Related Parties*".

Basis of Preparation of the Financial Statements

12 Months Ended
Dec. 31, 2017

Disclosure of basis of preparation of the financial statements [Abstract]

Basis of Preparation of the Financial Statements

Note 2 – Basis of Preparation of the Financial Statements

A. Declaration of compliance with International Financial Reporting Standards (IFRS)

The consolidated 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 financial statements were approved for issuance by the Company's Board of Directors on March 27, 2018.

B. Functional and presentation currency

These consolidated financial statements are presented in US dollars, which is Kenon's functional currency, and have been rounded to the nearest thousands, except when otherwise indicated. The US dollar is the currency that represents the principal economic environment in which Kenon operates.

C. Basis of measurement

The consolidated 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 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 financial statements requires management of the Group to make assumptions regarding circumstances and events that involve considerable uncertainty. Management prepares the estimates based on 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.

Following the Group's business combination ("Note 11.A.1"), the Group had implemented additional accounting policies under the group of companies and 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.

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. Deferred tax assets

Deferred tax assets are recorded in relation to 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.

6. Business Combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase gain is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognized in profit or loss.

Any contingent consideration is measured at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

7. 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.

8. Contingent Liabilities

From time to time, the Group is involved in routine litigation that arises in the ordinary course of business. Provisions for litigation are recognized as set out in Note 3(P). Contingent liabilities for litigation and other claims do not result in provisions, but are disclosed in Note 21. The outcomes of legal proceedings with the Group are subjected to significant uncertainty and changes in factors impacting management's assessments could materially impact the consolidated financial statements.

E. Revision of the comparative figures

During the last quarter of 2017 the Group sold its IC Power businesses in Latin America. Comparative figures were restated to ensure comparability with current year's presentation (see Note 29).

Significant Accounting Policies	12 Months Ended Dec. 31, 2017
Disclosure of significant accounting policies [Abstract]	
Significant Accounting Policies	**Note 3 – Significant Accounting Policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The Group has consistently applied the following accounting policies to all periods presented in these consolidated 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.

The Group recognizes contingent consideration measured at fair value at the acquisition date. The contingent consideration that meets the definition of a financial instrument that is not classified as equity will be measured at fair value through profit or loss; except for non-derivative financial instrument contingent consideration which will be measured through other comprehensive income.

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 when control ceased. 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, 2017 and 2016.

(3) Non-Controlling Interest (“NCI”)

NCI comprises the equity of a subsidiary 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.

NCIs 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 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.

(4) 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 the ability to exercise significant influence, but not control, over the financial and operating policies. 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.

The Group's share of post-acquisition profit or loss is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

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.

(5) 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.

(6) 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.

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.

(7) 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.

(8) Reorganizations under Common Control Transactions

Common control transactions that involve the setup of a new group company and the combination of entities under common control are recorded using the book values of the parent company.

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.

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 are transferred and does not retains 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.

(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 under IAS 39 Financial Instruments: Recognition and Measurement and subsequently 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 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, net

(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.

The following useful lives shown on an average basis are applied across the Group:

	Years
Roads, buildings and leasehold improvements	2 – 50
Installations, machinery and equipment:	
Thermal power plants	10 – 35
Hydro-electric plants	70 – 90
Wind power plants	25
Power generation and electrical	20
Dams	18 – 80
Office furniture, motor vehicles and other equipment	3 – 16
Substations, medium voltage equipment and transf.MV/LV	30 – 40
Meters and connections	10 – 25

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, net

(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 relation to 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.

Concessions

Intangible assets granted by the Energy and Mining Ministry of Guatemala to DEORSA and DEOCSA to operate power distribution business in defined geographic areas, and acquired as part of business combination. The Group measures Concessions at cost less accumulated amortization and any accumulated impairment losses.

Customer relationships

Intangible assets acquired as part of a business combination and are recognized separately from 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) Amortization

Amortization is calculated to charge to expense 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.

The estimated useful lives for current and comparative year are as follows:

- Concessions 33 years*
- Customer relationships 1-12 years
- Software costs 5 years
- Others 5-27 years

* The concessions are amortized over the remaining life of the licenses from the date of the business combination.

Amortization methods and useful lives are reviewed by management of the Group at each reporting date and adjusted if appropriate.

G. 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.

H. Transfer of assets from customers

In the distribution industry, an entity may receive from its customers items of property, plant and equipment that must be used to connect those customers to a network and provide them with ongoing access to supply electricity. Alternatively, an entity may receive cash from customers for the acquisition or construction of such items of property, plant and equipment. In these cases, where the Group determines that the items qualify for recognition as an asset, the transferred assets are recognized as part of the property plant and equipment in the statement of financial position in accordance with IAS 16 and measured the cost on initial recognition at its fair value.

The transfer of an item of property, plant and equipment is an exchange for dissimilar goods or services. Consequently, the Group recognize revenue in accordance with IAS 18. The timing of the recognition of the revenue arising from the transfer will take place once the Company has control on the assets and the customers are connected to the distribution network.

I. Service Concession arrangements

The Group has examined the characteristics, conditions and terms currently in effect under its electric energy distribution license and the guidelines established by IFRIC 12. On the basis of such analysis, the Group concluded that its license is outside the scope of IFRIC 12, primarily because the grantor does not control any significant residual interest in the infrastructure at the end of the term of the arrangement and the possibility of renewal.

The Group accounts for the assets acquired or constructed in connection with the Concessions in accordance with IAS 16 Property, plant and equipment.

J. Leases

(1) 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.

(2) 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 if interest on the remaining balance of the liability.

K. 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.

L. Trade Receivable, net

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.

Evidence of impairment of financial assets

The Group considers evidence of impairment for trade receivables at both a specific asset and collective level. All individually significant trade receivables are assessed for specific impairment. All individually significant trade receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Trade receivables with similar risk characteristics that are not individually significant are collectively assessed for impairment. In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

M. 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. Income earned on the temporary investment of specific credit received for investing in a qualifying asset is deducted from the borrowing costs eligible for capitalization.

N. 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.

(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.

O. 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 Group's senior executives receive remuneration in the form of share-appreciations rights, 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 senior executives of OPC Energy Ltd ("OPC"), 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.

(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 Benefit Plans

The calculation of defined benefit obligation is performed at the end of each reporting period by a qualified actuary using the projected unit credit method. Remeasurements of the defined benefit liability, which comprise actuarial gains and losses and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. Interest expense and other expenses related to defined benefit plan are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(5) Share-based compensation plans

Qualifying employees are awarded grants of the Group's shares under the Group'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 Group 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.

P. Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Q. 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, 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 of the Company are primarily from the sale of electricity to private customers and to Israel Electric Company Ltd. ("IEC").

(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 value-added tax ("VAT"), consumption tax and 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.

(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.

R. Government grants

Government grants related to distribution projects are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recorded at the value of the grant received and any difference between this value and the actual construction cost is recognized in profit or loss of the year in which the asset is released.

Government grants related to distribution assets are deducted from the related assets. They are recognized in statement of income on a systematic basic over the useful life of the related asset reducing the depreciation expense.

S. Deposits received from consumers

Deposits received from consumers, plus interest accrued and less any outstanding debt for past services, are refundable to the users when they cease using the electric energy service rendered by the Group. The Group has classified these deposits as current liabilities since the Group does not have legal rights to defer these payments in a period that exceed a year. However, the Group does not anticipate making significant payments in the next year.

T. Transfer of assets from customers

In the power distribution industry, an entity may receive from its customer items in the form of property, plant and equipment that are used to connect these customers to a network with continuous access to power supply. Alternatively, an entity may receive cash from customers in return for the acquisition or construction of such items of property, plant and equipment. In such cases, where the Group determines that these items qualify for recognition as an asset, the transferred assets are recognized as part of the property plant and equipment in the statement of financial position in accordance with IAS 16 and measured its cost on initial recognition at its fair value.

U. Guarantee deposits from customers

Deposits received from customers, plus interest accrued and less any outstanding debt for past services, are refundable to the users when they cease using the electric energy service rendered by the Group. The Group has classified these deposits as current liabilities since the Group does not have legal rights to defer these payments in a period that exceed a year. However, the Group does not anticipate making significant payments in the next year.

V. Energy purchase

Costs from energy purchases either acquired in the spot market or from contracts with suppliers are recorded on an accrual basis according to the energy actually delivered. Purchases of electric energy, including those which have not yet been billed as of the reporting date, are recorded based on estimates of the energy supplied at the prices prevailing in the spot market or agreed-upon in the respective purchase agreements, as the case may be.

W. 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).

The Group’s finance income and finance costs include:

- Interest income;
- Interest expense;
- The net gain or loss on the disposal of available-for-sale financial assets;
- The net gain or loss on financial assets at fair value through profit or loss;
- The foreign currency gain or loss on financial assets and financial liabilities;
- The fair value loss on contingent consideration classified as financial liability;
- Impairment losses recognized on financial assets (other than trade receivables);

- The net gain or loss on hedging instruments that are recognized in profit or loss; and
- The reclassification of net gains previously recognized in OCI.

Interest income or expense is recognized using the effective interest method.

X. 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.

(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.

Y. 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.

Z. Share capital – ordinary shares

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.

AA. 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 net proceeds from discontinued operation is disclosed in a separate line. The

changes based on operating, investing and financing activities are reported in Note 29.

AB. Operating Segment and Geographic Information

The Company's co-CEOs and CFO are considered to be the Group's chief operating decision maker ("CODM"). Based on the internal financial information provided to the CODM, the Group has determined that it has two reportable segments in 2017, which are OPC segment and Qoros segment. In addition to the segments detailed above, the Group has other activities, such as a shipping services and renewable energy businesses categorized as Other.

The CODM evaluates the operating segments performance based on Adjusted EBITDA. Adjusted EBITDA is defined as the net income (loss) excluding depreciation and amortization, financing income, income taxes and other items. Qoros is an associated company of the Group and the CODM evaluates the performance of Qoros based on the share of profit/loss.

The CODM evaluates segment assets based on total assets and segment liabilities based on total liabilities.

The accounting policies used in the determination of the segment amounts are the same as those used in the preparation of the Group's consolidated financial statement, Inter-segment pricing is determined based on transaction prices occurring in the ordinary course of business.

In determining of the information to be presented on a geographic basis, revenues are based on the geographic location of the customer and non-current assets are based on the geographic location of the assets.

The segment information were restated to only present results from continuing operations following the discontinued operations.

AC. 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.

AD. New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these consolidated financial statements. The impact on the consolidated financial statements of the Group is described below:

1) **International Financial Reporting 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 on the financial statements with no plans for early adoption.

   The Group has examined IFRS 9 in order to determine the qualitative impacts of the implementation. As of 31 December 2017, the Group considers that the overall impact of the implementation of IFRS 9 will be immaterial to the Group.

   The examination of the potential qualitative impacts was conducted, considering the following two main areas of IFRS 9:

   a) Classification of financial assets

There are no material impacts expected concerning the classification and measurement of financial assets due to the types of financial assets held by the Group entities. The Group does not hold complex financial assets nor enters in complex structured financing transaction such as securitization transactions or factoring-arrangements, etc.

b) Impairment of financial assets

In general, the most important financial assets of the Group, trade receivables, do not contain a significant financing component. Therefore, the simplified approach as established in IFRS 9 is recommended to be applied. According to IFRS 9, provision matrix may be used to estimate expected credit losses ("ECL") for these financial instruments without the use of hindsight of a default, and the matrix would include expectations of variations in credit risks of customers for the lifetime. Thus, the recognition of losses would be based on the maximum period over which ECL which is the maximum contractual period over which the entity is exposed to credit risk from the first day of the recognition of the receivable. The Group expects that the application of IFRS 9 will impact its deferred payment obligations impairment assessment using the expected credit loss method. Using the expected credit loss method, the Group expects no significant impairment.

2) **International Financial Reporting 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 that those currently in effect. The Standard is to be applied for annual periods commencing on January 1, 2018. The Group has examined the implications of implementation of the standard and does not expect its implementation to have a material effect on the financial statements.

3) **International Financial Reporting 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. The Group examined the expected effects of the implementation of the Standard, but is unable at this stage to reliably estimate the quantitative impact on its financial statements.

4) **International Financial Reporting Standard IFRS 2 *"Share-based payments"*** – The amendment clarify that the measurement of cash-settled share-based payments (SBP) should follow the same approach as for equity-settled SBP; as an exception, for classification purposes, a SBP transaction with employees is accounted for as equity-settled if the terms of the arrangement permit or require an entity to settle the transaction net by withholding a specified portion of the equity instruments to meet the statutory tax withholding requirement, and the entire SBP transaction would otherwise be classified as equity-settled if not for the net settlement feature; and for modification of awards from cash-settled to equity-settled:
   - at the modification date, derecognise the liability for the original cash-settled SBP; and measure the equity-settled SBP at its fair value and recognise in equity to the extent that the goods or services have been received up to that date.
   - recognise in profit or loss immediately the difference between the carrying amount of the liability derecognised and the amount recognised in equity as at modification date.

As a practical simplification, the amendments can be applied prospectively so that prior periods do not have to be restated. Retrospective, or early, application is permitted if entities have the required information.

5) **International Accounting Standard IAS 28 "*Investments in Associates and Joint Ventures*"** – The amendment clarifies that:
   - a venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss on an investment-by-investment basis.
   - a non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture.

6) **International Financial Reporting Interpretations Committee IFRIC 22 "*Foreign Currency Transactions and Advance Consideration*"** – The Interpretation stipulates that the date of the transaction for the purpose of determining the exchange rate for recording a transaction in foreign currency that includes advance payments will be the date on which the Company first recognizes a non-monetary asset/liability in respect of the advance payment. When there are several payments or receipts in advance, the Company will set a transaction date for each payment/receipt separately. The Interpretation will be applied for annual periods commencing January 1, 2018, with the possibility of early adoption. The interpretation includes various alternatives for the implementation of the transitional provisions, such that companies may choose one of the following alternatives upon initial application: retroactive implementation; A prospective application from the first reporting period in which the entity first applied the Interpretation; Or a prospective application from the first reporting period presented in the comparative figures in the financial statements for the period in which the entity first applied the Interpretation. The Group examined the implications of applying the interpretation on its financial statements and intends to choose the transition alternative of prospective application effective from January 1, 2018. The Group has determined in the past that the "transaction date" used to determine the exchange rate for recording a foreign currency transaction that includes advance payments will be the date on which the Group first recognizes the non - monetary asset/liability in respect of the advance. As a result, it is not expected to have a material effect on the Group's financial statements.

Determination of Fair Value	12 Months Ended Dec. 31, 2017
Disclosure of determination of fair value [Abstract]	
Determination of Fair Value	

Note 4 – Determination of Fair Value

A. Business Combinations

The Group measures the value of the acquired assets, liabilities, and contingent liabilities considering the fair value basis from the date on which the Group took control. The criteria considered to measure the fair value of the main items were the following:

- Fixed assets were valued considering the market value provided by an appraiser;
- Intangibles consider the valuation of Concessions;
- Deferred taxes were valued based on the temporary differences between the accounting and tax basis of the business combination;
- Non-controlling interests were measured as a proportional basis of the net assets identified on the acquisition date
- Intangibles consider the valuation of its Power Purchase Agreements (PPAs); and,
- Contingent liabilities were determined over the average probability established by third party legal processes.

B. Cash Generating Unit for impairment testing

See Note 15.C.

C. Derivatives

See Note 32 regarding “Financial Instruments”.

D. 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.

Cash and Cash Equivalents

12 Months Ended
Dec. 31, 2017

Cash and cash equivalents [abstract]

Cash and Cash Equivalents

Note 5 – Cash and Cash Equivalents

	As at December 31	
	2017	2016
	$ thousands	
Cash in banks	1,313,710	320,199
Time deposits	103,678	6,436
Cash and cash equivalents	1,417,388	326,635

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 32 “Financial Instruments”.

Short-Term investments and deposits	12 Months Ended Dec. 31, 2017
Disclosure of short-term investments and deposits [Abstract]	
Short-Term investments and deposits	

Note 6 – Short-Term investments and deposits

	As at December 31	
	2017	2016
	$ thousands	
Restricted cash and short-term deposits (1)	7,085	89,475
Other	59	70
	7,144	89,545

(1) As at December 31, 2017, it mainly corresponds to the amount held in escrow account as collateral for contractual obligations, see note 21.B(a). It earns interest at a market interest rate of 0.07%

Trade Receivables, Net	12 Months Ended Dec. 31, 2017
Trade and other current receivables [abstract]	
Trade Receivables, Net	**Note 7 – Trade Receivables, Net**

	As at December 31	
	2017	2016
	$ thousands	
Trade Receivables	44,137	285,100
Less – allowance for doubtful debts	-	(568)
	44,137	284,532

Other Current Assets

12 Months Ended
Dec. 31, 2017

Disclosure of other current assets [Abstract]

Other Current Assets

Note 8 – Other Current Assets

	As at December 31	
	2017	2016
	$ thousands	
Advances to suppliers	673	141
Prepaid expenses	1,818	6,039
Derivative instruments	1,471	1,831
Government agencies	7,408	14,677
Contingent consideration (a)	18,004	-
Other receivables (b)	6,378	27,085
	35,752	49,773

(a) This represents the contingent consideration receivable from ISQ as a part of the transaction described in Note 29.

(b) As at December 31, 2016, this includes discontinued operations' receivables of $16 million from insurance claims, transmission line sale, transaction costs and selective consumption tax on heavy fuel oil.

Inventories	12 Months Ended Dec. 31, 2017
Classes of current inventories [abstract]	
Inventories	**Note 9 – Inventories**

	As at December 31	
	2017	2016
	$ thousands	
Fuel and spare parts (a)	-	91,659

(a) Inventories as at December 31, 2016 belongs to discontinued operations.

Investment in Associated Companies

Disclosure of associates [abstract]

Investment in Associated Companies

12 Months Ended
Dec. 31, 2017

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		Qoros*	
	As at December 31			
	2017	2016	2017	2016
	$ thousands			
Principal place of business	International		China	
Proportion of ownership interest	32%	32%	50%	50%
Current assets	579,595	465,892	235,237	259,804
Non-current assets	1,222,743	1,237,740	1,259,762	1,273,862
Current liabilities	(686,693)	(530,842)	(870,192)	(773,946)
Non-current liabilities	(1,209,137)	(1,273,447)	(804,062)	(695,484)
Non-controlling interests	(6,509)	(3,125)	-	—
Total net assets attributable to the Group	(100,001)	(103,782)	(179,255)	64,236
Share of Group in net assets	(32,000)	(33,210)	(89,627)	32,118
Adjustments:				
Write back/(impairment) of assets and investments	28,758	(72,263)	—	—
Excess cost	123,242	187,216	—	—
Loans	—	—	61,645	55,798
Financial guarantee	—	—	29,676	29,677
Book value of investment	120,000	81,743	1,694	117,593

* Qoros is a joint venture (See Note 10.C.b). The current assets include cash and cash equivalent of $12 million (2016: $67 million). The current and non-current liabilities excluding trade and other payables and provisions amount to $1 billion (2016: $1.1 billion). In January 2018, the Group's equity interest in Qoros was reduced to 24% (see Note 33.2.A).

	ZIM			Tower*	Qoros**		
	For the year ended December 31						
	2017	2016	2015	2015	2017	2016	2015
	$ thousands						
Revenues	2,978,291	2,539,296	2,991,135	461,778	280,079	377,456	232,114
(Loss) / income ***	6,235	(168,290)	2,253	(737)	(242,395)	(285,069)	(392,427)
Other comprehensive (loss) / income ***	(3,871)	(12,351)	(1,948)	—	31	7	(19)
Total comprehensive (loss) / income	2,364	(180,641)	305	(737)	(242,364)	(285,062)	(392,446)
Kenon's share							

of comprehensive (loss) / income	756	(57,805)	98	(189)	(121,182)	(142,531)	(196,223)
Adjustments	8,538	9,856	9,418	(609)	(16)	(3)	—
Kenon's share of comprehensive (Loss) / Income presented in the books	9,294	(47,949)	9,516	(798)	(121,198)	(142,534)	(196,223)

* Distributed as dividend-in-kind in July 2015 (see Note 10.C.c). Results of operations for 2015 corresponds to the six months ended June 30, 2015.

** Qoros is a joint venture (See Note 10.C.b). The depreciation and amortization, interest income, interest expense and income tax expenses recorded by Qoros during the year were $102 million, $2 million, $50 million and $14 thousand (2016: $119 million, $2 million, $63 million and $37 thousand; 2015: $75 million, $2 million, $2 million and $92 thousand) respectively.

*** Excludes portion attributable to non-controlling interest.

B. Associated companies that are individually immaterial

	Associated Companies		
	As at December 31		
	2017	2016	2015
	$ thousands		
Book value of investments as at December 31	-	8,897	9,008

C. Additional information

a. ZIM

1. The container shipping industry is dynamic and volatile and has been marked in recent years by instability, which is characterized by slower growth of demand and worsening overcapacity. This situation combined with carriers' ambitions to increase and protect their market share led, freight rates to fall sharply in most of the trades, mainly since the second half of 2015. The first half of 2016 continued to be very challenging. Container freight rates hit historical lows across major trades, as new vessel capacity was added, while market demand remained weak. Since the second half of 2016 and through the third quarter of 2017, freight rates have increased marginally, while partially decreased towards the end of 2017.

   In view of the aforementioned business environment, the volatile bunker prices and in order to improve ZIM's results of operations and liquidity position, Management continues to optimize ZIM's network rationalizations including establishment of new partnerships, invest in upgrading customer services and constantly strive to create and maintain efficiencies and cost reductions. However, an adverse trend could negatively affect the entire industry and also affect ZIM's business, financial position, assets value, results of operations, cash flows and compliance with certain financial covenants.

   As of December 31, 2017 ZIM's total equity amounted to a negative balance of $93 million (compared to negative balance of $101 million as of December 31, 2016) and its working capital amounted to a negative balance of $107 million (compared to negative balance of $65 million as of December 31, 2016).

   During the year ended December 31, 2017, ZIM recorded operating profit of $135 million (compared to operating loss of $52 million during the year ended December 31, 2016 and operating profit of $98 million during the year ended December 31, 2015) and net profit of $11 million (compared to net loss of $164 million during the year ended December 31, 2016 and net profit of $7 million during the year ended December 31, 2015).

As at December 31, 2017, ZIM complies with its amended financial covenants, ZIM's liquidity amounts to $182 million (Minimum Liquidity required is $125 million).

In order to improve its financial position and liquidity, during the second half of 2016, ZIM took the following steps:

(a) ZIM approached some of its creditors for the purpose of rescheduling payments.

Below are the main components of the agreements reached:

1) Deferral of payments in a total amount of $116 million (the "Deferred Amounts"), during a period of up to 12 months starting on September 30, 2016, each creditor with relation to its specific contracts. The repayment of the Deferred Amounts will begin as from January 1, 2018 on a straight line basis and will end on December 31, 2020 (the "Repayment Period"). In case any respective agreement expires before the end of the Repayment Period, the unpaid balance of Deferred Amounts will be paid in full upon expiration.

2) The Deferred Amounts bear interest, at an annual rate of Libor + 2.8% paid quarterly in cash.

3) ZIM granted security related to its rights and interests deriving from certain of its receivables, for securing the repayment of the Deferred Amounts (using a similar receivable-backed facility as described in No). The balance of the secured Deferred Amounts as of December 31, 2017 amounted to $108 million

4) In case of excess cash, as defined in the rescheduling agreements, a mechanism of mandatory prepayments of the abovementioned rescheduled amounts and their related accrued interest, will apply.

Further to such rescheduling, certain agreements of containers leases previously classified as operational leases were reclassified as financial leases, resulting in recognition of additional assets and liabilities in a total amount of US$ 73 million.

(b) ZIM obtained amendments to its financial covenants in 2016. Below are the current financial covenants of ZIM:

1) Fixed Charge Cover ratio - The required ratio will be examined on March 31, 2018 onwards, and will gradually increase from 0.78:1 as required on March 31, 2018 to 0.99:1 as required on March 31, 2019 and remain in that level thereafter.

2) Total Leverage ratio - The required ratio will be examined on March 31, 2018 onwards, and will gradually decrease from 23.69:1 as required on March 31, 2018 to 6.64:1 as required on December 31, 2018 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 was required to stand a minimum liquidity of $150 million. Starting December 31, 2016 the minimum Liquidity required is reinstated at $125 million.

As at December 31, 2017, ZIM is in compliance with its financial covenants. According to these consolidated Financial Statements, ZIM's liquidity amounts to $182 million (Minimum Liquidity required is $125 million).

ZIM's financial position, liquidity and the risk of deviation from financial covenants depend on the recovery of the shipping industry and especially the freight rates. Current economic conditions make forecasting difficult, and there is possibility that actual performance may be materially different from Management plans and expectations.

In the opinion of ZIM's management and its Board of Directors, the updated forecast and the abovementioned actions with regards to rescheduling of payments and covenants amendment, 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 following the balance

sheet date.

2. Further to the recent trends in the shipping industry, ZIM tested its assets for impairment based on IAS 36, where ZIM operates an integrated liner network, as one cash-generating unit ("CGU"). ZIM estimated its recoverable amount on the basis of fair value less costs to sell, using the discounted cash flow ("DCF") method, measured at Level 3 fair value measurement under IFRS 13. The impairment test resulted with a recoverable amount exceeding the carrying amount of the CGU with a range between $418 million and $543 million, and therefore no impairment was recognized. Although ZIM believes the assumptions used for impairment are reasonable and acceptable, no assurance can be made against the level of bunker prices and freight rates sustainability.

   Kenon independently and separately from ZIM, appointed a third-party to perform a valuation of its 32% equity investment in ZIM in accordance with IAS 28 *Investments in Associates* and IAS 36 *Impairment of Assets*. On March 20, 2018 Kenon concluded that as of December 31, 2017, the carrying amount of the investment in ZIM is lower than the recoverable amount, and therefore, no impairment was recognized.

   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 cost of disposal ("FVLCOD"). The valuation is predominantly based on publicly available information and earnings of ZIM over the 12-month periods to September 2017. The valuation approach was based on the equity method, recognizing the cost of investment and share of losses in ZIM, and subsequently to assess a maintainable level of earnings to form a view on the appropriate valuation range as at December 31, 2017.

   During the recent valuation, due to the uncertainty experienced in shipping sector, and a limited evidence of a sustained industry recovery as at December 31, 2017, the following data points and benchmarks were considered by the independent valuer:

   A. The implied EV/EBITDA range based on the indicative range of fair values for Kenon's 32% stake in ZIM and the actual EBITDA for the 12-month to December 31, 2017; and,

   B. The implied EV/EBITDA range based on the indicative range of fair values for Kenon's 32% stake in ZIM and the estimated sustainable EBITDA computed based on a 9% margin and actual revenue for the 12-month to September 30, 2017. The estimated maintainable margin was based on a 30% discount applied to analyst estimate of the industry margin.

   The independent valuer arrived at a range of equity valued between $120 million and $180 million after adjustments for Net Debt. The fair value measurement was categorized as Level 3 fair value based on the inputs in the valuation technique used.

   For the year ended December 31, 2016, Kenon recognized an impairment loss of $72 million in ZIM. Based on the above assessment, Kenon will record a write-back impairment of $29 million in write back/(impairment) of assets and investments, bringing the carrying value in ZIM as at December 31, 2017 to $120 million.

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. 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.

5. During 2016, ZIM sold a portion of its holdings in an associated company and ceased to have significant influence over such investee. ZIM recognized a disposal gain in an amount of $16 million, Kenon's share of the disposal gain is $5 million and is recognized in share of net income and losses from associated companies.

6. During 2017, ZIM did not sell any of its holdings.

b. Qoros Automotive Co. Ltd. ("Qoros")

1. As at December 31, 2017, 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. Qoros introduces a new strategic partner

   In January 2018, Quantum and Chery diluted their shares in Qoros to an entity related to Baoneng Group, giving it a 51% equity interest in Qoros. Quantum and Chery's equity interest in Qoros were reduced to 24% and 25%, respectively (see Note 33.2.A).

3. As at December 31, 2017, Kenon's investment in Qoros amounts to $1.7 million (December 31, 2016 – $117 million).

4. In January and February 2016, Kenon and Wuhu Chery each, through Quantum, a Kenon subsidiary, provided a RMB275 million ($42 million) convertible loan to Qoros to support its working capital requirements.

   During 2015, Kenon and Chery each, through a subsidiary, provided a RMB800 million ($130 million) convertible loan to Qoros to support its ongoing development.

5. Qoros incurred a net loss of RMB 1.4 billion (approximately $211 million) and had net current liabilities of approximately RMB 3.7 billion (approximately $555 million) for the year ended December 31, 2017 (RMB 1.9 billion (approximately $284 million) and RMB 3.57 billion (approximately $515 million) as of December 31, 2016 respectively).

   Qoros has given careful consideration to the future of its liquidity. With its available sources of finance and the addition of the new strategic partner (see Note 33.2.A), Qoros believes it will have sufficient financial resources to continue as a going concern for the next twelve months.

6. Ansonia Loans

   a. Overview

      On April 22 and September 2, 2016, Ansonia Holdings Singapore B.V. ("Ansonia"), which owns approximately 58% of the outstanding shares of Kenon, entered an agreement to provide loans ("Ansonia loans") in an aggregate amount of up to RMB 450 million ($69 million) with an interest rate of 6% per annum, through Quantum, to support Qoros. Wuhu Chery completed its provision of loans to Qoros in the same amount and on similar conditions. Set forth below is an overview of the Ansonia loans as of December 31, 2017:

Date Granted	RMB million	Plus certain interest	Convertible into Equity Discount Rate [1]	Loan Transfer Date from Quantum to Qoros [2]
Tranche 1 / Apr 2016	150	6%	10%	May 20, 2016
Tranche 2 / Apr 2016	150			June 28, 2016
Tranche 3 / Sep 2016	150		25%	September 6, 2016
Total	**450 ($69 million)**			

[1] To facilitate potential investment by a third party in Qoros, Ansonia loans are automatically convertible into equity in Quantum in the event of a third-party financing at Qoros meets certain conditions, or when Ansonia loans are repaid in relation to such third-party financing. The loans will be convertible into equity of Quantum at a 10% (Tranche 1 and 2) and at a 25% discount (Tranche 3) discount to the implied value of Qoros based upon the third-party financing.

[2] Loans carry the same term of 9 months from the first transfer date

b. Repayment of the Ansonia loans

i. Ansonia loans to Quantum are non-recourse to Kenon, and limited recourse to Quantum. Quantum's obligations to repay these loans when Quantum receives loan repayments from Qoros; or Quantum sells all or portion of its interest in Qoros.

ii. Qoros has agreed to secure and undertaken to enter into the pledge for the Quantum and Wuhu Chery loans with certain collateral. The pledge is subjected to approvals to be received. Qoros' pledge of this collateral will be released upon a conversion of the shareholder loans into equity (as described below) or upon repayment.

iii. Quantum agreed to assign its rights, title and interests in the collateral securing these loans to Ansonia.

iv. Ansonia loans can be repaid by Quantum without penalty or premium prior to the conversion into Equity of Quantum.

v. Repayment of Ansonia loan of $20 million was made in January 2018 by Quantum. The remaining outstanding balance will be repaid upon repayment of shareholder loans owing from Qoros to Quantum, which is expected to occur within the next 6 months.

c. Conversion of the Ansonia loans into Equity ("Conversion")

Upon a conversion, Kenon's indirect interest in Qoros will be diluted. From the point of the conversion until the third anniversary of such conversion, Ansonia will have the option to convert its equity in Quantum into an equivalent value of equity in Qoros, subject to regulatory acceptance, Qoros', Chery's and Wuhu Chery's approvals. As the plan is to repay the outstanding Ansonia loan within the next 6 months, the conversion is unlikely to happen.

7. Financial Guarantees Provision and Releases

a. On June 30, 2016, Kenon increased its previously recognized provision of $30 million to $160 million in respect to Kenon's "back-to-back" guarantee obligations to Chery (RMB1,100 million), 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 addition to the current liquidity needs of Qoros, its financial position and Kenon's strategic intent, the provision was made due to uncertainty in the Chinese automobile market. As a result, Kenon recognized a $130 million charge to expense for such financial guarantees in its consolidated statement of profit or loss in 2016.

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, and (ii) a back-to-back guarantee of one-half of the principal amount of Chery's guarantee of Qoros' RMB700 million facility, and interest and fees, if applicable.

b. On December 25, 2016. Kenon has agreed to provide a RMB250 million (approximately $36 million) shareholder loan to Qoros, and in relation to this loan, the maximum amount of Kenon's back-to-back guarantee obligations to Chery has been reduced by RMB250 million. As part of the loan to Qoros, Kenon's back-to-back guarantee obligations to Chery with respect to Chery's guarantee of Qoros' RMB3 billion loan facility with the Export-Import Bank of China ("EXIM Bank") have been reduced by one third, and the maximum amount of Kenon's obligations under this back-to-back guarantee (subject to certain obligations to negotiate fees and interest described in the table below) has been reduced from RMB750 million to RMB500 million (approximately $72 million). In addition, Ansonia has committed to fund RMB25 million (approximately $4 million) of Kenon's remaining back-to-back guarantee obligations to Chery in certain circumstances ("Ansonia Commitment").

Chery has agreed to make a corresponding RMB250 million loan to Qoros. The

proceeds of these loans were used to support Qoros' ordinary course working capital requirements and Qoros' investments in new initiatives, such as new-energy vehicles, while it continues its fund raising efforts.

As part of this transaction, Quantum pledged approximately 9% of the outstanding shares of Qoros to Chery to secure the amount of the back-to-back guarantee reduction. Chery may also borrow from Quantum up to 5% of Qoros' outstanding shares to meet its pledge obligations under a Qoros RMB 1.2 billion loan facility with EXIM Bank. The number of Qoros shares pledged to Chery is subject to adjustment from time to time. In certain circumstances Quantum must pledge additional shares (to the extent it has unencumbered shares), and in other circumstances the pledged shares may be released and the borrowed shares must be returned, e.g., in the event that Quantum is required to pledge additional shares to secure the RMB1.2 billion EXIM Bank facility (Quantum has previously pledged a significant portion of its Qoros shares to secure Qoros' obligations under Qoros' RMB 1.2 billion loan facility with EXIM Bank).

Kenon has been informed that, in order to facilitate Kenon's above mentioned reduction in Kenon's back-to-back guarantee obligations to Chery, an affiliate of Kenon's major shareholder has given certain undertakings to Chery with respect to the released guarantee obligations.

c. On March 10, 2017, Kenon announces that it has agreed to fund up to RMB777 million (approximately $114 million) to Qoros in relation to the full release of its remaining RMB825 million (approximately $125 million) back-to-back guarantee obligations to Chery in two tranches, which releases Kenon from commitments to pay any related interest and fees to Chery under the guarantees.

On March 10, 2017, Kenon transferred RMB388.5 million (approximately $57 million) ("First Tranche Loans") to Qoros in relation to a reduction of RMB425 million (approximately $63 million) of Kenon's back-to-back guarantee obligations to Chery, including related interest and fees and the provision of the Second Tranche Loans shall be at Kenon's discretion.

As part of the First Tranche Loans, in relation to 50% reduction of the guarantee, Kenon funded 50% for Kenon and 50% on behalf of Chery.

On April 25, 2017, Kenon funded RMB100 million (approximately $15 million) as part of the remaining provision of RMB388.5 million to Qoros (the "Second Tranche Loans") on similar terms in connection with the remaining RMB425 million reduction in its back-to-back guarantees.

Kenon's remaining liability under its guarantee obligations totals RMB320 million in respect of RMB288.5 million (approximately $44 million) principal amount of debt as at December 31, 2017.

In the event that Chery's obligations under its guarantees are reduced, through amortization of the loans or guarantee releases, Kenon is entitled to the proportionate return from Chery of the loans provided on Chery's behalf (i.e., up to RMB388.5 million (approximately $57 million) with respect to the First Tranche Loans and the Second Tranche Loans) and the release of the pledges described above.

Quantum will pledge approximately 10.3% of the outstanding shares of Qoros to Chery in relation to 50% of the guarantee releases, which pledges are enforceable to the extent Kenon would have been required to make payments under such guarantees but for the guarantee releases.

In addition, Chery may also borrow from Quantum 5% of Qoros' outstanding shares in relation to Kenon's provision of the First

Tranche Loans and the Second Tranche Loans. The number of Qoros shares pledged to Chery which are borrowed from Quantum is subject to adjustment from time to time.

Set forth below is an overview of the RMB850 million back-to-back guarantees provided by Kenon in respect of Qoros' indebtedness, reflecting the reduction of the back-to-back guarantees described above:

Loans	Timing	Amount of Loans to Qoros	Amount of Guarantee Obligations Prior to Investment	Release of Kenon Guarantees to Chery	Remaining Guarantee Obligations Post-Investment	Pledge of Qoros Shares in relation to Investment
		in RMB million				
First Tranche	March 2017	388.5	850 [1]	425 [3]	425	5.17%
Second Tranche	April 2017	100	425	105 [3]	320	5.17%
Third Tranche	At Kenon's discretion	288.5	320	320 [3]	—	
Total		**777**	—	**850** [3]	**—**	**10.3%** [2]

1. Kenon's major shareholder Ansonia Holdings Singapore B.V. has committed to fund RMB25 million (approximately $4 million) of Kenon's back-to-back guarantee obligations in certain circumstances.

2. Excludes up to 5% of Qoros shares which Chery may borrow from Quantum to meet its pledge obligations under the Qoros RMB1.2 billion loan facility, as discussed above.

3. Plus interest and fees.

Following the pledges above, and taking account of prior pledges by Quantum of Qoros shares to Qoros' lenders and to Chery, substantially all of Kenon's interest in Qoros will be pledged, or could be pledged pursuant to the equity borrowing arrangements with Chery described above.

The proceeds of the First Tranche Loans was used to support Qoros' ordinary course working capital requirements, debt service requirements and investments in new initiatives, such as new-energy vehicles, while Qoros continues its fund raising efforts. The transactions enabled Kenon to support Qoros and its fundraising efforts, while reducing its back-to-back guarantee obligations to Chery.

Due to the change in equity holdings of Qoros in 2018, adjustments to the respective parties' pro rata obligations under the Qoros' bank guarantees and pledges were made (see Note 33.2.A).

8. Background of Financial Guarantees

The guarantees by Kenon described below have been amended and released as described in paragraph 7 above

a. In July 2012, Chery provided a guarantee to the banks, in the amount of RMB1.5 billion ($242 million), in relation to 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.

   On February 12, 2015, Kenon has agreed to provide a RMB400 million (approximately $64 million) loan to Qoros to support its ongoing development, and in relation to 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 relation to 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.

b. 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”).

c. 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 ($500 million). 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, 2016, Qoros had drawn down the Facility of RMB700 million ($108 million) with an interest rate of 5.39% (RMB 700 million as at December 31, 2015). The fair value of the guarantee has been recorded in the financial statements.

d. 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.

e. 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 part of the reduction of guarantee obligations in Note 10.C.b.7, Kenon has pledged approximately 9% of the outstanding shares of Qoros to Chery to secure the amount of the back-to-back guarantee reduction. Chery may also borrow from Kenon up to 5% of Qoros' outstanding shares to meet its pledge obligations under the abovementioned RMB 1.2 billion loan facility. As of December 31, 2016, in relation to this loan facility of RMB 1.2 billion, Kenon and Chery have each pledged 22.6% of its equity interest in Qoros.

Due to the introduction of the additional investor in January 2018, financial guarantees will be adjusted to the respective parties pro rata obligation based on the change in equity holdings of Qoros (see Note 33.2.A).

9. Business Plans

a. In September 2014, Qoros' board of directors reviewed a 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. As a result, Qoros management performed impairment tests in October 2015 and February 2016. In March 2017, Qoros' board of directors approved a new business development plan for the next five years. As a result, Qoros management performed impairment tests in March 2017 on Qoros' operating assets as of December 31, 2016 and intangible assets.

As at December 31, 2017, Kenon concluded that the recoverable amount of its CGU, based on the 3rd-party transaction with Baoneng Group (see Note 33.2.A), was higher than the carrying value (adjusted for depreciation and amortization). The recoverable amount was determined based on fair value of Qoros' assets less the costs of disposal. Therefore, no impairment was recognized in Qoros' December 31, 2017 financial statements in respect of its CGU.

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 owned 1,669,795 Warrants representing approximately 2.0% of outstanding Ordinary Shares of Tower. On August 5, 2016, Kenon sold 1,699,795 Series 9 Warrants of Tower for proceeds of approximately $11.4 million.

D. Details regarding dividends received from associated companies

	For the Year Ended December 31		
	2017	2016	2015
	$ thousands		
From associated companies	382	743	4,487

E. 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 relation to 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.

Subsidiaries	12 Months Ended Dec. 31, 2017
Disclosure of subsidiaries [abstract]	
Subsidiaries	

Note 11 – Subsidiaries

A. Investments

1. I.C. Power

a. Subsidiaries acquired in 2016

On December 29, 2015, IC Power Distribution Holdings Pte, Limited (hereinafter - "ICP Distribution"), a wholly owned subsidiary of I.C Power, entered into an agreement with Deorsa-Deocsa Holdings Ltd. to acquire 100% of the shares of Estrella Cooperatief BA, a holding company that indirectly owned two distribution companies in Guatemala (90.6% of Distribuidora de Electricidad de Occidente S.A.-DEOCSA and 92.68% of Distribuidora de Electricidad de Oriente S.A.-DEORSA) and 100% of two smaller related businesses (Redes Electricas de Centroamerica S.A.-RECSA and Comercializadora Guatemalteca Mayorista de Electricidad S.A.-GUATEMEL), collectively referred as "Energuate" for a purchase price equal to (i) the base purchase price, plus (ii) the deferred payment, and (iii) the final adjustment amount. On January 22, 2016, ICP Distribution closed the acquisition of Estrella Cooperatief BA for a total consideration of $266 million which included a base price of $242.5 million paid at the closing date and a deferred payment of $23.7 million paid on April 12, 2016. The consideration agreed was subject to working capital adjustments.

On April 28, 2017, Ernst & Young LLP ("the consultant") issued the Accountant Ruling in connection with the disagreement between Actis and the Company on the final working capital adjustment purchase price-consideration. As a result of the consultant ruling, a $10.2 million adjustment was required to be made in favor of the Company. The Company has recorded such amount as other income in the consolidated statement of profit or loss.

On May 12 and May 17, 2017, Actis paid $272 thousand and authorized the release of $10 million from Escrow account, respectively.

As at December 31, 2017, these subsidiaries were disposed (See Note 29).

1. Consideration transferred

The following table summarizes the acquisition-date fair value of each major class of consideration transferred:

In thousands of $	
Cash consideration	242,536
Deferred payment	23,750
Total consideration transferred	**266,286**

In thousands of $	
Total consideration transferred	266,286
Cash and cash equivalent acquired	(60,227)
Total	**206,059**

2. Identifiable assets acquired and liabilities assumed

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition:

In thousands of $	
Property, plant and equipment	392,495
Intangibles	195,148
Deferred income tax assets, net	20,289
Trade receivables, net	100,508
Cash and cash equivalent	60,227
Other assets	22,457
Credit from bank and others	(288,290)
Deferred income tax liabilities	(54,642)

Trade payables	(108,193)
Guarantee deposits from customers	(51,072)
Other liabilities	(39,418)
Total identifiable net assets acquired	249,509

3. Measurement of fair value

The Company has measured the value of the acquired assets and liabilities at fair value on January 22, 2016, the date in which the Company gained control over Estrella Cooperatief BA. Additional information regarding the fair value measurement of the main items acquired is as follows:

- Fixed assets were valued considering the market value provided by an appraiser;
- Intangibles were measured based on the valuation of its Concessions;
- Deferred taxes were recorded based on the temporary differences between the carrying amount of the assets and liabilities and their tax basis; and,
- Non-controlling interests were measured as a proportion of the net assets identified on the acquisition date.

4. Goodwill

Goodwill arising from the acquisition has been recognized as follows:

In thousands of $	
Total consideration transferred	266,286
Non-controlling interest	20,325
Fair value of identifiable net assets	(249,509)
Goodwill*	**37,102**

(*) This amount is not deductible for tax purposes and was determined in Quetzales.

Goodwill is explained by the strategic interest of the Company to expand its presence in distribution business. The goodwill is attributable mainly to the synergies expected to be achieved from integrating this business into the Group.

5. Recognition of revenues and profit or loss

During the period from the acquisition date to December 31, 2016 the revenues and profit contributed by Estrella Cooperatief BA. to the consolidated results are $515 million and $29 million, respectively. If the acquisition had occurred on 1 January 2016, management estimates that contribution to consolidated revenue would have been $551 million, and to consolidated profit for the period would have been $30 million. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2016.

b. Subsidiaries acquired in 2015

Advanced Integrated Energy Ltd. -

On June 8, 2015, IC Power executed an agreement with Hadera Paper Ltd., pursuant to which IC Power agreed to acquire from Hadera Paper 100% of the shares in Advanced Integrated Energy Ltd. (hereinafter "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 amounted to NIS 60 million (approximately $15.6 million) which involved two transactions:

i. A business combination in the amount of NIS 36 million ($9.4 million) as follows: (i) On August 10, 2015, after fulfilling the conditions precedent contemplated in the aforementioned agreement, IC Power completed the acquisition of AIE and paid NIS 1.7 million (approximately $460 thousand) to Hadera Paper Ltd. for the acquisition of the shares. (ii) IC Power through AIE paid NIS 34 million (approximately $9 million) for the repayment of the loan between Hadera Paper Ltd. and its former shareholder.

The purchase price allocation was as follows: Property, plant and equipment: $9 million; Intangible: $464 thousand; deferred tax liabilities: $123 thousand; and goodwill: $119 thousand.

ii. AIE acquired Hadera Paper's energy center in the aggregate amount of NIS 24,000 (approximately $6 million). The Hadera Paper's energy center generates electricity with a 18MW steam turbine.

During 2016, AIE issued to IC Power several capital notes of NIS 130 million (approximately $33.7 million), according to their terms, the notes bear no interest and are repayable subject to the AIE's sole discretion no earlier than five years after the issuance. Additional investments by IC Power will be required to enable AIE to complete construction of the power plant, which is expected to commence operations in the first half of 2019.

2. **I.C. Green** Energy Ltd (I.C. Green)

a. As of December 31, 2017, I.C. Green held 90.85% of the shares of Primus Green Energy Inc. ("PGE"). In 2016, I.C. Green granted PGE additional $7.5 million as convertible bridge financing agreement. On December 10, 2016, all of the convertible loans including interest have been consolidated to a convertible bridge financing agreement in the amount of $26 million with interest of 7% annually. During 2017 I.C. Green granted PGE additional $7.4 million as convertible bridge financing agreement. All of the convertible loans including interest have been consolidated to a convertible bridge financing agreement in the amount of $35 million with interest of 7% annually.

B. The following table summarizes the information relating to each of the Group's subsidiaries in 2017, 2016 and 2015 that has material NCI:

	As at and for the year ended December 31								
	2017	2016*				2015*			
	OPC Energy Ltd.	**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.**
	$ thousands								
NCI percentage	24.18%	25.10%	35.42%	25.10%	25.10%	25.10%	35.42%	25.10%	25.10%
Current assets	204,461	75,485	41,630	108,246	53,843	47,766	43,390	92,120	23,841
Non-current assets	736,123	380,947	144,313	611,928	949,440	344,052	172,917	638,325	847,015
Current liabilities	(99,441)	(73,846)	(26,053)	(55,323)	(85,935)	(36,075)	(22,044)	(188,291)	(25,909)
Non-current liabilities	(667,996)	(311,030)	(100,834)	(511,277)	(618,219)	(289,560)	(121,142)	(356,900)	(556,277)
Net assets	173,147	71,556	59,056	153,574	299,129	66,183	73,121	185,254	288,670
Carrying amount of NCI	41,863	17,961	20,918	38,547	75,081	16,612	25,899	46,499	72,456
Revenues	365,395	40,000	90,017	438,475	49,646	—	111,428	447,679	—
Profit/(loss)	5,896	548	7,511	35,820	9	(4,049)	14,469	44,088	(8,579)
Other comprehensive income/(loss)	8,514	4,825	—	—	10,449	(6,057)	—	(53)	(1,079)
Profit attributable to NCI	1,425	138	2,660	8,991	2	(1,016)	5,125	11,066	(2,153)
OCI attributable to NCI	2,058	1,211	—	—	2,623	(1,520)	—	(13)	(271)
Cash flows from operating activities	110,290	(1,276)	17,737	114,838	25,629	—	42,480	120,438	—
Cash flows from investing activities	(154,194)	(60,468)	(931)	(16,082)	(69,372)	(236,207)	(5,088)	(13,589)	(180,771)
Cash flows from financing activities excluding dividends paid to non-controlling interests	165,107	—	(4,004)	(16,943)	—	138,000	(26,139)	(91,084)	95,000
Dividends paid to non-controlling interests	(4,159)	47,088	(26,440)	(88,911)	62,823	—	(4,401)	(7,530)	—
Effect of changes in the exchange rate on cash and cash									

equivalents	7,126	373	(348)	198	369	(3,266)	(489)	(5,334)	(2,929)
Net increase/ (decrease) in cash equivalents	124,170	(14,283)	(13,986)	(6,900)	19,449	(101,473)	6,363	2,901	(88,700)

* These entities are discontinued operations in 2017.

C. Restrictions

I.C. Power

As at December 31, 2017, IC Power´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 16.

OPC had originally restrictions to transfer cash or paid dividends up to the third anniversary of Construction Completion. On October 13, 2015, OPC and its seniors lenders amended this restriction to pay dividends, which ended on June 30, 2015. Therefore, on October 19, 2015, OPC paid NIS 295 million (equivalent to $77 million). Out of this total, NIS 222 million (equivalent to $58 million) was paid as repayment of capital notes and NIS 72.5 million (equivalent to $19 million) as intercompany loan.

Deposits, Loans and Other Receivables, including Derivative Instruments

Disclosure of deposits, loans and other receivables including derivative instruments [Abstract]

Deposits, Loans and Other Receivables, including Derivative Instruments

12 Months Ended

Dec. 31, 2017

Note 12 – Deposits, Loans and Other Receivables, including Derivative Instruments

Composition:

	As at December 31	
	2017	2016
	$ thousands	
Deposits in banks and others – restricted cash	76,459	16,690
Long-term trade receivable	-	10,120
Financial derivatives not used for hedging	-	1,342
Income tax receivables and tax claims (1)	-	99,892
Other receivables (2)	30,258	48,731
	106,717	176,775

(1) Mainly from discontinued operations.

(2) Mainly relates to OPC's connectivity fees to the gas transmission network and the electricity grid classified as long-term deferred expenses.

Deferred Payment Obligation Receivable	12 Months Ended Dec. 31, 2017
Disclosure of deferred payment obligation receivable [Abstract]	
Deferred Payment Obligation Receivable	

Note 13 – Deferred Payment Obligation Receivable

	As at December 31	
	2017	2016
	$ thousands	
Deferred payment receivable	175,000	-

As part of the sale of IC Power's Latin America businesses, proceeds from I Squared Capital ("ISQ") include a four year deferred payment obligation accruing 8% interest per annum.

Property, Plant and Equipment, Net

Disclosure of detailed information about property, plant and equipment [abstract]

Property, Plant and Equipment, Net

12 Months Ended Dec. 31, 2017

Note 14 – Property, Plant and Equipment, Net

A. Composition

	As at December 31, 2017					
	Balance at beginning of year	Additions	Disposals	Differences in translation reserves	Sale of subsidiaries*	Balance at end of year
	$ thousands					
Cost						
Land, roads, buildings and leasehold improvements	1,041,723	4,139	(1,615)	4,167	(1,005,625)	42,789
Installations, machinery and equipment	2,445,579	68,410	(70,142)	49,825	(1,994,241)	499,431
Dams	164,469	105	(5)	-	(164,569)	-
Office furniture and equipment and motor vehicles	455,352	43,744	(4,954)	11,589	(500,163)	5,568
	4,107,123	116,398	(76,716)	65,581	(3,664,598)	547,788
Plants under construction	131,178	109,709	(15)	9,356	(85,609)	164,619
Spare parts for installations	68,854	4,364	(186)	1,487	(61,129)	13,390
	4,307,155	230,471	(76,917)	76,424	(3,811,336)	725,797
Accumulated depreciation						
Land, roads, buildings and leasehold improvements	83,737	20,523	(807)	530	(96,690)	7,293
Installations, machinery and equipment	637,794	112,416	(13,466)	8,547	(644,458)	100,833
Dams	48,385	8,097	(250)	-	(56,232)	-
Office furniture and equipment and motor vehicles	39,939	23,824	(1,307)	484	(61,433)	1,507
	809,855	164,860	(15,830)	9,561	(858,813)	109,633
Balance as at December 31, 2017	3,497,300	65,611	(61,087)	66,863	(2,952,523)	616,164

* This amount includes impairment as a result of the sale of Colombian assets. The Company recorded the impairment in cost of sales of $ 10 million.

	As at December 31, 2016						
	Balance at beginning of year	Additions	Disposals	Differences in translation reserves	Acquisition as part of business combination	Transfers and Reclassifications	Balance at end of year
	$ thousands						
Cost							
Land, roads, buildings and leasehold							

improvements	288,538	7,759	(1,244)	629	2,441	743,600	1,041,723
Installations, machinery and equipment	1,840,754	46,652	(35,616)	7,350	—	586,439	2,445,579
Dams	138,310	159	(965)	—	—	26,965	164,469
Office furniture and equipment and motor vehicles	52,124	25,866	(8,958)	12,129	375,063	(872)	455,352
	2,319,726	80,436	(46,783)	20,108	377,504	1,356,132	4,107,123
Plants under construction	1,260,375	217,278	(167)	385	7,839	(1,354,532)	131,178
Spare parts for installations	44,299	20,139	(477)	281	7,152	(2,540)	68,854
	3,624,400	317,853	(47,427)	20,774	392,495	(940)	4,307,155
Accumulated depreciation							
Land, roads, buildings and leasehold improvements	71,953	13,169	(1,434)	48	—	1	83,737
Installations, machinery and equipment	530,324	123,275	(16,512)	970	—	(263)	637,794
Dams	46,764	1,742	(121)	—	—	—	48,385
Office furniture and equipment and motor vehicles	21,538	20,591	(2,665)	212	—	263	39,939
	670,579	158,777	(20,732)	1,230	—	1	809,855
Balance as at December 31, 2016	2,953,821	159,076	(26,695)	19,544	392,495	(941)	3,497,300
Prepayments on account of property, plant & equipment	6,057						—
	2,959,878						3,497,300

B. Net carrying values

	As at December 31	
	2017	2016
	$ thousands	
Land, roads, buildings and leasehold improvements	35,496	957,986
Installations, machinery and equipment	398,598	1,807,785
Dams	-	116,084
Office furniture and equipment, motor vehicles and other equipment	4,061	415,413
Plants under construction	164,619	131,178
Spare parts for installations	13,390	68,854
	616,164	3,497,300

C. When there is any indication of impairment, the Group's entities perform impairment tests for their long lived assets using fair values less cost to sell based on independent appraisals or value in use estimations, with similar assumptions as those described (Note 15.D).

D. The amount of borrowing costs capitalized during 2017 was $3 million ($14 million during 2016).

E. In I.C. Power, property, plant and equipment includes assets acquired through financing leases. As at December 31, 2017 and 2016, the cost and corresponding accumulated depreciation of such assets are as follows:

	As of December 31, 2017			As of December 31, 2016		
	Cost	Accumulated depreciation	Net cost	Cost	Accumulated Depreciation	Net cost
	$ thousands					
Land, roads, buildings and leasehold improvements	-	-	-	42,288	(6,602)	35,686
Installations, machinery and equipment	-	-	-	275,852	(117,368)	158,484
Motor vehicles	-	-	-	410	(46)	364
	-	-	-	318,550	(124,016)	194,534

F. Fixed assets purchased on credit in 2017, 2016 and 2015 were $31 million, $25 million and $46 million respectively.

G. The composition of the depreciation expense from continuing operations is as follows:

	As at December 31	
	2017	2016
	$ thousands	
Depreciation charged to results	30,794	27,286

	As at December 31	
	2017	2016
	$ thousands	
Depreciation charged to cost of sales	30,102	26,697
Depreciation charged to general, selling and administrative expenses	597	468
Depreciation charged to results	30,699	27,165
Amortization of intangibles charged to cost of sales	-	-
Amortization of intangibles charged to general, selling and administrative expenses	95	121
Depreciation and amortization from continuing operations	30,794	27,286

Intangible Assets, Net

Disclosure of detailed information about intangible assets [abstract]

Intangible Assets, Net

12 Months Ended
Dec. 31, 2017

Note 15 – Intangible Assets, Net

A. Composition:

	Goodwill	Concessions licenses	Customer relationships	Software	Others	Total
	$ thousands					
Cost						
Balance as at January 1, 2017	117,550	189,351	41,074	1,771	83,897	433,643
Acquisitions as part of business combinations	296	-	-	195	-	491
Acquisitions – self development	-	-	-	179	10,280	10,459
Disposals	-	-	-	-	(82)	(82)
Sale of subsidiaries	(97,167)	(189,351)	(41,074)	(1,066)	(93,842)	(422,500)
Translation differences	1,235	-	-	74	256	1,565
Balance as at December 31, 2017	21,914	-	-	1,153	509	23,576
Amortization and impairment						
Balance as at January 1, 2017	21,455	5,434	20,942	1,015	8,019	56,865
Amortization for the year	-	5,759	3,970	209	2,984	12,922
Disposals	-	-	-	25	-	25
Sale of subsidiaries*	-	(11,193)	(24,912)	(804)	(11,021)	(47,930)
Translation differences	-	-	-	-	53	53
Balance as at December 31, 2017	21,455	-	-	445	35	21,935
Carrying value						
As at January 1, 2017	96,095	183,917	20,132	756	75,878	376,778
As at December 31, 2017	459	-	-	708	474	1,641

	Goodwill	Concessions licenses	Customer relationships	Software	Others	Total
	$ thousands					
Cost						
Balance as at January 1, 2016	79,581	—	41,074	1,776	68,806	191,237
Acquisitions as part of business combinations	37,102	189,351	—	—	5,796	232,249
Acquisitions – self development	—	—	—	138	9,331	9,469
Disposals	—	—	—	(153)	—	(153)
Reclassification	—	—	—	—	(161)	(161)
Translation differences	867	—	—	10	125	1,002
Balance as at December 31, 2016	117,550	189,351	41,074	1,771	83,897	433,643

Amortization and impairment						
Balance as at January 1, 2016	21,455	—	16,888	937	4,713	43,993
Amortization for the year	—	5,434	4,054	227	3,287	13,002
Disposals	—	—	—	(153)	—	(153)
Translation differences	—	—	—	4	19	23
Balance as at December 31, 2016	21,455	5,434	20,942	1,015	8,019	56,865
Carrying value						
As at January 1, 2016	58,126	—	24,186	839	64,093	147,244
As at December 31, 2016	96,095	183,917	20,132	756	75,878	376,778

***** This amount includes impairment as a result of the sale of Colombian assets. The Company recorded the impairment in cost of sales of $ 10 million ($3 million in Others and $7 million in Goodwill).

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	
	2017	2016
	$ thousands	
Intangible assets with a finite useful life	1,182	280,683
Intangible assets with an indefinite useful life or not yet available for use	459	96,095
	1,641	376,778

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. Goodwill is calculated based on the local currencies of the countries that the subsidiaries operate in and translated into US dollars at the exchange rate at the reporting date.

Goodwill arises from the following Group entities in I.C. Power (cash generating unit):

	As at December 31	
	2017	2016
	$ thousands	
Nejapa*	-	40,693
Kallpa*	-	10,934
Energuate*	-	37,651
Surpetroil*	-	6,699
OPC Rotem (former AIE)	459	118
	459	96,095

* Discontinued operations

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.

	2017	2016
Discount rate	**In percent**	
Peru*	-	6.7
Energuate*	-	8.9
El Salvador*	-	9.8
Colombia*	-	8.2
Terminal value growth rate	-	2

* Discontinued operations

The discount rate is a post-tax measure based on the characteristics of each CGU with a possible debt leveraging of of 32% in 2016.

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´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 power purchase agreements (PPAs) signed and existing number of customers
- Investment schedule—I.C. Power 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.
- The distribution business profits were determined using specifically-developed internal forecast models that consider factors such as forecasted demand, fuel prices, energy purchases, collection rates, percentage of losses, quality service improvement, among others.
- 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 takes into consideration that the power plants have an appropriate preventive maintenance that permits their proper functioning and the distribution business has the required capital expenditure to expand and perform properly in order to reach the targeted quality levels.

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the CGUs, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value to materially exceed its recoverable amount.

Loans and Debentures

12 Months Ended
Dec. 31, 2017

Disclosure of detailed information about borrowings [abstract]

Loans and Debentures

Note 16 – 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 32, in connection with financial instruments.

	As at December 31	
	2017	2016
	$ thousands	
Current liabilities		
Short-term loans from banks, financial institutions and others (1)	317,684	213,417
	317,684	213,417
Current maturities of long-term liabilities:		
Loans from banks, financial institutions and others	123,908	251,803
Non-convertible debentures	6,364	10,617
Liability in respect of financing lease	-	6,976
	130,272	269,396
Total current liabilities	447,956	482,813
Non-current liabilities		
Loans from banks and financial institutions	627,150	1,903,323
Non-convertible debentures	91,122	867,287
Liability in respect of financing lease	-	88,169
Other long-term balances	543	240,213
Total other long-term liabilities	718,815	3,098,992
Less current maturities	(130,272)	(269,396)
Total non-current liabilities	588,543	2,829,596

(1) Balances as at December 31, 2017 mainly relates to loans from related parties (see Note 31.E).

				As at December 31,2017		As at December 31,2016	
				$ thousands			
	Nominal annual Interest rate	Currency	Maturity	Current	Non-Current	Current	Non-Current
Short-term loans from banks							
I.C. Power Distribution Holdings							
Credit Suisse	LIBOR + 4%	USD	2017	—	—	119,487	—
Samay							
Interbank	2.9%	USD	2017	—	—	31,945	—
DEOCSA							
Various entities	LIBOR + 4.75%	USD	2017	—	—	18,000	—
DEORSA							
Various entities	LIBOR + 4.75%	USD	2017	—	—	12,000	—
CDA							
Banco de Crédito del Perú	0.83%	USD	2017	—	—	14,000	—
PQP							
Banco Industrial							

Guatemala	4.75%	USD	2017	—	—	6,000	—
Cobee							
Various entities	4.2% / 5.5%	BOB	2016/2017	—	—	4,499	—
Nejapa							
Scotiabank El Salvador	5.50%	USD	2017	—	—	4,200	—
Empresa Energética Corinto Ltd							
Banco de América Central (BAC)	5.25%	USD	2017	—	—	1,586	—
Cepp							
Scotiabank	2.4%	USD	2017	—	—	1,000	—
BHD Bank	2.53%	USD	2017	—	—	200	—
Surenergy							
Banco Davivienda	DTF + 4.5%	COP	2017	—	—	500	—
Short-term loans from banks							
Subtotal				—	—	213,417	—
Loans from Banks and others							
Financial institutions:							
Cerro del Aguila							
Tranche A	LIBOR+4.25% - LIBOR +5.50%	USD	2024	—	—	15,344	320,437
Tranche B	LIBOR+4.25% - LIBOR +6.25%	USD	2024	—	—	—	180,896
Tranche 1D	LIBOR+2.75% - LIBOR +3.60%	USD	2024	—	—	1,760	38,697
Tranche 2D	LIBOR+2.75% - LIBOR +3.60%	USD	2027	—	—	—	21,959

				As at December 31,2017		As at December 31,2016	
				$ thousands			
	Nominal annual Interest rate	Currency	Maturity	Current	Non-Current	Current	Non-Current
Samay I							
Sumitomo /HSBC / Bank of Tokyo	LIBOR+2.125% - LIBOR +2.625%	USD	2021	—	—	5,047	302,247
Central Cardones							
Tranche One							
BCI / Banco Itaú	LIBOR+1.90%	USD	2021	—	—	3,781	18,228
Tranche Two							
BCI / Banco Itaú	LIBOR+2.75%	USD	2021	—	—	—	13,383
Colmito							
Banco Bice	7.90%	CLP	2028	—	—	625	16,121
Consorcio Eólico Amayo, S.A.(I)							
Banco Centroamericano de Integración Económica	8.45% - LIBOR +4%	USD	2023	—	—	5,307	37,376
Consorcio Eólico Amayo (Fase II),							

S.A.							
Various entities	LIBOR+5.75%, 8.53%,10.76%	USD	2025	—	—	3,029	28,250
Empresa Energética Corinto, Ltd.							
Banco de América Central (BAC)	8.35%	USD	2018	—	—	3,124	3,402
Tipitapa Power Company, Ltd.							
Banco de América Central (BAC)	8.35%	USD	2018	—	—	2,801	3,328
Jamaica Private Power Company							
Royal Bank of Canada	LIBOR + 5.50%	USD	2017	—	—	824	—
Burmeister & Wain Scandinavian Contractor A/S	3.59%	USD	2018	—	—	338	233
PQP							
Banco Industrial	LIBOR + 4.50%	USD	2021	—	—	2,374	9,632
Surpetroil S.A.S							
Banco de Occidente S.A	IBR + 5.87%	COP	2018	—	—	504	375
Banco Pichincha	DTF + 3%	COP	2017	—	—	100	—
Kanan							
Scotiabank	LIBOR + 3.5%	USD	2021	—	—	46,094	—
Overseas Investments Peru							
Credit Suisse (D)	LIBOR + 5%-6.5%	USD	2017	99,964	—	97,274	—
DEORSA							
Syndicated Loan – various banks	LIBOR + 4.7% - LIBOR + 4.75%	USD	2021/2025	—	—	10,167	67,857
Syndicated Loan - various banks	TAPP minus 5.6% - TAPP minus 6.1%	GTQ	2021/2025	—	—	4,687	30,653

				As at December 31,2017		As at December 31,2016	
				$ thousands			
	Nominal annual Interest rate	Currency	Maturity	Current	Non-Current	Current	Non-Current
DEOCSA							
Syndicated Loan – various banks	LIBOR + 4.7% - LIBOR + 4.75%	USD	2021/2025	—	—	16,876	107,488
Syndicated Loan - various banks	TAPP minus 5.6% - TAPP minus 6.1%	GTQ	2021/2025	—	—	6,215	43,127
RECSA							
Banco G&T Continental	TAPP + 6.63%	GTQ	2020	—	—	931	3,722
OPC Rotem Ltd							
Lenders Consortium (E)	4.85% - 5.36%	NIS	2031	23,944	463,160	20,290	344,240
OPC Hadera							
Facility B— Amitim and Menora Pension Funds (F)	7.75%	NIS	2029	—	40,092	4,311	47,425

IC Power Asua Development Ltd							
Bank Hapoalim New York	0.75%	USD	2019	—	—	—	12,000
AGS							
Veolia Energy Israel Ltd		NIS	2019	—	—	—	444
Sub total				123,908	503,242	251,803	1,651,520
Liabilities in respect of finance leases:							
Kallpa Generación							
Banco de Crédito del Perú	7.15%	USD	2023	—	—	6,624	81,193
Surpetroil S.A.S.							
Banco de Occidente S.A.	DTF + 3.5%	COP	2017	—	—	223	—
DEORSA							
Arrendadora Agromercantil	TAPP minus 2.47%	GTQ	2017	—	—	129	—
Sub total				—	—	6,976	81,193
Debentures							
Cobee							
Bonds Cobee III-1B	6.50%	USD	2017	—	—	1,750	—
Bonds Cobee III-1C (bolivianos)	9.00%	BOB	2020	—	—	1,586	4,757
Bonds Cobee III-2	6.75%	USD	2017	—	—	5,000	—
Bonds Cobee III-3 (bolivianos)	7.00%	BOB	2022	—	—	—	6,160
Bonds Cobee IV-1A	6.00%	USD	2018	—	—	—	3,988
Bonds Cobee IV-1B	7.00%	USD	2020	—	—	—	3,980
Bonds Cobee IV-1C (bolivianos)	7.80%	BOB	2024	—	—	—	12,030
Cobee Bonds-IV Issuance 3	6.70%	USD	2019	—	—	—	4,973
Cobee Bonds-IV Issuance 4 (bolivianos)	7.80%	BOB	2024	—	—	—	15,039
Cobee Bonds-IV Issuance 5 (bolivianos)	5.75%	BOB	2026	—	—	1,950	17,697

				As at December 31,2017		As at December 31,2016	
				$ thousands			
	Nominal annual Interest rate	Currency	Maturity	Current	Non-Current	Current	Non-Current
Inkia Energy Ltd							
Inkia Bonds	8.38%	USD	2021	—	—	—	447,904
Kallpa Generación							
Kallpa Bonds	4.88%	USD	2026	—	—	—	325,970

Cepp							
Cepp Bonds	6.00%	USD	2019	—	—	—	9,945
Cobee							
Cobee Bonds (Premium)		USD-BOB	2017-2024	—	—	331	4,227
OPC Energy Ltd							
Bonds – Series A (G)	4.45%	NIS	2030	6,364	84,758	—	—
Sub total				6,364	84,758	10,617	856,670
Total				130,272	588,000	482,813	2,589,383

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.

B. Classification based on currencies and interest rates

	Weighted-average interest rate December 31 2017	As at December 31	
		2017	2016
	%	$ thousands	
Current liabilities (without current maturities)			
Short-term loans from financial institutions			
In dollars		-	208,418
In other currencies		-	4,999
		-	213,417
Non-current liabilities (including current maturities)			
Debentures			
In dollars		-	804,052
In other currencies	4.80%	91,122	63,235
		91,122	867,287
Loans from financial institutions (including financing lease)			
In dollars	7.90%	99,964	1,467,369
In shekels	4.80%	527,186	416,710
In quetzales		-	89,464
In other currencies		-	17,948
		627,150	1,991,491
		718,272	2,858,778

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, 2017		As at December 31, 2016	
	Minimum	Present value of	Minimum	Present value of

	future lease rentals	Interest component	minimum lease rentals	future lease rentals	Interest component	minimum lease rentals
				$ thousands		
Less than one year	-	-	-	13,016	6,040	6,976
From one year to five years	-	-	-	85,849	19,217	66,632
More than five years	-	-	-	15,207	646	14,561
	-	-	-	114,072	25,903	88,169

Long term loans from banks and others

D. *Overseas Facility* — On May 9, 2016, Overseas Investments Peru S.A., a 100% whole-owned subsidiary of ICP, signed a $100 million Credit Facility with Credit Suisse AG. The proceeds from this facility were fully drawn on August 31, 2016. This facility had an original maturity on November 9, 2017 bears an interest rate of 90-day Libor plus 5.00% (from the funding date to the 6-month anniversary of the funding date); 90-day Libor plus 5.75% (from one day after the 6-month anniversary to the 12-month anniversary of the funding date); and 90-day Libor plus 6.50% thereafter. On September 8, 2017, Overseas Investment Peru signed an amendment changing the final maturity date to May 9, 2019. As of December 31, 2017, the outstanding principal amount under this facility was $ 100 million. ($99.9 million, net of transaction costs) ($97 million, net of transaction costs as of December 31, 2016).

On January 3, 2018, this loan was prepaid for a total amount of $101 million (including the interest accrued), see note 33.3.A.

E. 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, 2017 and 2016, the amount of the reserve is NIS72 million (equivalent to $21 million) and NIS73 million (equivalent to $19 million) respectively.

As of December 31, 2017 and 2016, OPC used NIS5 million ($1.4 million) and NIS4 million ($1.2 million), respectively from the guarantee.

Under the Facility Agreement, OPC and IC Power Asia Development Ltd ("ICPAD") together and the non-controlling interests in Rotem ("Veridis"), issued corporate guarantees in favor of Rotem in amounts of NIS92 million ($26.5 million) and NIS23 million ($6.6 million), respectively.

In December 2017, an amended credit facility agreement was signed, according to which ICPAD was released from the corporate guarantee, in return for the accumulation of an additional fund in Rotem in the amount of NIS 57.5 million ($16.6 million) ("the owners' guarantee fund") and in return from the corporate guarantee of OPC and Veridis of NIS 57.5 million ($16.6 million), according to their relative portion in holdings. The owners' guarantee fund is subject to an adjustment mechanism under which in certain coverage ratios it can exceed a maximum amount of NIS115 million ($33 million). ICPAD's guarantee fund will accumulate in the following manner – NIS20 million ($5.8 million) upon signing the amended credit agreement and the balance will accumulate over 24 months

in semi-annual deposits. After the completion of the accumulation of ICPAD's guarantee fund, Veridis and OPC will be released from the corporate guarantee. As at December 31, 2017, ICPAD's guarantee fund amounted to NIS20 million ($5.8 million).

F. OPC Energy Ltd. —On June 22, 2014, OPC entered into a mezzanine financing agreement with Mivtachim Social Insurance and Makefet Fund Pension ("Amitim") and Menora Mivtachim Insurance Ltd ("Menora") in the aggregate amount of NIS350 million ($93 million), consisting of three Facilities: (i) Tranche A bridge loan for NIS150 million, bearing interest of 4.85% p.a. to be repaid until March 31, 2017; (ii) Tranche B long-term loan for NIS200 million, bearing interest of 7.75% p.a., repayable on annual basis until March 2029. These loans are linked to CPI.

During the year ended December 31, 2016, Tranche A was prepaid for a total of NIS162 million (approximately $41 million) and Tranche B was prepaid for a total of NIS38 million (approximately $10 million).

In May 2017, Tranche B was prepaid for a total of NIS23 million (approximately $7 million).

Debentures

G. In May , 2017, OPC issued Bonds (Series A) to classified investors under a private placement, which were listed for trade on the Institutional Continuous Trading Platform. The bonds, with a par value of NIS 320 million ($92 million), bear annual interest at the rate of 4.95% and are redeemable, principal and interest, every six months, commencing on June 30, 2018 (on June 30th and December 30th of every calendar year) through December 30, 2030. Under the terms, the interest on the bonds will be reduced by 0.5% in the event of their listing for trade on the main list of the TASE. The bonds have received a rating of A3 from Midroog and A- from S&P Global Ratings Maalot Ltd. (hereinafter -– "Maalot").

On August 20, 2017, OPC listed the bonds for trade in the stock exchange under an issuance and the listing of its shares for trade and accordingly, from that date, interest on the bonds (series A) was reduced by 0.5% and is 4.45% per year.

According to the trust deed from May 2017, OPC has registered, in favor of the trustee on behalf of the bond holders, a first-ranking floating charge, unlimited in amount, on all of its assets. The floating charge will not preclude OPC from pledging specific assets and the performance of other asset dispositions by OPC.

Additionally, OPC has created a reserve for the servicing of the debt, out of the issuance consideration, in the amount of 12 months of interest up to the commencement of repayment of the principal of the bonds, and will pay 12 months of principal and interest payments subsequent to the commencement of the bonds' principal repayment. The trust account in which the reserve was deposited will be pledged in favor of the trustee on behalf of the bond holders. As of December 31, 2017, the deposit for the debt service fund amounts to NIS 18 million ($5 million) and is presented in the Statement of Financial Position under "Deposits, loans and other receivables".

The trust deed contains customary clauses for calling for the immediate redemption of the bonds, including events of breach, insolvency, liquidation proceedings, receivership, stay of proceedings and creditors' arrangements, certain types of restructuring, material downturn in the position of OPC. The right to call for immediate redemption also arises upon: (1) the occurrence of certain events of loss of control by Kenon; (2) the call for immediate repayment of other debts (or guarantees) of the Company or of Hadera or Rotem in certain predefined minimum amounts; (3) a change in the area of operation of OPC such that OPC's main area of activity is not in the energy sector in Israel, including electricity generation in power plants and with renewable energy sources; (4) in the event that a rating is discontinued over a certain period of time, and the rating of the bond falls below the level of Baa3 (or BBB); and (5) in the event of suspending trading for a certain time period if the bonds are listed for trade on the main list of the Stock Exchange. All of such conditions, pursuant to the terms set out in the trust deed.

Furthermore, the trust deed includes an undertaking by OPC to comply with covenants on the basis of its stand-alone financial statements: debt coverage ratio of at least 1.05 (to be reviewed

commencing in the financial statements as at June 30, 2018), minimum equity of NIS 80,000,000, and an equity-to-balance sheet ratio of at least 12.5%. As at December 31, 2017, the equity attributed to OPC's shareholders amounted to approx. NIS 600 thousand and the equity-to-balance sheet ratio was 65%.

The trust deed also includes an undertaking by OPC to monitor the rating by a rating agency and for mandatory early redemption in the event of the sale of means of control in Rotem and Hadera.

Additionally, restrictions imposed on distributions, provision of loans to related parties and repayment of loans to related parties, are included as set forth in the trust deed, including compliance with certain covenants.

The terms of the bonds also provide for the possible raising of the interest rate in certain cases of lowering the rating, in certain cases of breach of financial covenants, and in certain cases of use of the reserve for servicing the debt where the reserve is not sufficiently funded within the time frame that is set forth in the trust deed. The ability of OPC to expand the series of the bonds has been limited under certain circumstances, including maintaining the rating of the bonds at its level shortly prior to the expansion of the series and the lack of breach. Additionally, should OPC raise additional bonds that are not secured (or that are secured with a pari passu ranking floating charge), these will not have preference over the bonds (Series A) upon liquidation.

H. As at December 31, 2017, the main covenants that certain Group entities must comply with during the term of the debts were as follows:

	Covenant
Group entities	**Debt service to coverage ratio**
OPC Rotem	Not less than 1.25

Compliance with the covenants referred to above is overseen by OPC's management. As of December 31, 2017 OPC complied with all the covenants mentioned above.

Trade Payables

12 Months Ended
Dec. 31, 2017

Trade and other current payables [abstract]

Trade Payables

Note 17 – Trade Payables

	As at December 31	
	2017	2016
	$ thousands	
Current		
Trade Payables	36,994	264,720
Accrued expenses and other payables	21,901	20,892
	58,895	285,612
Non-current		
Trade Payables*	-	44,057

(*) As of December 31, 2016, non-current trade payables correspond mainly to spare parts, used for major maintenance of facilities of discontinued operations, acquired according to a long-term program (LTP) agreement signed with Siemens. During 2016, these trade payables have not generated interests and no specific guarantee have been granted.

Other Payables including Derivative Instruments	12 Months Ended Dec. 31, 2017
Disclosure of other payables including derivative instruments [Abstract]	
Other Payables including Derivative Instruments	**Note 18 – Other Payables including Derivative Instruments**

	As at December 31	
	2017	2016
	$ thousands	
Current liabilities:		
Financial derivatives not used for hedging	73	783
Financial derivatives used for hedging	439	11,563
The State of Israel and government agencies	1,208	4,206
Employees and payroll-related agencies	179	4,846
Customer advances and deferred income	-	944
Accrued expenses	14,915	23,563
Dividend payable to non-controlling interest	-	2,893
Interest payable	21	23,038
Transaction costs on sale of subsidiaries	59,000	-
Other	6,687	19,467
	82,522	91,303
Non-current liabilities:		
Financial derivatives not used for hedging	-	1,342
Financial derivatives used for hedging	-	13,701
Other financial derivatives	-	29,594
	-	44,637

Guarantee Deposits from Customers	12 Months Ended Dec. 31, 2017
Disclosure of guarantee deposits from customers [Abstract]	
Guarantee Deposits from Customers	**Note 19 - Guarantee Deposits from Customers**

Deposits in cash are received from distribution customers. These deposits bear interest at a weighted average interest rate published by the Guatemalan Central Bank and are refundable to clients when they cease using the electric energy service. Such deposits relate to the power distribution business sold to ISQ in December 2017.

Provisions

12 Months Ended
Dec. 31, 2017

Provisions [abstract]

Provisions

Note 20 – Provisions

	Financial Guarantee*	Others	Total	Financial Guarantee*	Others**	Total
	2017			2016		
	$ thousands			$ thousands		
Balance at January, 1	118,763	768	119,531	-	41,686	41,686
Reclassified from long-term liabilities	-	-	-	34,263	-	34,263
Provision made during the year	-	-	-	130,193	-	130,193
Provision reversed to profit/ (loss) during the year	-	-	-	(4,587)	-	(4,587)
Provision paid/ released	(74,421)	(768)	(75,189)	(36,023)	(40,170)	(76,193)
Effects of foreign currency	-	-	-	(5,083)	(748)	(5,831)
Balance at December, 31	44,342	-	44,342	118,763	768	119,531

* Relates to Kenon's provision of financial guarantees to Chery in respect of an obligation of Qoros (see Note 10.C.b.7).

** Corresponds to a provision made by an I.C. Power's subsidiary as a result of a regulator charge. Expenses related to this provision were recognized in the cost of sales in the amount of $15 million in 2015.

Contingent Liabilities, Commitments and Concessions

Disclosure of contingent liabilities, commitments and concessions [Abstract]

Contingent Liabilities, Commitments and Concessions

12 Months Ended

Dec. 31, 2017

Note 21 – Contingent Liabilities, Commitments and Concessions

A. Claims

I.C. Power

a. OPC Rotem – Tamar

In July 2013, the EA published four generation component tariffs/power cost indicators, ranging from NIS 386 per megawatt hour, or MWh, to NIS 333.2 per MWh, instead of the single tariff that had previously been used. In January 2015, the EA published new tariffs, which 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 Partner, OPC and the Tamar Partners disagreed as to which of the EA's July 2013 tariffs applied to the Tamar's supply agreement and have a similar disagreement with respect to the tariffs published in January 2015. Subsequent to the period of the report, on February 2, 2017, OPC received a letter from Tamar's attorney claiming a debt of $ 24.6 million (including accrued interest) and requesting that such amount be deposited in escrow pursuant to the GSPA. Based on the OPC's legal consultant's opinion it is not more likely than not that OPC will pay this claim and therefore no provision was included in the financial statements.

On June 21, 2017, the Tamar Partners filed a request for arbitration against OPC Rotem in accordance with the gas supply agreement. On July 20, 2017, OPC Rotem submitted its response to such request, rejecting the arguments of Tamar Partners and requesting (i) that it be determined that the relevant tariff in connection with the price of gas for the period in dispute is NIS 333.2 per MWh; (ii) that the amount deposited in escrow, plus the gains accrued thereon, should be released immediately; and (iii) that Tamar Partners bear OPC Rotem's arbitration expenses. As at December 31, 2017, OPC Rotem has classified the amount deposited in escrow as non-current assets, since it is it is unable to assess whether this amount will be returned within the following 12 months.

b. ORL Claim

In November 2017, a request was filed with the Tel Aviv-Jaffa District Court to approve a derivative claim on behalf of Oil Refineries Ltd. ("ORL"). The request is based on the petitioner's contention that the undertaking in the electricity purchase transaction between ORL and OPC-Rotem is an extraordinary interested party transaction that did not receive the approval of the general assembly of ORL shareholders on the relevant dates. The respondents to the request include ORL, Rotem, the Israel Corporation Ltd. and the members of ORL's Board of Directors at the time of entering into the electricity purchase transaction. The requested remedies include remedies such as a "do" order and financial remedies. OPC is studying the request and will respond to it as part of the legal process. OPC and its legal advisors are unable to assess the chances of the receipt of the request, the claim and the expectation of a negative cash flow. Therefore no provision was included in the financial statements.

B. Commitments

I.C. Power

(a) IC Power Asia Development Ltd ("ICPAD")

As of December 31, 2017, ICPAD has issued guarantees for a total amount of $44 million, as follows:

Guarantee party	Description	In thousands of NIS	In thousands of $	Cash Collateral in thousands of $
Advanced Integrated Energy Ltd	IDOM - EPC Agreement	—	10,500	—
Advanced Integrated Energy Ltd	GE - CSA Agreement	—	21,000	—
OPC Rotem Ltd.	Facility agreement	45,000	12,980	6,505

(b) OPC Rotem, Israel

Power Purchase Agreements (PPA)

On November 2, 2009, OPC signed a 20 year power purchase agreement (“the PPA”) with Israel Electric Company Ltd. (“IEC”) to purchase capacity and energy from OPC over a period of twenty (20) years from the commencement date of commercial operation (“COD”) of the plant. The PPA is a “capacity and energy” agreement, meaning, a right of OPC Rotem 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.

PPA with end users

The PPA with IEC provides OPC Rotem with the option to allocate and sell the generated electricity of the power station directly to end users. OPC Rotem 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 set based on the 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 Electricity Authority (EA, previously name PUA) and are updated from time to time.

If the consideration is less than a minimum tariff of the generation component, the Company has the right to terminate the agreements.

The agreements guaranty a certain level of availability of the power plant below which, customers are entitled to compensation.

Natural supply gas agreement

On November 25, 2012, OPC Rotem signed an agreement with Noble Energy Mediterranean Ltd., Delek Drilling Limited Partnership, Isramco 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: June 2029 or until OPC Rotem 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 two additional years under certain conditions or until the date of consuming the total contract quantity, whichever is earlier (the "Tamar Agreement").

The price of the gas is linked to changes in the "Production Cost" Tariff, which is part of the TAOZ, and partially linked to the USD representative exchange rate, and includes "a floor price". According to the Agreement, OPC Rotem shall purchase natural gas with a total contractual quantity of 10.6 BCM (billions of cubic meters). OPC Rotem 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. The agreement between Tamar and OPC Rotem allows cutting back the supply of gas to OPC Rotem during the "interim period" in the event of gas shortage and gives

preference in such scenario to certain customers of Tamar Partners over OPC Rotem.

During the years 2015 and 2016, the EA updated the generation component of the TAOZ. This tariff is used to determine the price calculation between the OPC Rotem and the end users, and for the natural gas price indexation. As a result of these adjustments, the generation component was reduced in about 10% starting February 2015 and in about 5% starting September 13, 2015. A decline in generation component will result in a corresponding decline in the rates OPC Rotem charges its customers and, accordingly, its revenues. In December 2016, the EA published its decision regarding an update of the generation component of the TAOZ, which became effective on January 1, 2017, and further reduced the generation component tariff by approximately 0.5% from NIS 265.2 per MWh to NIS 264 per MWh (as opposed to the 8% reduction that was initially proposed in the October 2016 EA draft decision). However, as part of the December 2016 EA decision, TAOZ was also adjusted to reflect a decrease in certain payments made by IPPs to the IEC. As a result of such adjustment, OPC Rotem's tariffs effectively increased by approximately 2% (despite the 0.5% reduction in the generation component tariff).

On January 8, 2018, the EA published a resolution which entered into force and effect on January 15, 2018, regarding the update of tariffs for 2018 ("2018 Tariff Update"), in which the rate of the production component was raised by 6.7% from NIS 265 per MWh to NIS 281.6 per MWh. As a result the 2018 Tariff Update, OPC Rotem may pay a price that is higher than the minimum price stipulated in their gas agreements.

(b) OPC Rotem, Israel (cont´d)

System Management Charges

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, the amount of system management service charges that would be payable by OPC Rotem from the effective date of June 1, 2013 to June 30, 2015, was approximately NIS 159 million (approximately $41 million), excluding interest rate and linkage costs, 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), IEC's final calculation of the amount payable by OPC Rotem was 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. In December 2015, OPC Rotem received an invoice from IEC (in its capacity as the system manager) regarding the NIS 162.6 million (approximately $41.6 million) amount of system management service charges that would be payable by OPC Rotem for such period, including interest rate and linkage costs.

In February 2016, OPC Rotem paid NIS154 million (approximately $40 million) to IEC in satisfaction of this amount (excluding the interest rate, and linkage costs). In August 2016, the EA published a decision to change the method of calculation of the interest rate and to reduce the interest rate payable by IPPs (including OPC Rotem) with respect to system management service charges payable by them from the effective date of June 1, 2013 to September 13, 2015 (amounting to approximately 2.5% of the total amounts payable by IPPs in respect of the system management charges). As a result of the resolution, the system management cost provision was updated to a total amount of NIS 3 million ($768 thousand). As of December 31, 2017, OPC Rotem paid the accrued balance.

(c) OPC Hadera, Israel

Power and Steam Purchase Agreement ("PSPA")

On August 10, 2015, OPC Hadera and Hadera Paper entered into two agreements for the supply of electricity and steam to Hadera Paper's facility:

- Short Term PSPA - Pursuant this agreement, OPC Hadera will supply steam and

electricity until COD of the power plant, which shall be done through the existing energy center.

- Long Term PSPA – Pursuant this agreement, OPC Hadera will supply steam and electricity during the period commencing upon COD of the power plant and for a period of 18 years thereafter.

In consideration for electricity purchased under each of the PSPAs, Hadera Paper will pay an electricity tariff which is based on a certain discount in comparison with the electricity tariffs charged by the Israeli Electric Company Ltd. The steam price paid by Hadera Paper is subject to adjustment based upon Hadera Paper's annual steam consumption.

Hadera Paper is under a "take or pay" obligation (hereinafter – "the TOP") regarding a certain annual quantity of steam based on a mechanism set forth in the agreements. Under the PSPAs, OPC Hadera is obligated to certain availability with respect to the supply of electricity and steam, which obligation excludes unavailability due to events predominately not in the control of OPC Hadera. In addition, in certain circumstances, OPC Hadera may be subject to penalties in the event of delays in the COD of the power plant. OPC Hadera's liability is subject to an annual cap, as set out in the agreements.

PPA with end users

OPC Hadera completed the signing of agreements for the sale of most of the generation capacity of the power plant to end users. The agreements are for a period of 10 years, and under most of the agreements the end user has an early termination right in accordance, with the terms set forth in the agreement with right of refusal of OPC Hadera. The consideration was set based on the TAOZ rate, less a discount from the generation component.

If the consideration is less than the minimum tariff set for the generation component, OPC Hadera has the right to terminate the agreements. In addition, the agreements include compensation in the event of a delay of power plant's COD and compensation for the unavailability of the power plant below an agreed minimum level.

(c) OPC Hadera, Israel (cont'd)

Gas Sale and Purchase Agreement ("GSPA")

On January 25, 2012, Hadera Paper entered into a gas sale and purchase agreement (hereinafter- the "GSPA") with Noble Energy Mediterranean Ltd., Delek Drilling Limited Partnership, Isramco Negev 2 Limited Partnership, Dor Gas Exploration Limited Partnership and Everest Infrastructures Limited Partnership (hereinafter- the "Tamar Partners") regarding the natural gas supply to Hadera Paper's existing gas consuming facilities (i.e. the Energy Center) as well as the additional capacity of the power plant under construction. The agreement was amended on October 16, 2012. On August 10, 2015, the GSPA was assigned to OPC Hadera pursuant to the terms of the share purchase agreement. The GSPA will terminate upon the earlier of 15 years following the commencement of supply from the Tamar reservoir (April 2013) or until the date of consuming the total contract quantity (118,000,000 MMBTU). In addition, both parties have an option to extend the GSPA by up to two years in the event the total contract quantity was not yet consumed by the end of the GSPA term.

The price of the gas is linked to the weighted average generation cost tariff, published by the EA, and includes a "floor price". In addition, the GSPA includes the TOP regarding a certain annual quantity of natural gas based on a mechanism set forth in the GSPA.

In addition, on September 6, 2016, OPC Hadera and the Tamar Partners entered into an additional GSPA ("Additional GSPA") for the supply of additional quantities of natural gas (in addition to the original GSPA) as of the commissioning of the intended power plant.

The additional GSPA will terminate upon the earlier of 15 years following the completion of the commissioning of the power plant (which shall be concluded by no later than March 31, 2019) or until the date of consuming the total contract quantity (68,000,000 MMBTU, which shall be adjusted if and when the additional GSPA were to become on a firm supply basis). In

addition, both parties have an option to extend the term of the additional GSPA by up to three years in the event the total contract quantity was not yet consumed by the end of the additional GSPA term.

The price of the gas is linked to the weighted average generation cost tariff, published by the EA, and includes a "floor price."

As a part of Tamar Agreement with OPC Hadera, OPC Hadera has provided bank guarantees in the amount of $6 million (approximately NIS 21 million) in favor of Tamar Partners in connection with OPC Hadera's undertaking under this agreement.

Israel Natural Gas Lines Ltd. Agreement for the Transmission of Natural Gas

On July 11, 2007, Hadera Paper signed a gas transmission agreement with Israel Natural Gas Lines Ltd. (hereinafter- "INGL"), which was assigned to OPC Hadera on August 10, 2015, in accordance to the SPA. The agreement as amended on June 7, 2013 and March 31, 2015 is extended until July 14, 2018 and governs the transmission of natural gas to the Energy Center. The agreement was further extended and modified by a third amendment on December 28, 2015 which facilitates transmission of natural gas to the power plant, by means of the construction and installation of a new pressure regulation and measurement (PRMS) station, and includes additional commercial terms. The duration of the agreement, as modified by the third amendment, shall be 16 years from an agreed upon "start date" with an option for extension. The "start date" in accordance with the third amendment, will occur within a window of time as stipulated in the agreement. Such window may be postponed due to reasons attributable to changes in specifications of the PRMS or to the land on which the PRMS is to be constructed.

As part of the agreement, OPC Hadera extended to INGL a bank guarantee in the amount of approximately NIS 296 thousand (approximately $85 thousand) linked to the CPI in connection with OPC Hadera's monthly payment commitment pursuant to the agreement, which replaces the original guarantee provided by the Company.

In addition, the OPC Hadera provided a CPI-linked corporate guarantee in an amount equal to NIS 4 million (approximately $1 million) in connection with the undertaking to construct the new PRMS facility for OPC Hadera under the agreement.

Gas Sale Agreement with Oil Refineries Ltd. ("ORL")

On December 23, 2015, OPC Hadera contracted with ORL for the sale of surplus gas quantities supplied to it pursuant to the Tamar agreement. The agreement is for a period of three years from January 1, 2016, with an option for extension of such period as well as early termination rights. In addition, ORL is under the TOP obligation regarding a certain annual quantity of natural gas based on a mechanism set forth in the agreement. OPC Hadera has an option to stop selling gas if it reaches the commercial operation earlier than expected or in February 2018 with prior written notice.

IDOM Servicios Integrados

On January 21, 2016, an agreement was signed between OPC Hadera and SerIDOM Servicios Integrados IDOM, S.A.U (hereinafter - "IDOM"), for the design, engineering, procurement and construction of a cogeneration power plant in consideration of approximately $156 million (including additions to the Agreement that were signed at a later date), which is payable on the basis of progress and the achievement of milestones. The agreement contains a mechanism for the compensation of OPC Hadera in the event that IDOM fails to meet its contractual obligations, up to the amounts that are set forth in the agreement. IDOM has provided bank guarantees and a corporate guarantee by its parent company to secure said obligations and OPC Hadera has extended to IDOM a guarantee to secure part of OPC Hadera's liabilities.

General Electric International and GE Global Parts

On June 27, 2016, OPC Hadera entered into a long-term service agreement (hereinafter - "the

Service Agreement") with General Electric International Ltd. (hereinafter - "GEI") and GE Global Parts & Products GmbH (hereinafter - "GEGPP"), pursuant to which these two companies will provide maintenance treatments for the two gas turbines of GEI, generators and auxiliary facilities of the OPC Hadera Power Plant for a period commencing on the date of commercial operation until the earlier of: (a) the date on which all of the covered units (as defined in the Service Agreement) have reach the end-date of their performance and (b) 25 years from the date of signing the Service Agreement. The cost of the service agreement amounts to $42 million when the consideration will be payable over the term of the Agreement, based on the formula prescribed therein.

The Service Agreement contains a guarantee of reliability and other obligations concerning the performance of the Power Plant and indemnification to OPC Hadera in the event of failure to meet the performance obligations. At the same time, OPC Hadera has undertaken to pay bonuses in the event of improvement in the performance of the plant as a result of the maintenance works, up to a cumulative ceiling for every inspection period. GEI provided its subsidiary with a corporate guarantee of the parent company. To secure these liabilities, IC Power Asia Development Ltd. (hereinafter ICPAD) provided GEI with a corporate guarantee to secure some of OPC Hadera's liabilities. Subsequent to the report date, in 2018, OPC Hadera assumed the corporate guarantee that was provided by ICPAD.

(d) OPC Energy Ltd., Israel

Option agreement with Hadera Paper

On April 5, 2017, OPC Energy signed an option agreement with Hadera Paper, effective from February 9, 2017, concerning the lease of an area of some 68,000 sq.m. in proximity to the Hadera Power Plant, pending the approval of the competent organs. The option period commenced on the date of signing and expires on December 31, 2022. The option period is divided into three periods for which the option fees will be payable: NIS 500 thousand (approximately $144 thousand) for 2017; NIS 1.5 million (approximately $433 thousand) for 2018; and NIS 3 million (approximately $865 thousand) for each of the years 2019 through 2022 (inclusive). As part of the agreement, OPC Energy undertakes to work to obtain statutory authorization for the construction of a power plant on the leased area and to pursue the advancement and approval of the statutory plan within the option period. OPC Energy may terminate the option agreement with an advance notice of 14 days during the first option period (i.e. until December 31, 2017).

Additionally, OPC Energy is required to notify, at least 90 days prior to the end of each option year, of its intention to extent the option for an additional year. Otherwise, the option will expire at the end of the same year. According to the agreement, the option will expire if the National Infrastructure Committee refuses to approve the statutory plan and OPC Energy will not initiate legal proceedings in connection with such refusal. The agreement also prescribes the principles of the lease agreement that would be signed subject to the exercise of the option and stipulates that the option will expire if, at the end of 120 days of the date of signing of the option agreement, the parties fail to agree on the wording of the lease agreement. According to the principles that are set forth in the option agreement in relation to the lease agreement, the lease period will be 25 years less one month, starting on the handing over of possession in the leasehold (i.e. the date of exercising the option) or on the date of commencement of commercial operation, as set forth in the agreement, with an option to extend the engagement. It is further stipulated that the lease agreement will not include a liability limit and that OPC Energy will bear all fees, taxes and payments that are imposed in respect of the construction of a power plant on the leasehold.

Zomet Energy Ltd.

On April 6, 2017, OPC Energy (formerly IC Power Israel) entered into a series of agreements to acquire 95% of the shares of Zomet Energy Ltd. (Zomet) from Ipswich Holdings Netherlands B.V. (47.5%) and Rapac Energy Ltd. (47.5%), and an agreement with Methy Invest S.A. (Methy) for the waiver of its rights in connection with the shares of Ipswich and Rapac. Zomet holds the rights to develop a natural gas fired power station at Plugot Junction (Israel) with an estimated capacity of approximately 396 MW, and the land rights and statutory approvals.

The total transaction consideration under the aforesaid agreements is expected to aggregate approximately $24 million, subject to adjustments pertaining to the volume of the Zomet Project and subject to the payment milestones that are stipulated in the agreement.

On August 7, 2017, OPC Energy received a letter from the Israel Antitrust Authority and the Chairman of the Committee for the Reduction of Concentration ("the Concentration Committee"), addressed to the Electricity Authority, stating that the Concentration Committee recommends not to grant a conditional license for the Zomet project.

Negotiations were held between OPC Energy and the Concentration Committee, including Kenon and interested parties therein. As of the date of this report, the decision of the Concentration Committee is pending and there is no certainty that its decision will permit the completion of the transaction.

In March 2018, OPC completed the acquisition of 95% of the shares of Zomet Energy, although Zomet still requires the necessary regulatory approvals, the approval for a new conditional licenses for electricity generation of the Electricity Authority and the approval of the Anti-Trust Commissioner.

(e) OPC Rotem and OPC Hadera

Energean agreement

On December 6, 2017, OPC Rotem and OPC Hadera signed an agreement with Energean Israel Ltd. (hereinafter - "Energean"), which have holdings in the Karish and Tanin gas reservoirs (hereinafter - "the gas reservoir"), subject to the fulfillment of suspending conditions). The agreements with OPC Rotem and OPC Hadera are separate and independent. According to the terms set forth in the agreements, the total quantity of natural gas that OPC Rotem and OPC Hadera are expected to purchase is about 9 BCM (for OPC Rotem and OPC Hadera together) for the entire supply period (hereinafter - the "Total Contractual Quantity"). The agreement includes, among other things, TOP mechanism under which OPC Rotem and OPC Hadera will undertake to pay for a minimum quantity of natural gas, even if they have not used it.

The agreements include additional provisions and arrangements for the purchase of natural gas, and with regard to maintenance, gas quality, limitation of liability, buyer and seller collateral, assignments and liens, dispute resolution and operational mechanisms.

The agreements are valid for 15 years from the date the agreement comes into effect or until completion of the supply of the total contractual quantity from Energean to each of the subsidiaries (OPC Rotem and OPC Hadera). According to each of the agreements, if after the elapse of 14 years from the date the agreement comes into effect, the contracting company did not take an amount equal to 90% of the total contractual quantity, subject to advance notice, each party may extend the agreement for an additional period which will begin at the end of 15 years from the date the agreement comes into effect until the earlier of: (1) completion of consumption of the total contractual quantity; or (2) at the end of 18 years from the date the agreement comes into effect. The agreement includes circumstances under which each party will be entitled to bring the relevant agreement to an end before the end of the contractual period, in case of prolonged non-supply, damage to collateral and more.

As for the consideration, the price of natural gas is based on an agreed formula, linked to the electricity generation component and includes a minimum price. The total financial volume of the agreements may reach $ 1.3 billion (assuming maximum consumption according to the agreements and according to the gas price formula as at the report date), and depends mainly on the electricity generation component and the gas consumption. On January 14, 2018, the agreement was approved by OPC Energy's shareholders.

(f) Inkia Energy Limited

Under the share purchase agreement, our subsidiary Inkia has agreed to indemnify the buyer and its successors, permitted assigns, and affiliates against certain losses arising from a

breach of Inkia's representations and warranties and certain tax matters, subject to certain time and monetary limits depending on the particular indemnity obligation. These indemnification obligations are supported by (a) a three-year pledge of shares of OPC which represent 25% of OPC's outstanding shares, (b) a deferral of $175 million of the purchase price in the form of a four-year $175 million Deferred Payment Agreement, accruing interest at 8% per year and payable in-kind, and (c) a three-year corporate guarantee from Kenon for all of the Inkia's indemnification obligations.

Share Capital and Reserves

12 Months Ended
Dec. 31, 2017

Disclosure of classes of share capital [abstract]

Share Capital and Reserves

Note 22 – Share Capital and Reserves

A. Share Capital

	Company No. of shares ('000)	
	2017	**2016**
Authorised and in issue at January, 1	53,720	53,694
Authorised and in issued as part of the spin-off from IC	—	—
	53,720	53,694
Issued for share plan	88	26
Authorised and in issue at December. 31	53,808	53,720

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.

In 2017, 87,911 (2016: 25,692) ordinary shares were granted under the Share Incentive Plan to key management at an average price of $12.51 (2016: $9.34) per share.

Capital reduction

In December 2017, Kenon's shareholders approved a capital reduction to permit a distribution to shareholders of a portion of the proceeds received from the sale of Kenon's Latin American and Caribbean power generation and distribution businesses (the "Sale"). The capital reduction of up to $750 million was approved by the High Court of the Republic of Singapore on February 20, 2018. Kenon's Board of Directors considered a number of factors in determining the amount of the distribution, including the amount of proceeds from the Sale remaining after the repayment of debt, the payment of tax and other expenses, and Kenon's anticipated cash needs after the distribution.

On March 22, 2018, Kenon distributed an aggregate amount of $665 million, or $12.35 per share, to Kenon's shareholders. The share capital and total equity of Kenon will be reduced by $665 million in 2018. Following Kenon's payment of the distribution, repayment of debt, payment of tax and other expenses, Kenon will retain cash in excess of $50 million at the holding company level (see Note 33.1.A).

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 fair value of the shares granted in 2017 is $1 million (2016: $240 thousand, 2015: $ 940 thousand) and was determined based on the fair value of Kenon's shares on the grant date. Kenon recognized $508 thousand as general and administrative expenses in 2017 (2016: $547 thousand, 2015: $566 thousand).

OPC Energy Ltd's Initial Public Offering

Disclosure of OPC energy ltd's initial public offering [Abstract]

OPC Energy Ltd's Initial Public Offering

12 Months Ended
Dec. 31, 2017

Note 23 – OPC Energy Ltd's Initial Public Offering

On August 10, 2017, OPC Energy Ltd ("OPC") completed the issuance of 31,866,700 ordinary shares on the Tel Aviv Stock Exchange to the public at a price of NIS 12.5 per share (approximately US$ 3.47 per share). The proceeds of the issuance amount to approximately NIS 399 million (approximately $ 111 million), net of issuance costs of NIS 39 million (approximately $11 million). After the completion of the issuance, the public holds 24.2% of OPC's shares, while the Group's equity interest was diluted to 75.8% of the total issued shares of OPC. As a result of the dilution, the Group, registered $57 million, net of capital reserves realization, in equity attributable to equity holders and $42 million in non-controlling interest.

Cost of Sales and Services	12 Months Ended Dec. 31, 2017
Disclosure of cost of sales and services [Abstract]	
Cost of Sales and Services	

Note 24 – Cost of Sales and Services

	For the Year Ended December 31		
	2017	**2016***	**2015***
	$ thousands		
Capacity and energy purchases and transmission costs	50,973	57,310	93,196
Fuel, gas and lubricants	137,832	133,012	142,967
Payroll and related expenses	6,269	5,942	4,325
Regulatory expenses	62,908	48,509	-
Third party services	2,670	2,890	-
Other	6,484	4,003	4,328
	267,136	251,666	244,816

* Restated (See note 2.E)

Selling, General and Administrative Expenses	12 Months Ended Dec. 31, 2017
Disclosure of selling, general and administrative expenses [Abstract]	
Selling, General and Administrative Expenses	

Note 25 – Selling, General and Administrative Expenses

	For the Year Ended December 31		
	2017	**2016***	**2015***
	$ thousands		
Payroll and related expenses	21,380	14,830	17,085
Depreciation and amortization	691	641	817
Professional fees	20,334	23,863	9,576
Other expenses	13,887	7,761	22,248
	56,292	47,095	49,726

* Restated (See note 2.E)

Financing Income (Expenses), Net

12 Months Ended
Dec. 31, 2017

Financing Income Expenses Net Schedule Of Financing Income Expenses Net Details

Financing Income (Expenses), Net

Note 26 – Financing Income (Expenses), Net

	For the Year Ended December 31		
	2017	2016	2015
	$ thousands		
Financing income			
Interest income from bank deposits	640	2,269	4,772
Net change from change in exchange rates	2,259	5,448	521
Net changes in fair value of Tower options series 9	-	-	2,119
Net change in fair value of derivative financial instruments	-	6	2,720
Other income	5	1	589
Financing income	2,904	7,724	10,721
Financing expenses			
Interest expenses to banks and others	(59,514)	(45,317)	(34,378)
Net change from change in exchange rates	-	-	(648)
Net change in fair value of derivative financial instruments	(1,168)	-	-
Other expenses	(9,484)	(1,959)	(1,368)
Financing expenses	(70,166)	(47,276)	(36,394)
Net financing expenses recognized in the statement of profit and loss	(67,262)	(39,552)	(25,673)

Income Taxes

12 Months Ended
Dec. 31, 2017

Disclosure of income taxes [Abstract]

Income Taxes

Note 27 – Income Taxes

A. Components of the Income Taxes

	For the Year Ended December 31		
	2017	2016	2015
	$ thousands		
Current taxes on income			
In respect of current year*	64,291	1,687	25
In respect of prior years	44	92	(294)
Deferred tax income			
Creation and reversal of temporary differences	8,474	473	9,312
Total taxes on income	72,809	2,252	9,043

No previously unrecognized tax benefits were used in 2015, 2016 or 2017 to reduce our current tax expense.

* Current taxes on income for the current year includes $61 million taxes payable in connection with a planned restructuring to simplify the holding structure of some of the companies remaining in the Kenon group subsequent to the Inkia transaction. As a result of this restructuring (which was substantially completed in January 2018), Kenon will hold its interest in OPC directly. Kenon does not expect any further tax liability in relation to any future sales of its interest in OPC.

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		
	2017	2016	2015
	$ thousands		
(Loss)/profit from continuing operations before income taxes	(135,636)	(426,900)	32,154
Statutory tax rate	17.00%	17.00%	17.00%
Tax computed at the statutory tax rate	(23,058)	(72,573)	5,466
Increase (decrease) in tax in respect of:			
Elimination of tax calculated in respect of the Group's share in losses of associated companies	20,924	31,651	18,880
Income subject to tax at a different tax rate	63,446	(2,548)	7,218
Non-deductible expenses	12,850	41,960	3,944
Exempt income	(7,006)	-	(35,651)
Taxes in respect of prior years	44	92	(294)
Impact of change in tax rate	-	-	-
Changes in temporary differences in respect of which deferred taxes are not recognized	4,285	1,419	580
Tax losses and other tax benefits for the period regarding which deferred taxes were not recorded	350	2,449	8,335
Differences between the measurement base of income reported for tax purposes and the income reported in the financial statements	13	-	(419)
Other differences	961	(198)	984
Taxes on income included in the statement of profit and loss	72,809	2,252	9,043

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.

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	Other*	Total
			$ thousands		
Balance of deferred tax asset (liability) as at January 1, 2016	(123,968)	601	61,943	(73,966)	(135,390)
Changes recorded on the statement of profit and loss	(48,212)	286	28,014	1,741	(18,171)
Changes recorded to equity reserve	—	61	—	(5,249)	(5,188)
Translation differences	(1,495)	15	398	791	(291)
Impact of change in tax rate	7,638	—	(5,620)	(8,875)	(6,857)
Changes in respect of business combinations	(41,456)	748	—	6,355	(34,353)
Balance of deferred tax asset (liability) as at December 31, 2016	(207,493)	1,711	84,735	(79,203)	(200,250)
Changes recorded on the statement of profit and loss	(13,940)	(1,097)	(13,919)	15,845	(13,111)
Changes recorded to equity reserve	-	882	-	(7,024)	(6,142)
Translation differences	(10,046)	24	4,397	1,253	(4,372)
Impact of change in tax rate	575	-	-	-	575
Sale of subsidiaries	140,736	(1,520)	(39,764)	71,095	170,547
Balance of deferred tax asset (liability) as at December 31, 2017	(90,168)	-	35,449	1,966	(52,753)

* This amount includes deferred tax arising from derivative instruments, intangibles, undistributed profits, non-monetary items and trade receivables distribution.

2. The deferred taxes are presented in the statements of financial position as follows:

	As at December 31	
	2017	2016
	$ thousands	
As part of non-current assets	-	25,104
As part of non-current liabilities	(52,753)	(225,354)
	(52,753)	(200,250)

Income tax rate in Israel is 24%, 25% and 26.5% for the years ended December 31, 2017 and December 31, 2016 and 2015, respectively.

On January 4, 2016, Amendment 216 to the Income Tax Ordinance (New Version) – 1961 (hereinafter – "the Ordinance") was passed in the Knesset. As part of the amendment, OPC's and Hadera's income tax rate was reduced by 1.5% to a rate of 25% as from 2016. Furthermore, on December 22, 2016 the Knesset plenum passed the Economic Efficiency Law (Legislative Amendments for Achieving Budget Objectives in the Years 2017 and 2018) – 2016, by which, inter alia, the corporate tax rate would be reduced from 25% to 23% in two steps. The first step will be to a rate of 24% as from January 2017 and the second step will be to a rate of 23% as from January 2018.

As a result of reducing the tax rate to 25%, the deferred tax balances as at January 4, 2016 were calculated according to the new tax rate specified in the Law for the Amendment of the Income

Tax Ordinance, at the tax rate expected to apply on the reversal date.

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.

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.

Extension of safe habour under Singapore Budget 2016

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 (extended from May 31, 2017 to 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.

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 16. Deferred tax is recognized for temporary differences related to undistributed earnings in subsidiaries that will reverse it in the foreseeable future. During 2017, the Group recorded an expense of $3 million in relation to this timing difference ($1 million in 2016).

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.

Earnings per Share	12 Months Ended Dec. 31, 2017
Earnings per share [abstract]	
Earnings per Share	

Note 28 – 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		
	2017	2016	2015
		$ thousands	
Income/(Loss) for the year attributable to Kenon's shareholders	236,590	(411,937)	72,992
Income for the year from discontinued operations (after tax)	476,565	35,150	72,781
Less: NCI	(24,928)	(13,250)	(12,872)
Income for the year from discontinued operations (after tax) attributable to Kenon's shareholders	451,637	21,900	59,909
(Loss)/Income for the year from continuing operations attributable to Kenon's shareholders	(215,047)	(433,837)	13,083

B. Number of ordinary shares

	For the Year Ended December 31		
	2017	2016	2015
		('000)	
Weighted Average number of shares used in calculation of basic/diluted earnings per share	53,761	53,720	53,649

Discontinued Operations

12 Months Ended
Dec. 31, 2017

Disclosure of discontinued operations [Abstract]

Discontinued Operations

Note 29 – Discontinued Operations

(a) I.C. Power (Latin America businesses)

In December 2017, Inkia, a wholly-owned subsidiary of IC Power completed the sale of its Latin American and Caribbean businesses to ISQ, an infrastructure private equity firm.

The sale generated proceeds of approximately $1,332 million consisting of $1,110 million proceeds paid by ISQ plus retained unconsolidated cash at Inkia of $222 million. This reflects the base purchase price of $1,177 million after certain adjustments, including estimated working capital, debt and cash at closing. The purchase price is subject to adjustments, including a final adjustment based on actual working capital, debt and cash amounts as of the closing date.

As part of the transaction, ISQ have assumed Inkia's $600 million of bonds, which were issued in November and December 2017.

At the date of closing, ISQ paid $935 million and entered into a four year $175 million deferred payment obligation accruing 8% interest payable in kind.

In addition, Kenon's subsidiaries is entitled to receive certain payments from ISQ in connection with certain insurance and other claims held by companies within the Inkia's businesses. Included in the financials for FY2017, is $12 million that has been recognized in discontinued operations.

Set forth below are the results attributable to the discontinued operations

	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
	$ thousands		
Revenue	1,777,232	1,517,391	962,677
Cost of sales and services (excluding depreciation and amortization)	(1,235,214)	(1,076,563)	(620,180)
Depreciation and amortization	(135,733)	(132,998)	(85,482)
Gross profit	406,285	307,830	257,015
Income before taxes on income	152,280	92,233	126,116
Taxes on income	(73,141)	(57,083)	(53,335)
Income after taxes on income	79,139	35,150	72,781
Gain on sale of discontinued operations	529,923	-	-
Tax on gain on sale of discontinued operations	(132,497)	-	-
Income from discontinued operations	476,565	35,150	72,781
Net cash flows provided by operating activities	319,637	176,515	229,757
Net cash flows provided by/(used in) investing activities	816,544	(300,833)	(637,994)
Net cash flows (used in)/provided by financing activities	(103,524)	25,308	163,714
Cash and cash equivalents provided by/(used in) discontinued operations	1,032,657	(99,010)	(244,523)
Property, plant and equipment	2,937,005		
Goodwill and intangible assets	357,835		
Investments in associated companies	9,155		
Deferred taxes, net	25,450		
Income tax receivable	112,457		

Trade and other receivables	379,143
Inventories	91,718
Cash and cash equivalents	138,708
Trade and other liabilities	(2,753,476)
Net asset	1,297,995
Consideration received, satisfied in cash	934,573
Transaction costs	(3,280)
Cash and cash equivalents disposed off	(138,708)
Net cash inflow	792,585

Segment, Customer and Geographic Information

Disclosure of operating segments [abstract]

Segment, Customer and Geographic Information

12 Months Ended
Dec. 31, 2017

Note 30 – Segment, Customer and Geographic Information

A. General

The following summary describes the Group's reportable segments in 2017:

1. **OPC –** OPC Energy Ltd operates in the Israeli electricity generation sector, including the initiation, development, construction and operation of power plants and the sale and supply of electricity.

2. **Qoros Automotive** – A China-based automotive company that is jointly-owned with a subsidiary of Wuhu Chery, a state controlled holding enterprise and large Chinese automobile manufacturing company.

In addition to the segments detailed above, the Group has other activities, such as the discontinued power businesses in Latin America and Caribbean, container shipping services and renewable energy businesses categorized as Others.

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.

There were no intersegment sales in 2017, 2016 and 2015.

B. Information regarding reportable segments

Financial information of the reportable segments is set forth in the following table.

	OPC	Qoros*	Other	Adjustments	Total
			$ thousands		
2017					
Total sales	365,395	-	309	-	365,704
Income/(loss) before taxes	22,708	(121,198)	(37,146)	-	(135,636)
Income Taxes	(8,945)	-	(63,864)	-	(72,809)
Income/(loss) from continuing operations	13,763	(121,198)	(101,010)	-	(208,445)
Depreciation and amortization	30,102	-	692	-	30,794
Financing income	(1,088)	-	(13,230)	11,414	(2,904)
Financing expenses	33,753	-	47,827	(11,414)	70,166
Other items:					
Share in losses/(income) of associated companies	-	121,198	(10,533)	-	110,665
Write back of impairment of investments	-	-	(28,758)	-	(28,758)
	62,767	121,198	(4,002)	-	179,963
Adjusted EBITDA	85,475	-	(41,148)	-	44,327
Segment assets	939,809	-	1,464,354	-	2,404,163
Investments in associated companies	-	1,694	120,000	-	121,694
					2,525,857
Segment liabilities	742,692	-	731,818	-	1,474,510
Capital expenditure	109,226	-	121,245	-	230,471

* Associated Company – See Note 10.A.2 and 10.C.b.

	OPC	Qoros*	Other	Adjustments	Total
			$ thousands		
2016					
Total sales	324,188	-	65	-	324,253
Income/(loss) before taxes	20,450	(142,534)	(304,816)	-	(426,900)
Income Taxes	(67)	-	(2,185)	-	(2,252)
Income/(loss) from continuing operations	20,383	(142,534)	(307,001)	-	(429,152)
Depreciation and amortization	26,697	-	589	-	27,286
Financing income	(2,988)	-	(17,081)	12,345	(7,724)
Financing expenses	22,838	-	36,783	(12,345)	47,276
Other items:					
Share in losses/(income) of associated companies	-	142,534	43,681	-	186,215
Provision of financial guarantee	-	-	130,193	-	130,193
Impairment of investments	-	-	72,263	-	72,263
	46,547	142,534	266,428	-	455,509
Adjusted EBITDA	66,997	-	(38,388)	-	28,609
Segment assets	667,631	-	4,261,929	-	4,929,560
Investments in associated companies	-	117,593	90,640	-	208,233
					5,137,793
Segment liabilities	533,684	-	3,709,905	-	4,243,589
Capital expenditure	72,540	-	245,313	-	317,853

* Associated Company – See Note 10.A.2 and 10.C.b.

	OPC	Qoros*	Other	Adjustments	Total
			$ thousands		
2015					
Total sales	325,570	-	329	-	325,899
Income/(loss) before taxes	29,975	(196,223)	198,402	-	32,154
Income Taxes	(8,151)	-	(892)	-	(9,043)
Income/(loss) from continuing operations	21,824	(196,223)	197,510	-	23,111
Depreciation and amortization	25,435	-	1,605	-	27,040
Financing income	(3,140)	-	(7,581)	-	(10,721)
Financing expenses	26,315	-	10,079	-	36,394
Other items:					
Share in losses/(income) of associated companies	-	196,223	(9,190)	-	187,033
Gain from distribution of dividend in kind	-	-	(209,710)	-	(209,710)
Asset impairment	-	-	6,541	-	6,541
	48,610	196,223	(208,256)	-	36,577
Adjusted EBITDA	78,585	-	(9,854)	-	68,731
Segment assets	810,551	-	3,303,204	-	4,113,755
Investments in associated companies	-	158,729	210,293	-	369,022
					4,482,777
Segment liabilities	676,832	-	2,542,390	-	3,219,222

Capital expenditure	18,273	-	556,116	-	574,389

* Associated Company – See Note 10.A.2 and 10.C.b.

C. Customer and Geographic Information

Major customers

Following is information on the total sales of the Group to material customers and the percentage of the Group's total revenues (in $ thousand):

	2017		2016		2015	
Customer	Total revenues	Percentage of revenues of the Group	Total revenues	Percentage of revenues of the Group	Total revenues	Percentage of revenues of the Group
Customer 1	75,735	20.71%	59,880	18.47%	70,545	21.65%
Customer 2	*	*	*	*	35,760	10.97%
Customer 3	53,605	14.66%	39,355	12.14%	43,904	13.47%
Customer 4	50,447	13.79%	32,446	10.01%	35,650	10.94%
Customer 5	38,212	10.45%	36,391	11.22%	*	*

(*) Represents an amount less than 10% of revenues.

Information based on geographic areas

The Group's geographic revenues are as follows:

	For the year ended December 31		
	2017	2016	2015
	$ thousands		
Israel	365,395	324,188	325,570
Others	309	65	329
Total revenues	365,704	324,253	325,899

The Group's non-current assets* on the basis of geographic location:

	As at December 31	
	2017	2016
	$ thousands	
Peru	-	1,910,421
Guatemala	-	682,985
Israel	617,358	495,639
Others	447	785,033
Total non-current assets	617,805	3,874,078

* Composed of property, plant and equipment and intangible assets.

Related-party Information

12 Months Ended
Dec. 31, 2017

Disclosure of transactions between related parties [abstract]

Related-party Information

Note 31 – 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, co-CEOs, chief financial officer, general counsel and vice president of business development, are considered as key management personnel of the Company.

B. Transactions with directors and officers (Kenon's directors and officers):

B. Key management personnel compensation

	2017	2016
	$ thousands	
Short-term benefits	5,632	4,352
Share-based payments	508	547
	6,140	4,899

C. Transactions with related parties (excluding associates):

	For the year ended December 31		
	2017	2016	2015
	$ thousands		
Sales of electricity	102,443	148,119	135,655
Administrative expenses	331	614	329
Sales of gas	31,296	29,873	—
Financing expenses, net	18,444	14,475	10,716

D. Transactions with associates:

	For the year ended December 31		
	2017	2016	2015
	$ thousands		
Sales of electricity	—	—	5,115
Operating expenses	—	—	204
Other income, net	198	178	95

E. Balances with related parties:

	As at December 2017			As at December 2016		
	Ansonia	Other related parties *	Total	Ansonia	Other related parties *	Total
	$ thousands			$ thousands		
Cash and short-term deposit	—	—	—	—	2,462	2,462
Trade receivables	—	12,778	12,778	—	12,245	12,245
Loans and Other Liabilities						
In US dollar or linked thereto	75,081	242,598	317,679	45,735	222,971	268,706
Weighted-average interest rates (%)	6.00%	7.69%	7.29%	6.00%	7.24%	6.62%
Repayment years						
Current maturities	75,081	242,598		—	—	
Second year	—	—		45,735	—	
Third year	—	—		—	—	
Fourth year	—	—		—	—	
Fifth year	—	—		—	—	
Sixth year and thereafter	—	—		—	222,971	
	75,081	242,598		45,735	222,971	

* IC, Israel Chemicals Ltd (“ICL”), Oil Refineries Ltd (“ORL”).

These balances relate to amounts with entities that are related to Kenon's beneficial owners.

F. Regarding the ZIM's restructuring and IC’s part in the restructuring, see Note 10.C.a.

G. Regarding the convertible loan from Ansonia to Quantum, see Note 10.C.b.6.

H. Gas Sale Agreement with ORL, see Note 21.B.(c).

Financial Instruments

Disclosure of detailed information about financial instruments [abstract]

Financial Instruments

12 Months Ended
Dec. 31, 2017

Note 32 – Financial Instruments

A. General

The Group has 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.

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	
	2017	2016
	$ thousands	
	Carrying amount	
Cash and cash equivalents	1,417,388	326,635
Short-term investments and deposits	7,144	89,545
Trade receivables, net	44,137	284,532
Long-term trade receivables	-	10,120
Other current assets	35,752	28,462
Deposits and other long-term receivables including derivative instruments	281,717	66,434
	1,786,138	805,728

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	
	2017	2016
	$ thousands	
Israel	44,058	34,779
South America	-	93,293
Central America	-	155,142
Other regions	79	11,438
	44,137	294,652

(2) Aging of debts and impairment losses

Set forth below is an aging of the trade receivables:

	As at December 31, 2017			As at December 31, 2016		
	For which impairment was not recorded	For which impairment was recorded		For which impairment was not recorded	For which impairment was recorded	
		Gross	Impairment		Gross	Impairment
	$ thousands			$ thousands		
Not past due	50	—	—	233,787	8	(8)
Past due up to 3 months	40,879	—	—	50,723	—	—
Past due 3 – 6 months	3,208	—	—	9,160	282	(282)
Past due 6 – 9 months	—	—	—	83	—	—
Past due 9 – 12 months	—	—	—	652	—	—
Past due more than one year	—	—	—	247	4,714	(4,714)
	44,137	—	—	294,652	5,004	(5,004)

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 its 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, 2017					
	Book value	Projected cash flows	Up to 1 year	1-2 years	2-5 years	More than 5 years
	$ thousands					
Non-derivative financial liabilities						
Loans from banks and others *	317,684	317,786	317,786	-	-	-
Trade payables	58,895	58,895	58,895	-	-	-
Other payables	77,869	77,964	77,964	-	-	-
Non-convertible debentures **	91,122	125,089	13,153	7,086	34,033	70,817
Loans from banks and others **	627,150	846,652	157,805	50,768	173,222	464,857
Liabilities in respect of financing lease	-	-	-	-	-	-

Financial guarantee ***	44,342	44,342	44,342	-	-	-
Financial liabilities – hedging instruments						
Forward exchange rate contracts	439	439	439	-	-	-
Financial liabilities not for hedging						
Derivatives on exchange rates	73	73	73	-	-	-
	1,217,574	1,471,240	670,457	57,854	207,255	535,674

* Excludes current portion of long-term liabilities.

** Includes current portion of long-term liabilities.

*** Financial Guarantees contractual period in Qoros is dependent on Qoros's timeliness to meet the obligation of current loans payable.

	As at December 31, 2016					
	Book value	**Projected cash flows**	**Up to 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
	$ thousands					
Non-derivative financial liabilities						
Loans from banks and others *	213,417	219,651	219,651	-	-	-
Trade payables	285,612	285,612	285,612	-	-	-
Other payables	160,540	160,540	59,650	10,121	21,718	69,051
Non-convertible debentures **	867,287	1,190,032	58,113	57,217	616,765	457,937
Loans from banks and others **	2,143,499	2,756,851	340,684	244,508	977,251	1,194,408
Liabilities in respect of financing lease	88,169	114,069	13,013	12,171	57,432	31,453
Financial guarantee ***	118,763	118,763	118,763	-	-	-
Financial liabilities – hedging instruments						
Interest SWAP contracts	22,865	22,865	9,930	5,788	4,192	2,955
Forward exchange rate contracts	2,399	2,399	1,627	772	-	-
Financial liabilities not for hedging						
Interest SWAP contracts and options	2,125	2,125	783	570	688	84
Derivatives from debt restructure	29,594	29,594	-	29,594	-	-
	3,934,270	4,902,501	1,107,826	360,741	1,678,046	1,755,888

* 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.

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 relation to future operating expenses.

The Group is exposed to currency risk in relation to 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.

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, 2017		
	Foreign currency		
	Shekel		
	Unlinked	CPI linked	Other
Non-derivative instruments			
Cash and cash equivalents	158,679	—	18,593
Short-term investments, deposits and loans	60,855	—	—
Trade receivables	42,004	—	—
Other receivables	2,686	—	3,603
Long-term deposits and loans	25,600	—	—
Total financial assets	289,824	—	22,196
Loans from banks and others	—	—	30,308

Trade payables	31,286	—	86
Other payables	3,178	—	1,316
Long-term loans from banks and others and debentures	109,629	478,891	—
Total financial liabilities	144,093	478,891	31,710
Total non-derivative financial instruments, net	145,731	478,891	(9,514)
Derivative instruments	—	—	(439)
Net exposure	145,731	478,891	(9,953)

	As at December 31, 2016		
	Foreign currency		
	Shekel		
	Unlinked	CPI linked	Other
Non-derivative instruments			
Cash and cash equivalents	11,810	—	24,240
Short-term investments, deposits and loans	29,137	—	26,198
Trade receivables	34,779	—	172,664
Other receivables	665	—	6,964
Long-term deposits and loans	20,349	—	16,412
Total financial assets	96,740	—	246,478
Loans from banks and others	—	—	34,998
Trade payables	26,913	—	128,512
Other payables	1,093	1,205	17,266
Long-term loans from banks and others and debentures	444	416,266	465,262
Total financial liabilities	28,450	417,471	646,038
Total non-derivative financial instruments, net	68,290	(417,471)	(399,560)
Derivative instruments	—	—	(2,421)
Net exposure	68,290	(417,471)	(401,981)

(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 2015.

	As at December 31, 2017			
	10% increase	5% increase	5% decrease	10% decrease
	$ thousands			
Non-derivative instruments				
Shekel/dollar	13,248	6,940	(6,940)	(13,248)
CPI	(43,536)	(22,804)	22,804	43,536
Dollar/other	(2,559)	(1,269)	1,269	2,559

	As at December 31, 2016			
	10% increase	5% increase	5% decrease	10% decrease
	$ thousands			
Non-derivative instruments				
Shekel/dollar	6,208	3,252	(3,252)	(6,208)
CPI	(37,952)	(19,880)	19,880	37,952
Dollar/other	(44,447)	(21,044)	19,037	36,332

(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 relation to 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	
	2017	2016
	Carrying amount	
	$ thousands	
Fixed rate instruments		
Financial assets	1,438,243	157,121
Financial liabilities	-	(1,530,715)
	1,438,243	(1,373,594)
Variable rate instruments		
Financial assets	-	20,167
Financial liabilities	(239,876)	(2,600,799)
	(239,876)	(2,580,632)

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, 2017	
	100bp increase	100 bp decrease
	$ thousands	
Variable rate instruments	(2,399)	2,399

	As at December 31, 2016	
	100bp increase	100 bp decrease
	$ thousands	
Variable rate instruments	(25,806)	25,806

E. Fair value

(1) Fair value compared with carrying 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, 2017	
	Carrying amount	Level 2
	$ thousands	
Non-convertible debentures	91,122	105,488
Long-term loans from banks and others (excluding interests)	527,706	649,487

	As at December 31, 2016	
	Carrying amount	Level 2
	$ thousands	
Non-convertible debentures	867,287	947,786
Long-term loans from banks and others (excluding interests)	2,116,740	2,354,612

* 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.

(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.

	As at December 31, 2017	As at December 31, 2016
	Level 2	Level 2
	$ thousands	$ thousands
Assets		
Derivatives not used for accounting hedge (a)	1,471	3,173
	1,471	3,173
Liabilities		
Financial guarantee	-	-
Derivatives used for accounting hedge	439	25,264
Derivatives not used for accounting hedge	73	2,125
Other financial derivatives	-	29,594
	512	56,983

(a) Includes $3 million 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.

The following table shows the valuation techniques used in measuring Level 2 fair values as at December 31, 2016 and 2015, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable data	Inter-relationship between significant unobservable inputs and fair value measurement
Interest rate Swaps	The Group applies standard valuation techniques such as: *discounted cash flows* for fixed and variables coupons (estimated with forward curves) using as discounted rates the *projected LIBOR zero coupon curve*. 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	Not applicable	Not applicable

	suppliers.		
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

Subsequent Events

Disclosure of non-adjusting events after reporting period [abstract]

Subsequent Events

12 Months Ended
Dec. 31, 2017

Note 33 – Subsequent Events

1. Kenon

A. Kenon distributed, by way of a capital distribution, an aggregate amount of $665 million, or $12.35 per share, to Kenon's shareholders on March 22, 2018. The share capital and total equity of Kenon will be reduced by $665 million in 2018 (See Note 22).

B. On January 2, 2018, Kenon fully repaid the loan from IC for a total amount of $242 million (including the interest accrued).

2. Qoros

A. On January 8, 2018 Kenon announced that approvals for the ownership changes in Qoros had been obtained from the relevant office of the Chinese Ministry of Commerce and the new shareholding structure was registered with the relevant regulatory authority. As a result, the Baoneng group owns 51% of Qoros, and Kenon and Chery's equity interest in Qoros is 24% and 25% respectively.

The investment is based on an RMB6.5 billion pre-investment valuation of Qoros (approximately $1 billion), excluding RMB1.89 billion (approximately $290 million) of existing shareholder loans.

The Investment Agreement provides for total funding by the Investor of RMB6.63 billion, of which RMB6.5 billion will be ultimately invested in Qoros' equity and RMB130 million (approximately $20 million) of the Investment will be paid to Kenon. In addition, Qoros will be required to repay outstanding shareholder loans to each of Kenon and Chery in the principal amount of RMB944 million (approximately $145 million).

As part of the Investment Agreement, Kenon has a put option to sell its remaining interest in Qoros to the Baoneng group for total consideration of RMB3.12 billion (approximately $480 million), exercisable in two stages. The Baoneng group has an option exercisable over the next two years to increase its stake to 67% by investing further directly into Qoros

As a result of the transaction, Kenon will recognise an estimated gain on dilution of approximately $286 million in its financial statements in the first half of 2018.

Kenon will also value its put option and record that value in its financial statements in the first quarter of 2018. The valuation of the put is in progress and no estimate can currently be given.

Any changes in the equity holdings of Qoros as among Kenon, Chery and Baoneng Group, including as a result of exercising the put option or investment right, will result in adjustments to the respective parties' pro rata obligations under the Qoros' bank guarantees and pledges.

3. IC Power

A. Overseas Investment Peru S.A.

On January 3, 2018, Overseas Investment Peru S.A. fully prepaid its $100 million loan with Credit Suisse with an original maturity in February 2019. The amount paid was $101 million, which include the capital and the interest accrued as of the date of payment.

B. OPC Hadera, Israel

On January 10, 2018, an application was filed with the Tel Aviv-Jaffa District Court for the approval of a derivative claim by a shareholder of ORL against former directors of ORL, which include OPC Energy Ltd., OPC Rotem, OPC Hadera, Israel Chemicals Ltd., as well as against the Israel Corporation Ltd.

The subject of the request is the gas purchase transactions of ORL, Israel Chemicals Ltd., OPC Rotem and OPC Hadera (hereinafter - the "Group Companies"), including their inter-company aspects, including: (1) a transaction of the Group Companies for the purchase of natural gas from Tamar Partners; and (2) transactions of the Group Companies for the purchase of natural gas from Energean.

As for the transaction with Energean, the plaintiff contends that beyond the Group's transaction with a third party (i.e., Energean), a transaction is required among the Group Companies themselves regarding the distribution of the economic benefits achieved in the joint negotiations in a manner that suits the purchasing and bargaining power of each of the group companies.

The plaintiff contends that the alleged absence of such an inter-company transaction (or the alleged absence of a proper procedure regarding the distribution of the benefit) discriminates against ORL (the inter-company dimension is not at market conditions) and ORL does not receive its share in the economic benefits due to its large purchasing power and its contribution to the negotiations with Energean (inter alia, in view of the fact that the transaction was made at similar prices for the Group Companies.)

The main remedies for which the plaintiff is petitioning in relation to the Energean deal are a number of declarative and financial measures, and inter alia, an inter-company process that will reflect the differences in purchasing power between the companies.

With respect to the Tamar transaction, the petitioner claims that the Tamar transaction was not approved by ORL as required and additional claims regarding this transaction, including the question of its being beneficial to ORL and at market conditions; with respect to the Tamar transaction, declaratory remedies and compensatory remedies were requested from ORL and/or the refund of the amounts of the benefits that the OPC Hadera and the other parties to the transaction allegedly received, at the expense of ORL, with an additional coefficient petitioned. OPC Hadera is currently unable to determine the financial impact.

C. IC Power Asia Development Ltd. (“ICPAD”) – Investment treaty agreement

IC Power Asia Development Ltd. (hereinafter ICPAD) has instituted a claim against the Government of Guatemala in respect of tax payments made by ICPAD's former subsidiaries DEORSA and DEOCSA which entities were sold as part of the sale of the Latin American and Caribbean businesses.

On February 20, 2018, ICPAD filed a claim against the government of Guatemala under the Agreement between the

Government of the State of Israel and the Government of the Republic of Guatemala for the Reciprocal Promotion and Protection of Investments, or the Treaty, seeking restitution on the basis that the government of Guatemala has breached several of its obligations of treatment towards Israeli investors under the Treaty. ICPAD is seeking damages for the taxes paid by former subsidiaries DEORSA and DEOCSA and related costs and expenses, including interest on the taxes paid.

Significant Accounting Policies (Policies)	12 Months Ended Dec. 31, 2017
Disclosure of significant accounting policies [Abstract]	
Basis for consolidation/ combination	

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.

The Group recognizes contingent consideration measured at fair value at the acquisition date. The contingent consideration that meets the definition of a financial instrument that is not classified as equity will be measured at fair value through profit or loss; except for non-derivative financial instrument contingent consideration which will be measured through other comprehensive income.

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 when control ceased. 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, 2017 and 2016.

(3) Non-Controlling Interest (“NCI”)

NCI comprises the equity of a subsidiary 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.

NCIs 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 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.

(4) 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 the ability to exercise significant influence, but not control, over the financial and operating policies. 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.

The Group’s share of post-acquisition profit or loss is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

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.

(5) 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.

(6) 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.

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.

(7) 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.

(8) Reorganizations under Common Control Transactions

Common control transactions that involve the setup of a new group company and the combination of entities under common control are recorded using the book values of the parent company.

Foreign currency

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.

Financial instruments

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 are transferred and does not retains 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.

(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 under IAS 39 Financial Instruments: Recognition and Measurement and subsequently amortized in accordance with the guidelines of IAS 18 Revenue. Any resulting adjustment of the liability is recognized in profit or loss.

Cash and Cash Equivalents

D. Cash and Cash Equivalents

In the consolidated 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.

Property, plant and equipment, net

E. Property, plant and equipment, net

(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.

The following useful lives shown on an average basis are applied across the Group:

	Years
Roads, buildings and leasehold improvements	2 – 50
Installations, machinery and equipment:	
Thermal power plants	10 – 35
Hydro-electric plants	70 – 90
Wind power plants	25
Power generation and electrical	20
Dams	18 – 80
Office furniture, motor vehicles and other equipment	3 – 16
Substations, medium voltage equipment and transf.MV/LV	30 – 40
Meters and connections	10 – 25

Depreciation methods, useful lives and residual values are reviewed by management of the Group at each reporting date and adjusted if appropriate.

Intangible assets, net

F. Intangible assets, net

(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 relation to 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.

Concessions

Intangible assets granted by the Energy and Mining Ministry of Guatemala to DEORSA and DEOCSA to operate power distribution business in defined geographic areas, and acquired as part of business combination. The Group measures Concessions at cost less accumulated amortization and any accumulated impairment losses.

Customer relationships

Intangible assets acquired as part of a business combination and are recognized separately from 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) Amortization

Amortization is calculated to charge to expense 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.

The estimated useful lives for current and comparative year are as follows:

- Concessions 33 years*
- Customer relationships 1-12 years
- Software costs 5 years
- Others 5-27 years

* The concessions are amortized over the remaining life of the licenses from the date of the business combination.

Amortization methods and useful lives are reviewed by management of the Group at each reporting date and adjusted if appropriate.

Subsequent expenditure

G. 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.

Transfer of assets from customers

H. Transfer of assets from customers

In the distribution industry, an entity may receive from its customers items of property, plant and equipment that must be used to connect those customers to a network and provide them with ongoing access to supply electricity. Alternatively, an entity may receive cash from customers for the acquisition or construction of such items of property, plant and equipment. In these cases, where the Group determines that the items qualify for recognition as an asset, the transferred assets are recognized as part of the property plant and equipment in the statement of financial position in accordance with IAS 16 and measured the cost on initial recognition at its fair value.

The transfer of an item of property, plant and equipment is an exchange for dissimilar goods or services. Consequently, the Group recognize revenue in accordance with IAS 18. The timing of the recognition of the revenue arising from the transfer will take place once the Company has control on the assets and the customers are connected to the distribution network.

Service Concession arrangements

I. Service Concession arrangements

The Group has examined the characteristics, conditions and terms currently in effect under its electric energy distribution license and the guidelines established by IFRIC 12. On the basis of such analysis, the Group concluded that its license is outside the scope of IFRIC 12, primarily because the grantor does not control any significant residual interest in the infrastructure at the end of the term of the arrangement and the possibility of renewal.

The Group accounts for the assets acquired or constructed in connection with the Concessions in accordance with IAS 16 Property, plant and equipment.

Leases

J. Leases

(1) 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.

(2) 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 if interest on the remaining balance of the liability.

Inventories

K. 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.

Trade Receivable, net

L. Trade Receivable, net

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.

Evidence of impairment of financial assets

The Group considers evidence of impairment for trade receivables at both a specific asset and collective level. All individually significant trade receivables are assessed for specific impairment. All individually significant trade receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Trade receivables with similar risk characteristics that are not individually significant are collectively assessed for impairment. In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Borrowing costs

M. 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. Income earned on the temporary investment of specific credit received for investing in a qualifying asset is deducted from the borrowing costs eligible for capitalization.

Impairment

N. 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.

(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.

Employee benefits

O. 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 Group's senior executives receive remuneration in the form of share-appreciations rights, 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 senior executives of OPC Energy Ltd ("OPC"), 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.

(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 Benefit Plans

The calculation of defined benefit obligation is performed at the end of each reporting period by a qualified actuary using the projected unit credit method. Remeasurements of the defined benefit liability, which comprise actuarial gains and losses and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. Interest expense and other expenses related to defined benefit plan are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(5) Share-based compensation plans

Qualifying employees are awarded grants of the Group's shares under the Group'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 Group 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.

Provisions

P. Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Revenue recognition

Q. 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, 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 of the Company are primarily from the sale of electricity to private customers and to Israel Electric Company Ltd. ("IEC").

(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 value-added tax ("VAT"), consumption tax and 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.

(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.

Government grants

R. Government grants

Government grants related to distribution projects are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recorded at the value of the grant received and any difference between this value and the actual construction cost is recognized in profit or loss of the year in which the asset is released.

Government grants related to distribution assets are deducted from the related assets. They are recognized in statement of income on a systematic basic over the useful life of the related asset reducing the depreciation expense.

Deposits received from consumers

S. Deposits received from consumers

Deposits received from consumers, plus interest accrued and less any outstanding debt for past services, are refundable to the users when they cease using the electric energy service rendered by the Group. The Group has classified these deposits as current liabilities since the Group does not have legal rights to defer these payments in a period that exceed a year. However, the Group does not anticipate making significant payments in the next year.

Transfer of assets from customers

T. Transfer of assets from customers

In the power distribution industry, an entity may receive from its customer items in the form of property, plant and equipment that are used to connect these customers to a network with continuous access to power supply. Alternatively, an entity may receive cash from customers in return for the acquisition or construction of such items of property, plant and equipment. In such cases, where the Group determines that these items qualify for recognition as an asset, the transferred assets are recognized as part of the property plant and equipment in the statement of financial position in accordance with IAS 16 and measured its cost on initial recognition at its fair value.

Guarantee deposits from customers

U. Guarantee deposits from customers

Deposits received from customers, plus interest accrued and less any outstanding debt for past services, are refundable to the users when they cease using the electric energy service rendered by the Group. The Group has classified these deposits as current liabilities since the Group does not have legal rights to defer these payments in a period that exceed a year. However, the Group does not anticipate making significant payments in the next year.

Energy purchase

V. Energy purchase

Costs from energy purchases either acquired in the spot market or from contracts with suppliers are recorded on an accrual basis according to the energy actually delivered. Purchases of electric energy, including those which have not yet been billed as of the reporting date, are recorded based on estimates of the energy supplied at the prices prevailing in the spot market or agreed-upon in the respective purchase agreements, as the case may be.

Financing income and expenses

W. 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).

The Group’s finance income and finance costs include:

- Interest income;
- Interest expense;
- The net gain or loss on the disposal of available-for-sale financial assets;
- The net gain or loss on financial assets at fair value through profit or loss;
- The foreign currency gain or loss on financial assets and financial liabilities;
- The fair value loss on contingent consideration classified as financial liability;
- Impairment losses recognized on financial assets (other than trade receivables);
- The net gain or loss on hedging instruments that are recognized in profit or loss; and
- The reclassification of net gains previously recognized in OCI.

Interest income or expense is recognized using the effective interest method.

Income taxes

X. 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.

(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.

Earnings per share

Y. 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.

Share capital - ordinary shares

Z. Share capital – ordinary shares

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.

Discontinued operation

AA. 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 net proceeds from discontinued operation is disclosed in a separate line. The changes based on operating, investing and financing activities are reported in Note 29.

Operating Segment and Geographic Information

AB. Operating Segment and Geographic Information

The Company's co-CEOs and CFO are considered to be the Group's chief operating decision maker ("CODM"). Based on the internal financial information provided to the CODM, the Group has determined that it has two reportable segments in 2017, which are OPC segment and Qoros segment. In addition to the segments detailed above, the Group has other activities, such as a shipping services and renewable energy businesses categorized as Other.

The CODM evaluates the operating segments performance based on Adjusted EBITDA. Adjusted EBITDA is defined as the net income (loss) excluding depreciation and amortization, financing income, income taxes and other items. Qoros is an associated company of the Group and the CODM evaluates the performance of Qoros based on the share of profit/loss.

The CODM evaluates segment assets based on total assets and segment liabilities based on total liabilities.

The accounting policies used in the determination of the segment amounts are the same as those used in the preparation of the Group's consolidated financial statement, Inter-segment pricing is determined based on transaction prices occurring in the ordinary course of business.

In determining of the information to be presented on a geographic basis, revenues are based on the geographic location of the customer and non-current assets are based on the geographic location of the assets.

The segment information were restated to only present results from continuing operations following the discontinued operations.

Transactions with controlling shareholders

AC. 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.

New standards and interpretations not yet adopted

AD. New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these consolidated financial statements. The impact on the consolidated financial statements of the Group is described below:

1) **International Financial Reporting 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 on the financial statements with no plans for early adoption.

The Group has examined IFRS 9 in order to determine the qualitative impacts of the implementation. As of 31 December 2017, the Group considers that the overall impact of the implementation of IFRS 9 will be immaterial to the Group.

The examination of the potential qualitative impacts was conducted, considering the following two main areas of IFRS 9:

a) Classification of financial assets

There are no material impacts expected concerning the classification and measurement of financial assets due to the types of financial assets held by the Group entities. The Group does not hold complex financial assets nor enters in complex structured financing transaction such as securitization transactions or factoring-arrangements, etc.

b) Impairment of financial assets

In general, the most important financial assets of the Group, trade receivables, do not contain a significant financing component. Therefore, the simplified approach as established in IFRS 9 is recommended to be applied. According to IFRS 9, provision matrix may be used to estimate expected credit losses ("ECL") for these financial instruments without the use of hindsight of a default, and the matrix would include expectations of variations in credit risks of customers for the lifetime. Thus, the recognition of losses would be based on the maximum period over which ECL which is the maximum contractual period over which the entity is exposed to credit risk from the first day of the recognition of the receivable. The Group expects that the application of IFRS 9 will impact its deferred payment obligations impairment assessment using the expected credit loss method. Using the expected credit loss method, the Group expects no significant impairment.

2) **International Financial Reporting 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 that those currently in effect. The Standard is to be applied for annual periods commencing on January 1, 2018. The Group has examined the implications of implementation of the standard and does not expect its implementation to have a material effect on the financial statements.

3) **International Financial Reporting 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. The Group examined the expected effects of the implementation of the Standard, but is unable at this stage to reliably estimate the quantitative impact on its financial statements.

4) **International Financial Reporting Standard IFRS 2 "*Share-based payments*"** – The amendment clarify that the measurement of cash-settled share-based payments (SBP) should follow the same approach as for equity-settled SBP; as an exception, for classification purposes, a SBP transaction with employees is accounted for as equity-settled if the terms of the arrangement permit or require an entity to settle the transaction net by withholding a specified portion of the equity instruments to meet the statutory tax withholding requirement, and the entire SBP transaction would otherwise be classified as equity-settled if not for the net settlement feature; and for modification of awards from cash-settled to equity-settled:
   - at the modification date, derecognise the liability for the original cash-settled SBP; and measure the equity-settled SBP at its fair value and recognise in equity to the extent that the goods or services have been received up to that date.
   - recognise in profit or loss immediately the difference between the carrying amount of the liability derecognised and the amount recognised in equity as at modification date.

   As a practical simplification, the amendments can be applied prospectively so that prior periods do not have to be restated. Retrospective, or early, application is permitted if entities have the required information.

5) **International Accounting Standard IAS 28 "*Investments in Associates and Joint Ventures*"** – The amendment clarifies that:
   - a venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss on an investment-by-investment basis.
   - a non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture.

6) **International Financial Reporting Interpretations Committee IFRIC 22 "*Foreign Currency Transactions and Advance Consideration*"** – The Interpretation stipulates that the date of the transaction for the purpose of determining the exchange rate for recording a transaction in foreign currency that includes advance payments will be the date on which the Company first recognizes a non-monetary asset/liability in respect of the advance payment. When there are several payments or receipts in advance, the Company will set a transaction date for each payment/receipt separately. The Interpretation will be applied for annual periods commencing January 1, 2018, with the possibility of early adoption. The interpretation includes various alternatives for the implementation of the transitional provisions, such that companies may choose one of the following alternatives upon initial application: retroactive implementation; A prospective application from the first reporting period in which the entity first applied the Interpretation; Or a prospective application from the first reporting period presented in the comparative figures in the financial statements for the period in which the entity first applied the Interpretation. The Group examined the implications of applying the interpretation on its financial statements and intends to choose the transition alternative of prospective application effective from January 1, 2018. The Group has determined in the past that the "transaction date" used to determine the exchange rate for recording a foreign currency

transaction that includes advance payments will be the date on which the Group first recognizes the non - monetary asset/liability in respect of the advance. As a result, it is not expected to have a material effect on the Group's financial statements.

Significant Accounting Policies (Tables)

12 Months Ended
Dec. 31, 2017

Disclosure of significant accounting policies [Abstract]

Schedule of Useful Lives for Property, Plant and Equipment

The following useful lives shown on an average basis are applied across the Group:

	Years
Roads, buildings and leasehold improvements	2 – 50
Installations, machinery and equipment:	
Thermal power plants	10 – 35
Hydro-electric plants	70 – 90
Wind power plants	25
Power generation and electrical	20
Dams	18 – 80
Office furniture, motor vehicles and other equipment	3 – 16
Substations, medium voltage equipment and transf.MV/LV	30 – 40
Meters and connections	10 – 25

Schedule of Amortizable Useful Lives for Intangible Assets

The estimated useful lives for current and comparative year are as follows:

- Concessions 33 years*
- Customer relationships 1-12 years
- Software costs 5 years
- Others 5-27 years

Cash and Cash Equivalents (Tables)

12 Months Ended
Dec. 31, 2017

Cash and cash equivalents [abstract]

Schedule of Cash and Cash Equivalents

	As at December 31	
	2017	2016
	$ thousands	
Cash in banks	1,313,710	320,199
Time deposits	103,678	6,436
Cash and cash equivalents	1,417,388	326,635

Short-Term investments and deposits (Tables)

12 Months Ended
Dec. 31, 2017

Disclosure of short-term investments and deposits [Abstract]

Schedule of Short-Term Investments and Deposits

	As at December 31	
	2017	2016
	$ thousands	
Restricted cash and short-term deposits (1)	7,085	89,475
Other	59	70
	7,144	89,545

(1) As at December 31, 2017, it mainly corresponds to the amount held in escrow account as collateral for contractual obligations, see note 20.B(a). It earns interest at a market interest rate of 0.07%

Trade Receivables, Net (Tables)

12 Months Ended
Dec. 31, 2017

Trade and other current receivables [abstract]

Schedule of Trade Receivables, Net

	As at December 31	
	2017	**2016**
	$ thousands	
Trade Receivables	44,137	285,100
Less – allowance for doubtful debts	-	(568)
	44,137	284,532

Other Current Assets (Tables)

12 Months Ended
Dec. 31, 2017

Disclosure of other current assets [Abstract]

Schedule of Other Current Assets

	As at December 31	
	2017	2016
	$ thousands	
Advances to suppliers	673	141
Prepaid expenses	1,818	6,039
Derivative instruments	1,471	1,831
Government agencies	7,408	14,677
Contingent consideration (a)	18,004	-
Other receivables (b)	6,378	27,085
	35,752	49,773

(a) This represents the contigent consideration receivable from ISQ as a part of the transaction described in Note 28.

(b) As at December 31, 2016, this includes discontinued operations' receivables of $16 million from insurance claims, transmission line sale, transaction costs and selective consumption tax on heavy fuel oil.

Inventories (Tables)

12 Months Ended
Dec. 31, 2017

Classes of current inventories [abstract]

Schedule of Inventories

	As at December 31	
	2017	**2016**
	$ thousands	
Fuel and spare parts (a)	-	91,659

(a) Inventories as at December 31, 2016 belongs to discontinued operations.

Investment in Associated Companies (Tables)

12 Months Ended
Dec. 31, 2017

Disclosure of associates [abstract]

Schedule of Condensed Financial Information with Respect to the Statement of Financial Position

Condensed financial information with respect to the statement of financial position

	ZIM		Qoros*	
	As at December 31			
	2017	2016	2017	2016
	$ thousands			
Principal place of business	International		China	
Proportion of ownership interest	32%	32%	50%	50%
Current assets	579,595	465,892	235,237	259,804
Non-current assets	1,222,743	1,237,740	1,259,762	1,273,862
Current liabilities	(686,693)	(530,842)	(884,025)	(773,946)
Non-current liabilities	(1,209,137)	(1,273,447)	(817,895)	(695,484)
Non-controlling interests	(6,509)	(3,125)	-	—
Total net assets attributable to the Group	(100,001)	(103,782)	(206,921)	64,236
Share of Group in net assets	(32,000)	(33,210)	(89,627)	32,118
Adjustments:				
Write back/(impairment) of assets and investments	28,758	(72,263)	—	—
Excess cost	123,242	187,216	—	—
Loans	—	—	61,645	55,798
Financial guarantee	—	—	29,676	29,677
Book value of investment	120,000	81,743	1,694	117,593

* Qoros is a joint venture (See Note 10.C.b). The current assets include cash and cash equivalent of $12 million (2016: $67 million). The current and non-current liabilities excluding trade and other payables and provisions amount to $1 billion (2016: $1.1 billion). In January 2018, the Group's equity interest in Qoros was reduced to 24% (see Note 33.2.A).

Schedule of Condensed Financial Information with Respect to Results of Operations

Condensed financial information with respect to results of operations

	ZIM			Tower*	Qoros**		
	For the year ended December 31						
	2017	2016	2015	2015	2017	2016	2015
	$ thousands						
Revenues	2,978,291	2,539,296	2,991,135	461,778	253,353	377,456	232,114
(Loss) / income ***	6,235	(168,290)	2,253	(737)	(269,121)	(285,069)	(392,427)
Other comprehensive (loss) / income ***	(3,871)	(12,351)	(1,948)	—	31	7	(19)
Total comprehensive (loss) / income	2,364	(180,641)	305	(737)	(269,090)	(285,062)	(392,446)
Kenon's share of comprehensive							

(loss) / income	756	(57,805)	98	(189)	(121,182)	(142,531)	(196,223)
Adjustments	8,538	9,856	9,418	(609)	(16)	(3)	—
Kenon's share of comprehensive (Loss) / Income presented in the books	9,294	(47,949)	9,516	(798)	(121,198)	(142,534)	(196,223)

* Distributed as dividend-in-kind in July 2015 (see Note 10.C.c). Results of operations for 2015 corresponds to the six months ended June 30, 2015.

** Qoros is a joint venture (See Note 10.C.b). The depreciation and amortization, interest income, interest expense and income tax expenses recorded by Qoros during the year were $102 million, $2 million, $50 million and $14 thousand (2016: $119 million, $2 million, $63 million and $37 thousand; 2015: $75 million, $2 million, $2 million and $92 thousand) respectively.

*** Excludes portion attributable to non-controlling interest.

Schedule of Associated Companies that are Individually Immaterial

Associated companies that are individually immaterial

	Associated Companies		
	As at December 31		
	2017	2016	2015
	$ thousands		
Book value of investments as at December 31	-	8,897	9,008

Schedule of Ansonia Loans

Set forth below is an overview of the Ansonia loans as of December 31, 2017:

Date Granted	RMB million	Plus certain interest	Convertible into Equity Discount Rate [1]	Loan Transfer Date from Quantum to Qoros [2]
Tranche 1 / Apr 2016	150	6%	10%	May 20, 2016
Tranche 2 / Apr 2016	150			June 28, 2016
Tranche 3 / Sep 2016	150		25%	September 6, 2016
Total	**450 ($69 million)**			

1. To facilitate potential investment by a third party in Qoros, Ansonia loans are automatically convertible into equity in Quantum in the event of a third-party financing at Qoros meets certain conditions, or when Ansonia loans are repaid in relation to such third-party financing. The loans will be convertible into equity of Quantum at a 10% (Tranche 1 and 2) and at a 25% discount (Tranche 3) discount to the implied value of Qoros based upon the third-party financing.

2. Loans carry the same term of 9 months from the first transfer date

Schedule of Back-To-Back Guarantees

Set forth below is an overview of the RMB850 million back-to-back guarantees provided by Kenon in respect of Qoros' indebtedness, reflecting the reduction of the back-to-back guarantees described above:

Loans	Timing	Amount of Loans	Amount of Guarantee Obligations	Release of Kenon Guarantees	Remaining Guarantee Obligations	Pledge of Qoros Shares in

		to Qoros	Prior to Investment	to Chery	Post-Investment	relation to Investment
		in RMB million				
First Tranche	March 2017	388.5	850 [1]	425 [3]	425	5.17%
Second Tranche	April 2017	100	425	105 [3]	320	5.17%
Third Tranche	At Kenon's discretion	288.5	320	320 [3]	—	
Total		**777**	—	**850** [3]	**—**	**10.3%** [2]

1. Kenon's major shareholder Ansonia Holdings Singapore B.V. has committed to fund RMB25 million (approximately $4 million) of Kenon's back-to-back guarantee obligations in certain circumstances.

2. Excludes up to 5% of Qoros shares which Chery may borrow from Quantum to meet its pledge obligations under the Qoros RMB1.2 billion loan facility, as discussed above.

3. Plus interest and fees.

Schedule of Details Regarding Dividends Received from Associated Companies

Details regarding dividends received from associated companies

	For the Year Ended December 31		
	2017	2016	2015
	$ thousands		
From associated companies	382	743	4,487

Subsidiaries (Tables)

12 Months Ended
Dec. 31, 2017

Disclosure of subsidiaries [line items]

Schedule of Acquisition-Date Fair Value of each Major Class of Consideration Transferred

The following table summarizes the acquisition-date fair value of each major class of consideration transferred:

In thousands of $	
Cash consideration	242,536
Deferred payment	23,750
Total consideration transferred	**266,286**

In thousands of $	
Total consideration transferred	266,286
Cash and cash equivalent acquired	(60,227)
Total	**206,059**

Schedule of Goodwill Arising from the Acquisition

Goodwill arising from the acquisition has been recognized as follows:

In thousands of $	
Total consideration transferred	266,286
Non-controlling interest	20,325
Fair value of identifiable net assets	(249,509)
Goodwill*	**37,102**

(*) This amount is not deductible for tax purposes and was determined in Quetzales.

Schedule of Information Relating to each of the Group's Subsidiaries

The following table summarizes the information relating to each of the Group's subsidiaries in 2017, 2016 and 2015 that has material NCI:

	As at and for the year ended December 31								
	2017	2016*				2015*			
	OPC Energy Ltd.	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.
	$ thousands								
NCI percentage	24.18%	25.10%	35.42%	25.10%	25.10%	25.10%	35.42%	25.10%	25.10%
Current assets	204,461	75,485	41,630	108,246	53,843	47,766	43,390	92,120	23,841
Non-current assets	736,123	380,947	144,313	611,928	949,440	344,052	172,917	638,325	847,015
Current liabilities	(99,441)	(73,846)	(26,053)	(55,323)	(85,935)	(36,075)	(22,044)	(188,291)	(25,909)
Non-current liabilities	(667,996)	(311,030)	(100,834)	(511,277)	(618,219)	(289,560)	(121,142)	(356,900)	(556,277)
Net assets	173,147	71,556	59,056	153,574	299,129	66,183	73,121	185,254	288,670
Carrying amount of NCI	41,863	17,961	20,918	38,547	75,081	16,612	25,899	46,499	72,456
Revenues	365,395	40,000	90,017	438,475	49,646	—	111,428	447,679	—
Profit/(loss)	5,896	548	7,511	35,820	9	(4,049)	14,469	44,088	(8,579)
Other comprehensive income/(loss)	8,514	4,825	—	—	10,449	(6,057)	—	(53)	(1,079)
Profit attributable to NCI	1,425	138	2,660	8,991	2	(1,016)	5,125	11,066	(2,153)
OCI attributable to NCI	2,058	1,211	—	—	2,623	(1,520)	—	(13)	(271)
Cash flows from operating activities	110,290	(1,276)	17,737	114,838	25,629	—	42,480	120,438	—
Cash flows									

from investing activities	(154,194)	(60,468)	(931)	(16,082)	(69,372)	(236,207)	(5,088)	(13,589)	(180,771)
Cash flows from financing activities excluding dividends paid to non-controlling interests	165,107	—	(4,004)	(16,943)	—	138,000	(26,139)	(91,084)	95,000
Dividends paid to non-controlling interests	(4,159)	47,088	(26,440)	(88,911)	62,823	—	(4,401)	(7,530)	—
Effect of changes in the exchange rate on cash and cash equivalents	7,126	373	(348)	198	369	(3,266)	(489)	(5,334)	(2,929)
Net increase/ (decrease) in cash equivalents	124,170	(14,283)	(13,986)	(6,900)	19,449	(101,473)	6,363	2,901	(88,700)

* These entities are discontinued operations in 2017.

Estrella Cooperatief BA [Member]

Disclosure of subsidiaries [line items]

Schedule of Fair Value of the Assets Acquired and Liabilities Assumed at the Date of Acquisition

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition:

In thousands of $	
Property, plant and equipment	392,495
Intangibles	195,148
Deferred income tax assets, net	20,289
Trade receivables, net	100,508
Cash and cash equivalent	60,227
Other assets	22,457
Credit from bank and others	(288,290)
Deferred income tax liabilities	(54,642)
Trade payables	(108,193)
Guarantee deposits from customers	(51,072)
Other liabilities	(39,418)
Total identifiable net assets acquired	249,509

Deposits, Loans and Other Receivables, including Derivative Instruments (Tables)

Disclosure of deposits, loans and other receivables including derivative instruments [Abstract]

Schedule of Composition of Deposits, Loans and Other Receivables, including Derivative Instruments

12 Months Ended

Dec. 31, 2017

Composition:

	As at December 31	
	2017	2016
	$ thousands	
Deposits in banks and others – restricted cash	76,459	16,690
Long-term trade receivable	-	10,120
Financial derivatives not used for hedging	-	1,342
Income tax receivables and tax claims (1)	-	99,892
Other receivables (2)	30,258	48,731
	106,717	176,775

(1) Mainly from discontinued operations.

(2) Mainly relates to OPC's connectivity fees to the gas transmission network and the electricity grid classified as long-term deferred expenses.

Deferred Payment Obligation Receivable (Tables)

12 Months Ended
Dec. 31, 2017

Disclosure of deferred payment obligation receivable [Abstract]

Schedule of Deferred Payment Obligation Receivable

	As at December 31	
	2017	2016
	$ thousands	
Deferred payment receivable	175,000	-

Property, Plant and Equipment (Tables)

Disclosure of detailed information about property, plant and equipment [line items]

Schedule of Composition of Property, Plant and Equipment

12 Months Ended
Dec. 31, 2017

Composition

	As at December 31, 2017					
	Balance at beginning of year	Additions	Disposals	Differences in translation reserves	Sale of subsidiaries*	Balance at end of year
	$ thousands					
Cost						
Land, roads, buildings and leasehold improvements	1,041,723	4,139	(1,615)	4,167	(1,005,625)	42,789
Installations, machinery and equipment	2,445,579	68,410	(70,142)	49,825	(1,994,241)	499,431
Dams	164,469	105	(5)	-	(164,569)	-
Office furniture and equipment and motor vehicles	455,352	43,744	(4,954)	11,589	(500,163)	5,568
	4,107,123	116,398	(76,716)	65,581	(3,664,598)	547,788
Plants under construction	131,178	109,709	(15)	9,356	(85,609)	164,619
Spare parts for installations	68,854	4,364	(186)	1,487	(61,129)	13,390
	4,307,155	230,471	(76,917)	76,424	(3,811,336)	725,797
Accumulated depreciation						
Land, roads, buildings and leasehold improvements	83,737	20,523	(807)	530	(96,690)	7,293
Installations, machinery and equipment	637,794	112,416	(13,466)	8,547	(644,458)	100,833
Dams	48,385	8,097	(250)	-	(56,232)	-
Office furniture and equipment and motor vehicles	39,939	23,824	(1,307)	484	(61,433)	1,507
	809,855	164,860	(15,830)	9,561	(858,813)	109,633
Balance as at December 31, 2017	3,497,300	65,611	(61,087)	66,863	(2,952,523)	616,164

* This amount includes impairment as a result of the sale of Colombian assets. The Company recorded the impairment in cost of sales of $ 10 million.

	As at December 31, 2016						
	Balance at beginning of year	Additions	Disposals	Differences in translation reserves	Acquisition as part of business combination	Transfers and Reclassifications	Balance at end of year
	$ thousands						
Cost							
Land, roads, buildings and leasehold improvements	288,538	7,759	(1,244)	629	2,441	743,600	1,041,723
Installations,							

machinery and equipment	1,840,754	46,652	(35,616)	7,350	—	586,439	2,445,579
Dams	138,310	159	(965)	—	—	26,965	164,469
Office furniture and equipment and motor vehicles	52,124	25,866	(8,958)	12,129	375,063	(872)	455,352
	2,319,726	80,436	(46,783)	20,108	377,504	1,356,132	4,107,123
Plants under construction	1,260,375	217,278	(167)	385	7,839	(1,354,532)	131,178
Spare parts for installations	44,299	20,139	(477)	281	7,152	(2,540)	68,854
	3,624,400	317,853	(47,427)	20,774	392,495	(940)	4,307,155
Accumulated depreciation							
Land, roads, buildings and leasehold improvements	71,953	13,169	(1,434)	48	—	1	83,737
Installations, machinery and equipment	530,324	123,275	(16,512)	970	—	(263)	637,794
Dams	46,764	1,742	(121)	—	—	—	48,385
Office furniture and equipment and motor vehicles	21,538	20,591	(2,665)	212	—	263	39,939
	670,579	158,777	(20,732)	1,230	—	1	809,855
Balance as at December 31, 2016	2,953,821	159,076	(26,695)	19,544	392,495	(941)	3,497,300
Prepayments on account of property, plant & equipment	6,057						—
	2,959,878						3,497,300

Schedule of Net Carrying Values of Property, Plant and Equipment

Net carrying values

	As at December 31	
	2017	2016
	$ thousands	
Land, roads, buildings and leasehold improvements	35,496	957,986
Installations, machinery and equipment	398,598	1,807,785
Dams	-	116,084
Office furniture and equipment, motor vehicles and other equipment	4,061	415,413
Plants under construction	164,619	131,178
Spare parts for installations	13,390	68,854
	616,164	3,497,300

Schedule of Composition of Depreciation Expense

The composition of the depreciation expense from continuing operations is as follows:

	As at December 31

	2017	2016
	$ thousands	
Depreciation charged to results	30,794	27,286

Schedule of Composition of Depreciation and Amortization Expense

	As at December 31	
	2017	2016
	$ thousands	
Depreciation charged to cost of sales	30,102	26,697
Depreciation charged to general, selling and administrative expenses	597	468
Depreciation charged to results	30,699	27,165
Amortization of intangibles charged to cost of sales	-	-
Amortization of intangibles charged to general, selling and administrative expenses	95	121
Depreciation and amortization from continuing operations	30,794	27,286

I.C. Power [Member]

Disclosure of detailed information about property, plant and equipment [line items]

Schedule of Composition of Property, Plant and Equipment

In I.C. Power, property, plant and equipment includes assets acquired through financing leases. As at December 31, 2017 and 2016, the cost and corresponding accumulated depreciation of such assets are as follows:

	As of December 31, 2017			As of December 31, 2016		
	Cost	Accumulated depreciation	Net cost	Cost	Accumulated Depreciation	Net cost
	$ thousands					
Land, roads, buildings and leasehold improvements	-	-	-	42,288	(6,602)	35,686
Installations, machinery and equipment	-	-	-	275,852	(117,368)	158,484
Motor vehicles	-	-	-	410	(46)	364
	-	-	-	318,550	(124,016)	194,534

Intangible Assets, Net (Tables)

Disclosure of detailed information about intangible assets [abstract]

Schedule of Intangible Assets, Net

Composition:

	Goodwill	Licenses	Concessions, patents, licenses and similar rights	Customer relationships	Software	Other	Total	Total
					$ thousands			
Cost								
Balance as at January 1, 2016	79,581	—	41,074	1,776	68,806	191,237		,643
Acquisitions as part of business combinations	37,102	189,351	—	—	5,796	232,249		491
Acquisitions – self development	—	—	—	138	9,331	9,469		,459
Disposals	—	—	—	(153)	—	(153)		(82)
Reclassification	—	—	—	—	(161)	(161)		,500)
Translation differences	867	—	—	10	125	1,002		,565
Balance as at December 31, 2016	117,550	189,351	41,074	1,771	83,897	433,643		,576
Amortization and impairment								
Balance as at January 1, 2016	21,455	—	16,888	937	4,713	43,993		,865
Amortization for the year	—	5,434	4,054	227	3,287	13,002		,922
Disposals	—	—	—	(153)	—	(153)		25
Translation differences	—	—	—	4	19	23		,930)
Balance as at December 31, 2016	21,455	5,434	20,942	1,015	8,019	56,865		53
Carrying value								,935
As at January 1, 2016	58,126	—	24,186	839	64,093	147,244		
As at December 31, 2016	96,095	183,917	20,132	756	75,878	376,778		
As at January 1, 2017	96,095	183,917	20,132	756	75,878	376,778		
As at December 31, 2017	459	-	-	708	474	1,641		

* This amount includes impairments as a result of the sale of Colombian assets. The Company recorded the impairment in cost of sales of $ 10 million ($5 million in Others and $7 million in Goodwill).

Schedule of Carrying Amounts of Intangible Assets

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	
	2017	2016
	$ thousands	
Intangible assets with a finite useful life	1,182	280,683
Intangible assets with an indefinite useful life or not yet available for use	459	96,095
	1,641	376,778

Schedule of Goodwill from Cash Generating Units

Goodwill arises from the following Group entities in I.C. Power (cash generating unit):

	As at December 31	
	2017	2016
	$ thousands	
Nejapa*	-	40,693
Kallpa*	-	10,934
Energuate*	-	37,651
Surpetroil*	-	6,699
OPC Rotem (former AIE)	459	118

	459	96,095

* Discontinued operations

Schedule of Key Assumptions Used for Estimating Recoverable Amounts of Cash Generating Units

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.

	2017	2016
Discount rate	**In percent**	
Peru*	-	6.7
Energuate*	-	8.9
El Salvador*	-	9.8
Colombia*	-	8.2
Terminal value growth rate	-	2

* Discontinued operations

Loans and Debentures (Tables)

12 Months Ended Dec. 31, 2017

Disclosure of detailed information about borrowings [abstract]

Schedule of Current Liabilities and Non-Current Liabilities

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 31, in connection with financial instruments.

	As at December 31	
	2017	2016
	$ thousands	
Current liabilities		
Short-term loans from banks, financial institutions and others (1)	317,684	213,417
	317,684	213,417
Current maturities of long-term liabilities:		
Loans from banks, financial institutions and others	123,908	251,803
Non-convertible debentures	6,364	10,617
Liability in respect of financing lease	-	6,976
	130,272	269,396
Total current liabilities	447,956	482,813
Non-current liabilities		
Loans from banks and financial institutions	627,150	1,903,323
Non-convertible debentures	91,122	867,287
Liability in respect of financing lease	-	88,169
Other long-term balances	543	240,213
Total other long-term liabilities	718,815	3,098,992
Less current maturities	(130,272)	(269,396)
Total non-current liabilities	588,543	2,829,596

(1) Balances as at December 31, 2017 mainly relates to loans from related parties (see Note 30.E).

Schedule of Composition of I.C. Power Loans from Banks and Others

Composition of I.C. Power loans from Banks and Others

				As at December 31,2017		As at December 31,2016	
				$ thousands			
	Nominal annual Interest rate	Currency	Maturity	Current	Non-Current	Current	Non-Current
Short-term loans from banks							
I.C. Power Distribution Holdings							
Credit Suisse	LIBOR + 4%	USD	2017	—	—	119,487	—
Samay							
Interbank	2.9%	USD	2017	—	—	31,945	—
DEOCSA							
Various entities	LIBOR + 4.75%	USD	2017	—	—	18,000	—
DEORSA							
Various entities	LIBOR + 4.75%	USD	2017	—	—	12,000	—
CDA							
Banco de Crédito del Perú	0.83%	USD	2017	—	—	14,000	—
PQP							
Banco Industrial Guatemala	4.75%	USD	2017	—	—	6,000	—

Cobee							
Various entities	4.2% / 5.5%	BOB	2016/2017	—	—	4,499	—
Nejapa							
Scotiabank El Salvador	5.50%	USD	2017	—	—	4,200	—
Empresa Energética Corinto Ltd							
Banco de América Central (BAC)	5.25%	USD	2017	—	—	1,586	—
Cepp							
Scotiabank	2.4%	USD	2017	—	—	1,000	—
BHD Bank	2.53%	USD	2017	—	—	200	—
Surenergy							
Banco Davivienda	DTF + 4.5%	COP	2017	—	—	500	—
Short-term loans from banks							
Subtotal				—	—	213,417	—
Loans from Banks and others							
Financial institutions:							
Cerro del Aguila							
Tranche A	LIBOR+4.25% - LIBOR +5.50%	USD	2024	—	—	15,344	320,437
Tranche B	LIBOR+4.25% - LIBOR +6.25%	USD	2024	—	—	—	180,896
Tranche 1D	LIBOR+2.75% - LIBOR +3.60%	USD	2024	—	—	1,760	38,697
Tranche 2D	LIBOR+2.75% - LIBOR +3.60%	USD	2027	—	—	—	21,959

				As at December 31,2017		As at December 31,2016	
				$ thousands			
	Nominal annual Interest rate	Currency	Maturity	Current	Non-Current	Current	Non-Current
Samay I							
Sumitomo /HSBC / Bank of Tokyo	LIBOR+2.125% - LIBOR +2.625%	USD	2021	—	—	5,047	302,247
Central Cardones							
Tranche One							
BCI / Banco Itaú	LIBOR+1.90%	USD	2021	—	—	3,781	18,228
Tranche Two							
BCI / Banco Itaú	LIBOR+2.75%	USD	2021	—	—	—	13,383
Colmito							
Banco Bice	7.90%	CLP	2028	—	—	625	16,121
Consorcio Eólico Amayo, S.A.(I)							
Banco Centroamericano de Integración Económica	8.45% - LIBOR +4%	USD	2023	—	—	5,307	37,376
Consorcio Eólico							

Amayo (Fase II), S.A.							
Various entities	LIBOR+5.75%, 8.53%,10.76%	USD	2025	—	—	3,029	28,250
Empresa Energética Corinto, Ltd.							
Banco de América Central (BAC)	8.35%	USD	2018	—	—	3,124	3,402
Tipitapa Power Company, Ltd.							
Banco de América Central (BAC)	8.35%	USD	2018	—	—	2,801	3,328
Jamaica Private Power Company							
Royal Bank of Canada	LIBOR + 5.50%	USD	2017	—	—	824	—
Burmeister & Wain Scandinavian Contractor A/S	3.59%	USD	2018	—	—	338	233
PQP							
Banco Industrial	LIBOR + 4.50%	USD	2021	—	—	2,374	9,632
Surpetroil S.A.S							
Banco de Occidente S.A	IBR + 5.87%	COP	2018	—	—	504	375
Banco Pichincha	DTF + 3%	COP	2017	—	—	100	—
Kanan							
Scotiabank	LIBOR + 3.5%	USD	2021	—	—	46,094	—
Overseas Investments Peru							
Credit Suisse (D)	LIBOR + 5%-6.5%	USD	2017	99,964	—	97,274	—
DEORSA							
Syndicated Loan – various banks	LIBOR + 4.7% - LIBOR + 4.75%	USD	2021/2025	—	—	10,167	67,857
Syndicated Loan - various banks	TAPP minus 5.6% - TAPP minus 6.1%	GTQ	2021/2025	—	—	4,687	30,653

				As at December 31,2017		As at December 31,2016	
				$ thousands			
	Nominal annual Interest rate	Currency	Maturity	Current	Non-Current	Current	Non-Current
DEOCSA							
Syndicated Loan – various banks	LIBOR + 4.7% - LIBOR + 4.75%	USD	2021/2025	—	—	16,876	107,488
Syndicated Loan - various banks	TAPP minus 5.6% - TAPP minus 6.1%	GTQ	2021/2025	—	—	6,215	43,127
RECSA							
Banco G&T Continental	TAPP + 6.63%	GTQ	2020	—	—	931	3,722
OPC Rotem Ltd							
Lenders Consortium (E)	4.85% - 5.36%	NIS	2031	23,944	463,160	20,290	344,240
OPC Hadera							
Facility B— Amitim and Menora							

Pension Funds (F)	7.75%	NIS	2029	—	40,092	4,311	47,425
IC Power Asua Development Ltd							
Bank Hapoalim New York	0.75%	USD	2019	—	—	—	12,000
AGS							
Veolia Energy Israel Ltd		NIS	2019	—	—	—	444
Sub total				123,908	503,242	251,803	1,651,520
Liabilities in respect of finance leases:							
Kallpa Generación							
Banco de Crédito del Perú	7.15%	USD	2023	—	—	6,624	81,193
Surpetroil S.A.S.							
Banco de Occidente S.A.	DTF + 3.5%	COP	2017	—	—	223	—
DEORSA							
Arrendadora Agromercantil	TAPP minus 2.47%	GTQ	2017	—	—	129	—
Sub total				—	—	6,976	81,193
Debentures							
Cobee							
Bonds Cobee III-1B	6.50%	USD	2017	—	—	1,750	—
Bonds Cobee III-1C (bolivianos)	9.00%	BOB	2020	—	—	1,586	4,757
Bonds Cobee III-2	6.75%	USD	2017	—	—	5,000	—
Bonds Cobee III-3 (bolivianos)	7.00%	BOB	2022	—	—	—	6,160
Bonds Cobee IV-1A	6.00%	USD	2018	—	—	—	3,988
Bonds Cobee IV-1B	7.00%	USD	2020	—	—	—	3,980
Bonds Cobee IV-1C (bolivianos)	7.80%	BOB	2024	—	—	—	12,030
Cobee Bonds-IV Issuance 3	6.70%	USD	2019	—	—	—	4,973
Cobee Bonds-IV Issuance 4 (bolivianos)	7.80%	BOB	2024	—	—	—	15,039
Cobee Bonds-IV Issuance 5 (bolivianos)	5.75%	BOB	2026	—	—	1,950	17,697

				As at December 31,2017		As at December 31,2016	
				$ thousands			
	Nominal annual Interest rate	Currency	Maturity	Current	Non-Current	Current	Non-Current
Inkia Energy Ltd							

Inkia Bonds	8.38%	USD	2021	—	—	—	447,904
Kallpa Generación							
Kallpa Bonds	4.88%	USD	2026	—	—	—	325,970
Cepp							
Cepp Bonds	6.00%	USD	2019	—	—	—	9,945
Cobee							
Cobee Bonds (Premium)		USD-BOB	2017-2024	—	—	331	4,227
OPC Energy Ltd							
Bonds – Series A (G)	4.45%	NIS	2030	6,364	84,758	—	—
Sub total				6,364	84,758	10,617	856,670
Total				130,272	588,000	482,813	2,589,383

Schedule of Classification based on Currencies and Interest Rates

Classification based on currencies and interest rates

	Weighted-average interest rate December 31 2017	As at December 31	
		2017	2016
	%	$ thousands	
Current liabilities (without current maturities)			
Short-term loans from financial institutions			
In dollars		-	208,418
In other currencies		-	4,999
		-	213,417
Non-current liabilities (including current maturities)			
Debentures			
In dollars		-	804,052
In other currencies	4.80%	91,122	63,235
		91,122	867,287
Loans from financial institutions (including financing lease)			
In dollars	7.90%	99,964	1,467,369
In shekels	4.80%	527,186	416,710
In quetzales		-	89,464
In other currencies		-	17,948
		627,150	1,991,491
		718,272	2,858,778

Schedule of Information Regarding the Financing Lease Liability Broken Down by Payment Dates

Information regarding the financing lease liability broken down by payment dates is presented below:

	As at December 31, 2017			As at December 31, 2016		
	Minimum future lease rentals	Interest component	Present value of minimum lease rentals	Minimum future lease rentals	Interest component	Present value of minimum lease rentals
	$ thousands					
Less than one year	-	-	-	13,016	6,040	6,976
From one year to five years	-	-	-	85,849	19,217	66,632
More than five years	-	-	-	15,207	646	14,561
	-	-	-	114,072	25,903	88,169

Schedule of Main Covenants that the Group and Certain Group Entities must Comply with During the Term of the Debts

As at December 31, 2017, the main covenants that certain Group entities must comply with during the term of the debts were as follows:

	Covenant
Group entities	**Debt service to coverage ratio**
OPC Rotem	Not less than 1.25

Trade Payables (Tables)

12 Months Ended
Dec. 31, 2017

Trade and other current payables [abstract]

Schedule of Trade Payables

	As at December 31	
	2017	2016
	$ thousands	
Current		
Trade Payables	36,994	264,720
Accrued expenses and other payables	21,901	20,892
	58,895	285,612
Non-current		
Trade Payables*	-	44,057

(*) As of December 31, 2016, non-current trade payables correspond mainly to spare parts, used for major maintenance of facilities of discontinued operations, acquired according to a long-term program (LTP) agreement signed with Siemens. During 2016, these trade payables have not generated interests and no specific guarantee have been granted.

Other Payables including Derivative Instruments (Tables)

12 Months Ended

Dec. 31, 2017

Other Payables Including Derivative Instruments

Schedule of Other Payables including Derivative Instruments

	As at December 31	
	2017	2016
	$ thousands	
Current liabilities:		
Financial derivatives not used for hedging	73	783
Financial derivatives used for hedging	439	11,563
The State of Israel and government agencies	1,208	4,206
Employees and payroll-related agencies	179	4,846
Customer advances and deferred income	-	944
Accrued expenses	14,915	23,563
Dividend payable to non-controlling interest	-	2,893
Interest payable	21	23,038
Transaction costs on sale of subsidiaries	59,000	-
Other	6,687	19,467
	82,522	91,303
Non-current liabilities:		
Financial derivatives not used for hedging	-	1,342
Financial derivatives used for hedging	-	13,701
Other financial derivatives	-	29,594
	-	44,637

Provisions (Tables)

Provisions [abstract]

Schedule of Provisions

	12 Months Ended Dec. 31, 2017					
	Financial Guarantee*	Others	Total	Financial Guarantee*	Others**	Total
	2017			2016		
	$ thousands			$ thousands		
Balance at January, 1	118,763	768	119,531	-	41,686	41,686
Reclassified from long-term liabilities	-	-	-	34,263	-	34,263
Provision made during the year	-	-	-	130,193	-	130,193
Provision reversed to profit/ (loss) during the year	-	-	-	(4,587)	-	(4,587)
Provision paid/ released	(74,421)	(768)	(75,189)	(36,023)	(40,170)	(76,193)
Effects of foreign currency	-	-	-	(5,083)	(748)	(5,831)
Balance at December, 31	44,342	-	44,342	118,763	768	119,531

* Relates to Kenon's provision of financial guarantees to Chery in respect of an obligation of Qoros (see Note 10.C.b.7).

** Corresponds to a provision made by an I.C. Power's subsidiary as a result of a regulator charge. Expenses related to this provision were recognized in the cost of sales in the amount of $15 million in 2015.

Contingent Liabilities, Commitments and Concessions (Tables)

Disclosure of contingent liabilities, commitments and concessions [Abstract]

Schedule of Guarantees

12 Months Ended

Dec. 31, 2017

As of December 31, 2017, ICPAD has issued guarantees for a total amount of $44 million, as follows:

Guarantee party	Description	In thousands of NIS	In thousands of $	Cash Collateral in thousands of $
Advanced Integrated Energy Ltd.	IDOM - EPC Agreement	—	10,500	—
Advanced Integrated Energy Ltd.	GE - CSA Agreement	—	21,000	—
OPC Rotem Ltd.	Facility agreement	45,000	12,980	6,505

Share Capital and Reserves (Tables)

12 Months Ended Dec. 31, 2017

Disclosure of classes of share capital [abstract]

Schedule of Share Capital

Share Capital

	Company No. of shares ('000)	
	2017	**2016**
Authorised and in issue at January, 1	53,720	53,694
Authorised and in issued as part of the spin-off from IC	—	—
	53,720	53,694
Issued for share plan	88	26
Authorised and in issue at December. 31	53,808	53,720

Cost of Sales and Services (Tables)

12 Months Ended
Dec. 31, 2017

Disclosure of cost of sales and services [Abstract]

Schedule of Cost of Sales and Services

	For the Year Ended December 31		
	2017	2016*	2015*
	$ thousands		
Capacity and energy purchases and transmission costs	50,973	57,310	93,196
Fuel, gas and lubricants	137,832	133,012	142,967
Payroll and related expenses	6,269	5,942	4,325
Regulatory expenses	62,908	48,509	-
Third party services	2,670	2,890	-
Other	6,484	4,003	4,328
	267,136	251,666	244,816

* Restated (See note 2.E)

Selling, General and Administrative Expenses (Tables)

12 Months Ended

Dec. 31, 2017

Disclosure of selling, general and administrative expenses [Abstract]

Schedule of Selling, General and Administrative Expenses

	For the Year Ended December 31		
	2017	2016*	2015*
	$ thousands		
Payroll and related expenses	21,380	14,830	17,085
Depreciation and amortization	691	641	817
Professional fees	20,334	23,863	9,576
Other expenses	13,887	7,761	22,248
	56,292	47,095	49,726

* Restated (See note 2.E)

Financing Income (Expenses), Net (Tables)

12 Months Ended
Dec. 31, 2017

Financing Income Expenses Net Schedule Of Financing Income Expenses Net Details

Schedule of Financing Income (Expenses), Net

	For the Year Ended December 31		
	2017	2016	2015
	$ thousands		
Financing income			
Interest income from bank deposits	640	2,269	4,772
Net change from change in exchange rates	2,259	5,448	521
Net changes in fair value of Tower options series 9	-	-	2,119
Net change in fair value of derivative financial instruments	-	6	2,720
Other income	5	1	589
Financing income	2,904	7,724	10,721
Financing expenses			
Interest expenses to banks and others	(59,514)	(45,317)	(34,378)
Net change from change in exchange rates	-	-	(648)
Net change in fair value of derivative financial instruments	(1,168)	-	-
Other expenses	(9,484)	(1,959)	(1,368)
Financing expenses	(70,166)	(47,276)	(36,394)
Net financing expenses recognized in the statement of profit and loss	(67,262)	(39,552)	(25,673)

Income Taxes (Tables)

12 Months Ended
Dec. 31, 2017

Disclosure of income taxes [Abstract]

Schedule of Components of Income Taxes

Components of the Income Taxes

	For the Year Ended December 31		
	2017	2016	2015
	$ thousands		
Current taxes on income			
In respect of current year*	64,291	1,687	25
In respect of prior years	44	92	(294)
Deferred tax income			
Creation and reversal of temporary differences	8,474	473	9,312
Total taxes on income	72,809	2,252	9,043

No previously unrecognized tax benefits were used in 2015, 2016 or 2017 to reduce our current tax expense.

* Current taxes on income for the current year includes $61 million taxes payable in connection with a planned restructuring to simplify the holding structure of some of the companies remaining in the Kenon group subsequent to the Inkia transaction. As a result of this restructuring (which was substantially completed in January 2018), Kenon will hold its interest in OPC directly. Kenon does not expect any further tax liability in relation to any future sales of its interest in OPC.

Schedule of Reconciliation between Theoretical Tax Expense (Benefit) on Pre-tax Income (Loss) and Actual Income Tax Expenses

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		
	2017	2016	2015
	$ thousands		
(Loss)/profit from continuing operations before income taxes	(135,636)	(426,900)	32,154
Statutory tax rate	17.00%	17.00%	17.00%
Tax computed at the statutory tax rate	(23,058)	(72,573)	5,466
Increase (decrease) in tax in respect of:			
Elimination of tax calculated in respect of the Group's share in losses of associated companies	20,924	31,651	18,880
Income subject to tax at a different tax rate	63,446	(2,548)	7,218
Non-deductible expenses	12,850	41,960	3,944
Exempt income	(7,006)	-	(35,651)
Taxes in respect of prior years	44	92	(294)
Impact of change in tax rate	-	-	-
Changes in temporary differences in respect of which deferred taxes are not recognized	4,285	1,419	580
Tax losses and other tax benefits for the period regarding which deferred taxes were not recorded	350	2,449	8,335
Differences between the measurement base of income reported for tax purposes and the income reported in the financial statements	13	-	(419)
Other differences	961	(198)	984
Taxes on income included in the statement of profit and loss	72,809	2,252	9,043

Schedule of Deferred Tax Assets and Liabilities Recognized

The deferred tax assets and liabilities are derived from the following items:

	Carryforward

	Property plant and equipment	Employee benefits	of losses and deductions for tax purposes	Other*	Total
	$ thousands				
Balance of deferred tax asset (liability) as at January 1, 2016	(123,968)	601	61,943	(73,966)	(135,390)
Changes recorded on the statement of profit and loss	(48,212)	286	28,014	1,741	(18,171)
Changes recorded to equity reserve	—	61	—	(5,249)	(5,188)
Translation differences	(1,495)	15	398	791	(291)
Impact of change in tax rate	7,638	—	(5,620)	(8,875)	(6,857)
Changes in respect of business combinations	(41,456)	748	—	6,355	(34,353)
Balance of deferred tax asset (liability) as at December 31, 2016	(207,493)	1,711	84,735	(79,203)	(200,250)
Changes recorded on the statement of profit and loss	(13,940)	(1,097)	(13,919)	15,845	(13,111)
Changes recorded to equity reserve	-	882	-	(7,024)	(6,142)
Translation differences	(10,046)	24	4,397	1,253	(4,372)
Impact of change in tax rate	575	-	-	-	575
Sale of subsidiaries	140,736	(1,520)	(39,764)	71,095	170,547
Balance of deferred tax asset (liability) as at December 31, 2017	(90,168)	-	35,449	1,966	(52,753)

* This amount includes deferred tax arising from derivative instruments, intangibles, undistributed profits, non-monetary items and trade receivables distribution.

Schedule of Deferred Taxes Presented in Statements of Financial Position

The deferred taxes are presented in the statements of financial position as follows:

	As at December 31	
	2017	2016
	$ thousands	
As part of non-current assets	-	25,104
As part of non-current liabilities	(52,753)	(225,354)
	(52,753)	(200,250)

Earnings per Share (Tables)

12 Months Ended
Dec. 31, 2017

Earnings per share [abstract]

Schedule of (Loss)/Income Allocated to Holders of Ordinary Shareholders

Income/(Loss) allocated to the holders of the ordinary shareholders

	For the Year Ended December 31		
	2017	2016	2015
	$ thousands		
Income/(Loss) for the year attributable to Kenon's shareholders	236,590	(411,937)	72,992
Income for the year from discontinued operations (after tax)	476,565	35,150	72,781
Less: NCI	(24,928)	(13,250)	(12,872)
Income for the year from discontinued operations (after tax) attributable to Kenon's shareholders	451,637	21,900	59,909
(Loss)/Income for the year from continuing operations attributable to Kenon's shareholders	(215,047)	(433,837)	13,083

Schedule of Number of Ordinary Shares

Number of ordinary shares

	For the Year Ended December 31		
	2017	2016	2015
	('000)		
Weighted Average number of shares used in calculation of basic/diluted earnings per share	53,761	53,720	53,649

Discontinued Operations (Tables)

12 Months Ended Dec. 31, 2017

Disclosure of discontinued operations [Abstract]

Schedule of Results Attributable to Discontinued Operations

Set forth below are the results attributable to the discontinued operations

	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
	$ thousands		
Revenue	1,777,232	1,517,391	962,677
Cost of sales and services (excluding depreciation and amortization)	(1,235,214)	(1,076,563)	(620,180)
Depreciation and amortization	(135,733)	(132,998)	(85,482)
Gross profit	406,285	307,830	257,015
Income before taxes on income	152,280	92,233	126,116
Taxes on income	(73,141)	(57,083)	(53,335)
Income after taxes on income	79,139	35,150	72,781
Gain on sale of discontinued operations	529,923	-	-
Tax on gain on sale of discontinued operations	(132,497)	-	-
Income from discontinued operations	476,565	35,150	72,781
Net cash flows provided by operating activities	319,637	176,515	229,757
Net cash flows provided by/(used in) investing activities	816,544	(300,833)	(637,994)
Net cash flows (used in)/provided by financing activities	(103,524)	25,308	163,714
Cash and cash equivalents provided by/(used in) discontinued operations	1,032,657	(99,010)	(244,523)
Property, plant and equipment	2,937,005		
Goodwill and intangible assets	357,835		
Investments in associated companies	9,155		
Deferred taxes, net	25,450		
Income tax receivable	112,457		
Trade and other receivables	379,143		
Inventories	91,718		
Cash and cash equivalents	138,708		
Trade and other liabilities	(2,753,476)		
Net asset	1,297,995		
Consideration received, satisfied in cash	934,573		
Transaction costs	(3,280)		
Cash and cash equivalents disposed off	(138,708)		
Net cash inflow	792,585		

Segment, Customer and Geographic Information (Tables)

Disclosure of operating segments [abstract]

Schedule of Information Regarding Reportable Segments

12 Months Ended

Dec. 31, 2017

Financial information of the reportable segments is set forth in the following table.

	OPC	Qoros*	Other	Adjustments	Total
			$ thousands		
2017					
Total sales	365,395	-	309	-	365,704
Income/(loss) before taxes	22,708	(121,198)	(37,146)	-	(135,636)
Income Taxes	(8,945)	-	(63,864)	-	(72,809)
Income/(loss) from continuing operations	13,763	(121,198)	(101,010)	-	(208,445)
Depreciation and amortization	30,102	-	692	-	30,794
Financing income	(1,088)	-	(13,230)	11,414	(2,904)
Financing expenses	33,753	-	47,827	(11,414)	70,166
Other items:					
Share in losses/(income) of associated companies	-	121,198	(10,533)	-	110,665
Write back of impairment of investments	-	-	(28,758)	-	(28,758)
	62,767	121,198	(4,002)	-	179,963
Adjusted EBITDA	85,475	-	(41,148)	-	44,327
Segment assets	939,809	-	1,464,354	-	2,404,163
Investments in associated companies	-	1,694	120,000	-	121,694
					2,525,857
Segment liabilities	742,692	-	731,818	-	1,474,510
Capital expenditure	109,226	-	121,245	-	230,471

* Associated Company – See Note 10.A.2 and 10.C.b.

	OPC	Qoros*	Other	Adjustments	Total
			$ thousands		
2016					
Total sales	324,188	-	65	-	324,253
Income/(loss) before taxes	20,450	(142,534)	(304,816)	-	(426,900)
Income Taxes	(67)	-	(2,185)	-	(2,252)
Income/(loss) from continuing operations	20,383	(142,534)	(307,001)	-	(429,152)
Depreciation and amortization	26,697	-	589	-	27,286
Financing income	(2,988)	-	(17,081)	12,345	(7,724)
Financing expenses	22,838	-	36,783	(12,345)	47,276
Other items:					
Share in losses/(income) of associated companies	-	142,534	43,681	-	186,215
Provision of financial guarantee	-	-	130,193	-	130,193
Impairment of investments	-	-	72,263	-	72,263
	46,547	142,534	266,428	-	455,509

Adjusted EBITDA	66,997	-	(38,388)	-	28,609
Segment assets	667,631	-	4,261,929	-	4,929,560
Investments in associated companies	-	117,593	90,640	-	208,233
					5,137,793
Segment liabilities	533,684	-	3,709,905	-	4,243,589
Capital expenditure	72,540	-	245,313	-	317,853

* Associated Company – See Note 10.A.2 and 10.C.b.

	OPC	Qoros*	Other	Adjustments	Total
			$ thousands		
2015					
Total sales	325,570	-	329	-	325,899
Income/(loss) before taxes	29,975	(196,223)	198,402	-	32,154
Income Taxes	(8,151)	-	(892)	-	(9,043)
Income/(loss) from continuing operations	21,824	(196,223)	197,510	-	23,111
Depreciation and amortization	25,435	-	1,605	-	27,040
Financing income	(3,140)	-	(7,581)	-	(10,721)
Financing expenses	26,315	-	10,079	-	36,394
Other items:					
Share in losses/(income) of associated companies	-	196,223	(9,190)	-	187,033
Gain from distribution of dividend in kind	-	-	(209,710)	-	(209,710)
Asset impairment	-	-	6,541	-	6,541
	48,610	196,223	(208,256)	-	36,577
Adjusted EBITDA	78,585	-	(9,854)	-	68,731
Segment assets	810,551	-	3,303,204	-	4,113,755
Investments in associated companies	-	158,729	210,293	-	369,022
					4,482,777
Segment liabilities	676,832	-	2,542,390	-	3,219,222
Capital expenditure	18,273	-	556,116	-	574,389

* Associated Company – See Note 10.A.2 and 10.C.b.

Schedule of Major Customers and Percentage of Group's Total Revenues

Following is information on the total sales of the Group to material customers and the percentage of the Group's total revenues (in $ thousand):

	2017		2016		2015	
Customer	Total revenues	Percentage of revenues of the Group	Total revenues	Percentage of revenues of the Group	Total revenues	Percentage of revenues of the Group
Customer 1	75,735	20.71%	59,880	18.47%	70,545	21.65%
Customer 2	*	*	*	*	35,760	10.97%
Customer 3	53,605	14.66%	39,355	12.14%	43,904	13.47%
Customer 4	50,447	13.79%	32,446	10.01%	35,650	10.94%
Customer 5	38,212	10.45%	36,391	11.22%	*	*

(*) Represents an amount less than 10% of revenues.

Schedule of Information Based on Geographic Areas

The Group's geographic revenues are as follows:

	For the year ended December 31		
	2017	2016	2015
	$ thousands		
Israel	365,395	324,188	325,570
Others	309	65	329
Total revenues	365,704	324,253	325,899

Schedule of Non-current Assets on the Basis of Geographic Location

The Group's non-current assets* on the basis of geographic location:

	As at December 31	
	2017	2016
	$ thousands	
Peru	-	1,910,421
Guatemala	-	682,985
Israel	617,358	495,639
Others	447	785,033
Total non-current assets	617,805	3,874,078

* Composed of property, plant and equipment and intangible assets.

Related-party Information (Tables)

12 Months Ended Dec. 31, 2017

Disclosure of transactions between related parties [abstract]

Schedule of Transactions with Directors and Officers (Kenon's Directors and Officers)

Key management personnel compensation

	2017	2016
	$ thousands	
Short-term benefits	5,632	4,352
Share-based payments	508	547
	6,140	4,899

Schedule of Transactions with Related Parties (Excluding Associates)

Transactions with related parties (excluding associates):

	For the year ended December 31		
	2017	2016	2015
	$ thousands		
Sales of electricity	102,443	148,119	135,655
Administrative expenses	331	614	329
Sales of gas	31,296	29,873	—
Financing expenses, net	18,444	14,475	10,716

Schedule of Transactions with Associates

Transactions with associates:

	For the year ended December 31		
	2017	2016	2015
	$ thousands		
Sales of electricity	—	—	5,115
Operating expenses	—	—	204
Other income, net	198	178	95

Schedule of Balances with Related Parties

Balances with related parties:

	As at December 2017			As at December 2016		
	Ansonia	Other related parties *	Total	Ansonia	Other related parties *	Total
	$ thousands			$ thousands		
Cash and short-term deposit	—	—	—	—	2,462	2,462
Trade receivables	—	12,778	12,778	—	12,245	12,245
Loans and Other Liabilities						
In US dollar or linked thereto	75,081	242,598	317,679	45,735	222,971	268,706
Weighted-average interest rates (%)	6.00%	7.69%	7.29%	6.00%	7.24%	6.62%
Repayment years						
Current maturities	75,081	242,598		—	—	
Second year	—	—		45,735	—	
Third year	—	—		—	—	
Fourth year	—	—		—	—	

Fifth year	—	—	—	—
Sixth year and thereafter	—	—	—	222,971
	75,081	242,598	45,735	222,971

* IC, Israel Chemicals Ltd ("ICL"), Oil Refineries Ltd ("ORL").

Financial Instruments (Tables)

12 Months Ended Dec. 31, 2017

Disclosure of detailed information about financial instruments [abstract]

Schedule of Maximum Exposure to Credit Risk for Financial Assets

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	
	2017	2016
	$ thousands	
	Carrying amount	
Cash and cash equivalents	1,417,388	326,635
Short-term investments and deposits	7,144	89,545
Trade receivables, net	44,137	284,532
Long-term trade receivables	-	10,120
Other current assets	35,752	28,462
Deposits and other long-term receivables including derivative instruments	281,717	66,434
	1,786,138	805,728

Schedule of Maximum Exposure to Credit Risk for Trade Receivables By Geographic Region

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	
	2017	2016
	$ thousands	
Israel	44,058	34,779
South America	-	93,293
Central America	-	155,142
Other regions	79	11,438
	44,137	294,652

Schedule of Aging of Trade Receivables

Set forth below is an aging of the trade receivables:

	As at December 31, 2017			As at December 31, 2016		
	For which impairment was not recorded	For which impairment was recorded		For which impairment was not recorded	For which impairment was recorded	
		Gross	Impairment		Gross	Impairment
	$ thousands			$ thousands		
Not past due	50	—	—	233,787	8	(8)
Past due up to 3 months	40,879	—	—	50,723	—	—
Past due 3 – 6 months	3,208	—	—	9,160	282	(282)
Past due 6 – 9 months	—	—	—	83	—	—
Past due 9 – 12 months	—	—	—	652	—	—
Past due more than one year	—	—	—	247	4,714	(4,714)
	44,137	—	—	294,652	5,004	(5,004)

Schedule of Anticipated Repayment Dates of the Financial Liabilities

This disclosure does not include amounts regarding which there are offset agreements:

	As at December 31, 2017					
	Book value	Projected cash flows	Up to 1 year	1-2 years	2-5 years	More than 5 years
	$ thousands					
Non-derivative financial liabilities						

Loans from banks and others *	317,684	317,786	317,786	-	-	-
Trade payables	58,895	58,895	58,895	-	-	-
Other payables	77,869	77,964	77,964	-	-	-
Non-convertible debentures **	91,122	125,089	13,153	7,086	34,033	70,817
Loans from banks and others **	627,150	846,652	157,805	50,768	173,222	464,857
Liabilities in respect of financing lease	-	-	-	-	-	-
Financial guarantee ***	44,342	44,342	44,342	-	-	-
Financial liabilities – hedging instruments						
Forward exchange rate contracts	439	439	439	-	-	-
Financial liabilities not for hedging						
Derivatives on exchange rates	73	73	73	-	-	-
	1,217,574	1,471,240	670,457	57,854	207,255	535,674

* Excludes current portion of long-term liabilities.

** Includes current portion of long-term liabilities.

*** Financial Guarantees contractual period in Qoros is dependent on Qoros's timeliness to meet the obligation of current loans payable.

	As at December 31, 2016					
	Book value	**Projected cash flows**	**Up to 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
	$ thousands					
Non-derivative financial liabilities						
Loans from banks and others *	213,417	219,651	219,651	-	-	-
Trade payables	285,612	285,612	285,612	-	-	-
Other payables	160,540	160,540	59,650	10,121	21,718	69,051
Non-convertible debentures **	867,287	1,190,032	58,113	57,217	616,765	457,937
Loans from banks and others **	2,143,499	2,756,851	340,684	244,508	977,251	1,194,408
Liabilities in respect of financing lease	88,169	114,069	13,013	12,171	57,432	31,453
Financial guarantee ***	118,763	118,763	118,763	-	-	-
Financial liabilities – hedging instruments						
Interest SWAP contracts	22,865	22,865	9,930	5,788	4,192	2,955
Forward exchange rate contracts	2,399	2,399	1,627	772	-	-
Financial liabilities not for hedging						
Interest SWAP contracts and options	2,125	2,125	783	570	688	84
Derivatives from debt restructure	29,594	29,594	-	29,594	-	-
	3,934,270	4,902,501	1,107,826	360,741	1,678,046	1,755,888

* 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.

Schedule of Exposure to CPI and Foreign Currency Risks

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, 2017		
	Foreign currency		
	Shekel		
	Unlinked	CPI linked	Other
Non-derivative instruments			
Cash and cash equivalents	158,679	—	18,593
Short-term investments, deposits and loans	60,855	—	—
Trade receivables	42,004	—	—
Other receivables	2,686	—	3,603
Long-term deposits and loans	25,600	—	—
Total financial assets	289,824	—	22,196
Loans from banks and others	—	—	30,308
Trade payables	31,286	—	86
Other payables	3,178	—	1,316
Long-term loans from banks and others and debentures	109,629	478,891	—
Total financial liabilities	144,093	478,891	31,710
Total non-derivative financial instruments, net	145,731	478,891	(9,514)
Derivative instruments	—	—	(439)
Net exposure	145,731	478,891	(9,953)

	As at December 31, 2016		
	Foreign currency		
	Shekel		
	Unlinked	CPI linked	Other
Non-derivative instruments			
Cash and cash equivalents	11,810	—	24,240
Short-term investments, deposits and loans	29,137	—	26,198
Trade receivables	34,779	—	172,664
Other receivables	665	—	6,964
Long-term deposits and loans	20,349	—	16,412
Total financial assets	96,740	—	246,478
Loans from banks and others	—	—	34,998
Trade payables	26,913	—	128,512
Other payables	1,093	1,205	17,266
Long-term loans from banks and others and debentures	444	416,266	465,262
Total financial liabilities	28,450	417,471	646,038
Total non-derivative financial instruments, net	68,290	(417,471)	(399,560)
Derivative instruments	—	—	(2,421)
Net exposure	68,290	(417,471)	(401,981)

Schedule of 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 2015.

	As at December 31, 2017			
	10% increase	5% increase	5% decrease	10% decrease
	$ thousands			
Non-derivative instruments				
Shekel/dollar	13,248	6,940	(6,940)	(13,248)
CPI	(43,536)	(22,804)	22,804	43,536
Dollar/other	(2,559)	(1,269)	1,269	2,559

	As at December 31, 2016			
	10% increase	5% increase	5% decrease	10% decrease
	$ thousands			
Non-derivative instruments				
Shekel/dollar	6,208	3,252	(3,252)	(6,208)
CPI	(37,952)	(19,880)	19,880	37,952
Dollar/other	(44,447)	(21,044)	19,037	36,332

Schedule of Type of Interest Borne by Financial Instruments

Set forth below is detail of the type of interest borne by the Group's interest-bearing financial instruments:

	As at December 31	
	2017	2016
	Carrying amount	
	$ thousands	
Fixed rate instruments		
Financial assets	1,438,243	157,121
Financial liabilities	-	(1,530,715)
	1,438,243	(1,373,594)
Variable rate instruments		
Financial assets	-	20,167
Financial liabilities	(239,876)	(2,600,799)
	(239,876)	(2,580,632)

Schedule of Effect of 100 Basis Point Change on Profit and Loss

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, 2017	
	100bp increase	100 bp decrease
	$ thousands	
Variable rate instruments	(2,399)	2,399

	As at December 31, 2016	
	100bp increase	100 bp decrease
	$ thousands	
Variable rate instruments	(25,806)	25,806

Schedule of Carrying Amount and

The following table shows in detail the carrying amount and the fair value of financial

Fair Value of Financial Instrument Groups

instrument groups presented in the financial statements not in accordance with their fair value.

	As at December 31, 2017	
	Carrying amount	Level 2
	$ thousands	
Non-convertible debentures	91,122	105,488
Long-term loans from banks and others (excluding interests)	527,706	649,487

	As at December 31, 2016	
	Carrying amount	Level 2
	$ thousands	
Non-convertible debentures	867,287	947,786
Long-term loans from banks and others (excluding interests)	2,116,740	2,354,612

* 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.

Schedule of Financial Instruments Measured at 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.

	As at December 31, 2017	As at December 31, 2016
	Level 2	Level 2
	$ thousands	$ thousands
Assets		
Derivatives not used for accounting hedge (a)	1,471	3,173
	1,471	3,173
Liabilities		
Financial guarantee	-	-
Derivatives used for accounting hedge	439	25,264
Derivatives not used for accounting hedge	73	2,125
Other financial derivatives	-	29,594
	512	56,983

(a) Includes $3 million 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.

Schedule of Valuation Techniques Used in Measuring Level 2 Fair Values

The following table shows the valuation techniques used in measuring Level 2 fair values as at December 31, 2016 and 2015, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable data	Inter-relationship between significant unobservable inputs and fair value measurement
	The Group applies standard valuation techniques such as: *discounted cash flows* for fixed and variables coupons (estimated with		

Interest rate Swaps	forward curves) using as discounted rates the *projected LIBOR zero coupon curve*. 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

Significant Accounting Policies (Schedule of Useful Lives for Property, Plant and Equipment) (Details)	12 Months Ended Dec. 31, 2017
Roads, buildings and leasehold improvements [Member]	
Disclosure of detailed information about property, plant and equipment [line items]	
Useful lives (Years)	2 – 50
Thermal power plants [Member]	
Disclosure of detailed information about property, plant and equipment [line items]	
Useful lives (Years)	10 – 35
Hydro-electric plants [Member]	
Disclosure of detailed information about property, plant and equipment [line items]	
Useful lives (Years)	70 – 90
Wind power plants [Member]	
Disclosure of detailed information about property, plant and equipment [line items]	
Useful lives (Years)	25
Power generation and electrical [Member]	
Disclosure of detailed information about property, plant and equipment [line items]	
Useful lives (Years)	20
Dams [Member]	
Disclosure of detailed information about property, plant and equipment [line items]	
Useful lives (Years)	18 – 80
Office furniture, motor vehicles and other equipment [Member]	
Disclosure of detailed information about property, plant and equipment [line items]	
Useful lives (Years)	3 – 16
Substations, medium voltage equipment and transf.MV/LV [Member]	
Disclosure of detailed information about property, plant and equipment [line items]	
Useful lives (Years)	30 – 40
Meters and connections [Member]	
Disclosure of detailed information about property, plant and equipment [line items]	
Useful lives (Years)	10 – 25

Significant Accounting Policies (Schedule of Estimated Useful Lives for Intangible Assets) (Details)	12 Months Ended Dec. 31, 2017	
Others [Member]		
Disclosure of detailed information about intangible assets [line items]		
Estimated useful lives	5-27 years	
Concessions [Member]		
Disclosure of detailed information about intangible assets [line items]		
Estimated useful lives	33 years	[1]
Customer relationships [Member]		
Disclosure of detailed information about intangible assets [line items]		
Estimated useful lives	1-12 years	
Software costs [Member]		
Disclosure of detailed information about intangible assets [line items]		
Estimated useful lives	5 years	

[1] The concessions are amortized over the remaining life of the licenses from the date of the business combination.

Cash and Cash Equivalents (Schedule of Cash and Cash Equivalents) (Details) - USD ($) $ in Thousands	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Cash and cash equivalents [abstract]				
Cash in banks	$ 1,313,710	$ 320,199		
Time deposits	103,678	6,436		
Cash and cash equivalents	$ 1,417,388	$ 326,635	$ 383,953	$ 610,056

Short-Term investments and deposits (Narrative) (Details)	Dec. 31, 2017
Fixed interest rate [Member]	
Disclosure of financial assets [line items]	
Market interest rates	0.07%

Short-Term investments and deposits (Schedule of Short-Term Investments and Deposits) (Details) - USD ($) $ in Thousands		Dec. 31, 2017	Dec. 31, 2016
Disclosure of short-term investments and deposits [Abstract]			
Restricted cash and short-term deposits	[1]	$ 7,085	$ 89,475
Other		59	70
Short-term investments and deposits		$ 7,144	$ 89,545

[1] As at December 31, 2017, it mainly corresponds to the amount held in escrow account as collateral for contractual obligations, see note 21.B(a). It earns interest at a market interest rate of 0.07%

Trade Receivables, Net (Schedule of Trade Receivables, Net) (Details) - USD ($) $ in Thousands	Dec. 31, 2017	Dec. 31, 2016
Trade and other current receivables [abstract]		
Trade Receivables	$ 44,137	$ 285,100
Less - allowance for doubtful debts		(568)
Trade receivables, net	$ 44,137	$ 284,532

Other Current Assets (Narrative) (Details) - USD ($) $ in Thousands		Dec. 31, 2017	Dec. 31, 2016
Disclosure of financial assets [line items]			
Discontinued operations' receivables	[1]	$ 6,378	$ 27,085
Insurance claims [Member]			
Disclosure of financial assets [line items]			
Discontinued operations' receivables			$ 16,000

[1] As at December 31, 2016, this includes discontinued operations' receivables of $16 million from insurance claims, transmission line sale, transaction costs and selective consumption tax on heavy fuel oil.

Other Current Assets (Schedule of Other Current Assets) (Details) - USD ($) $ in Thousands		Dec. 31, 2017	Dec. 31, 2016
Disclosure of other current assets [Abstract]			
Advances to suppliers		$ 673	$ 141
Prepaid expenses		1,818	6,039
Derivative instruments		1,471	1,831
Government agencies		7,408	14,677
Contingent consideration	[1]	18,004	
Other receivables	[2]	6,378	27,085
Other current assets		$ 35,752	$ 49,773

[1] This represents the contingent consideration receivable from ISQ as a part of the transaction described in Note 29.

[2] As at December 31, 2016, this includes discontinued operations' receivables of $16 million from insurance claims, transmission line sale, transaction costs and selective consumption tax on heavy fuel oil.

Inventories (Schedule of Inventories) (Details) - USD ($) $ in Thousands		Dec. 31, 2017	Dec. 31, 2016
Classes of current inventories [abstract]			
Fuel and spare parts	[1]		$ 91,659

[1] Inventories as at December 31, 2016 belongs to discontinued operations.

Investment in Associated Companies (Additional Information - ZIM) (Narrative) (Details) - USD ($) $ in Thousands	12 Months Ended				
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Sep. 30, 2016	Dec. 31, 2014
Disclosure of associates [line items]					
Liabilities	$ 1,474,510	$ 4,243,589	$ 3,219,222		
Total consideration transferred	(3,280)				
Goodwill	459	96,095			
Total equity	1,051,347	894,204	1,263,555		$ 1,437,698
Operating profit from continuing operations	42,291	(70,940) [1]	244,860 [1]		
Profit/(loss) for the year	(268,120)	394,002 [1]	(95,892) [1]		
Write back/(impairment) of assets and investments	$ (28,758)	72,263 [1]	6,541 [1]		
Disposal gain		$ 5,000	10,000		
ZIM [Member]					
Disclosure of associates [line items]					
Proportion of ownership interest	32.00%	32.00%			
Lease contracts	$ 73,000				
Total equity	(93,000)	$ (101,000)			
Working capital	(107,000)	(65,000)			
Operating profit from continuing operations	135,000	52,000	98,000		
Profit/(loss) for the year	11,000	164,000	7,000		
Liquidity	182,000				
Deferred Amounts		116,000			
Secured deferred amount	$ 108,000				
Margin	9.00%				
Discount rate	30.00%				
Write back/(impairment) of assets and investments	$ 28,758	(72,263)	7,000		
Disposal gain		16,000	$ 32,000		
Write-back impairment		29,000			
Borrowings		120,000			
ZIM [Member] | ZIM Deferred Amounts [Member]					
Disclosure of associates [line items]					
Interest rate basis	LIBOR				
Adjustment to interest rate basis	2.80%				
ZIM [Member] | Bottom of range [member]					
Disclosure of associates [line items]					
Liquidity	$ 125,000	$ 125,000		$ 150,000	
Fixed charge coverage ratio	0.78				
Total leverage ratio	6.64				
Recoverable amount excess	$ 418,000				
ZIM [Member] | Bottom of range [member] | Level 3 of fair value hierarchy [member]					

Disclosure of associates [line items]	
Net Debt	120,000
ZIM [Member] | Top of range [Member]	
Disclosure of associates [line items]	
Liquidity	$ 182,000
Fixed charge coverage ratio	0.99
Total leverage ratio	23.69
Recoverable amount excess	$ 543,000
ZIM [Member] | Top of range [Member] | Level 3 of fair value hierarchy [member]	
Disclosure of associates [line items]	
Net Debt	$ 180,000

[1] Restated (See note 2.E and 28)

Investment in Associated Companies (Additional Information - Qoros) (Narrative) (Details) ¥ in Thousands, $ in Thousands	Jan. 31, 2018	Apr. 30, 2017 CNY (¥)	Mar. 31, 2017 CNY (¥)	1 Months Ended Nov. 30, 2015 USD ($)	Nov. 30, 2015 CNY (¥)	May 15, 2015 USD ($)	May 12, 2015 USD ($)	May 12, 2015 CNY (¥)	Jul. 31, 2012 USD ($)	Jul. 31, 2012 CNY (¥)	2 Months Ended Mar. 10, 2017 USD ($)	Mar. 10, 2017 CNY (¥)	Mar. 10, 2017 CNY (¥)	Dec. 31 2017 USD ($
Disclosure of associates [line items]														
Profit/(loss) for the year | $														$ 268,12
Nominal annual interest rate														8.00%
Guarantee provision | $														
Provision of financial guarantee | $														
Receipt of long-term loans and issuance of debentures | $														1,938,87
Additional Funding [Member]														
Disclosure of associates [line items]														
Percentage of shares pledged														
2012 Guarantee [Member]														
Disclosure of associates [line items]														
Guarantee amount | $														
Ansonia Holdings [Member]														
Disclosure of associates [line items]														
Repayments of borrowings | $														$ 20,000
Proportion of ownership interest														58.00%
China, Yuan Renminbi [Member] | 2012 Guarantee [Member]														
Disclosure of associates [line items]														
Borrowing capacity														
Guarantee amount														
Ansonia Holdings [Member]														
Disclosure of associates [line items]														
Face amount | $														$ 69,000
Nominal annual interest rate														6.00%
Maturity term														9 months
Ansonia Holdings [Member] | China, Yuan Renminbi [Member]														
Disclosure of associates [line items]														
Face amount														
Qoros Credit Facility Member [member] | Entering into significant commitments or contingent liabilities [member]														
Disclosure of associates [line items]														
Borrowing capacity | $											$ 114,000			

Guarantee amount | $	$ 44,000		
Percentage of shares pledged	10.30%		
Qoros Credit Facility Member [member] | First Tranche [Member] | Entering into significant commitments or contingent liabilities [member]			
Disclosure of associates [line items]			
Borrowing capacity | $	$ 57,000		
Release of guarantees | $	63,000		
Qoros Credit Facility Member [member] | Second Tranche [Member] | Entering into significant commitments or contingent liabilities [member]			
Disclosure of associates [line items]			
Borrowing capacity | $	15,000		
Guarantee amount | $	425,000		
Qoros Credit Facility Member [member] | Financial guarantee contracts [member] | After Guarantee Release [Member]			
Disclosure of associates [line items]			
Guarantee amount | $	$ 125,000		
Qoros Credit Facility Member [member] | China, Yuan Renminbi [Member] | Entering into significant commitments or contingent liabilities [member]			
Disclosure of associates [line items]			
Borrowing capacity			
Guarantee amount			
Percentage of shares pledged [2]			10.30%
Release of guarantees		¥ 850,000	
Qoros Credit Facility Member [member] | China, Yuan Renminbi [Member] | Spin-Off/November 2015 [Member]			
Disclosure of associates [line items]			
Borrowing capacity			
Guarantee amount			
Qoros Credit Facility Member [member] | China, Yuan Renminbi [Member] | May/November 2015 [Member]			
Disclosure of associates [line items]			
Borrowing capacity			
Qoros Credit Facility			

Member [member] | China, Yuan Renminbi [Member] | First Tranche [Member] | Entering into significant commitments or contingent liabilities [member]					
Disclosure of associates [line items]					
Borrowing capacity		¥ 388,500			
Guarantee amount	[4]	¥ 850,000			
Percentage of shares pledged		5.17%			
Release of guarantees		¥ 425,000	[3]	¥ 425,000	
Qoros Credit Facility Member [member] | China, Yuan Renminbi [Member] | Second Tranche [Member] | Entering into significant commitments or contingent liabilities [member]					
Disclosure of associates [line items]					
Borrowing capacity		¥ 100,000			
Guarantee amount		¥ 425,000			
Percentage of shares pledged		5.17%			
Release of guarantees		¥ 105,000	[3]		¥ 425,000
Qoros Credit Facility Member [member] | China, Yuan Renminbi [Member] | Financial guarantee contracts [member] | Prior to Guarantee Release [Member]					
Disclosure of associates [line items]					
Borrowing capacity					
Guarantee amount					
Qoros Credit Facility Member [member] | China, Yuan Renminbi [Member] | Financial guarantee contracts [member] | After Guarantee Release [Member]					
Disclosure of associates [line items]					
Guarantee amount					
Consortium Loan Agreement [Member] | Loan One [Member]					
Disclosure of associates [line items]					
Receipt of long-term loans and issuance of debentures | $			$ 65,000		
Qoros [Member]					
Disclosure of associates [line items]					
Total investment | $					$ 1,700
Face amount | $					
Profit/(loss) for the year | $					(211,000

Net current liabilities | $		$ 555,0(
Proportion of ownership interest	[5]	50.00%
Shareholder loan | $		
Qoros [Member] | Disposal of major subsidiary [Member]		
Disclosure of associates [line items]		
Proportion of ownership interest	51.00%	
Qoros [Member] | Additional Funding [Member]		
Disclosure of associates [line items]		
Borrowings | $		
Qoros [Member] | China, Yuan Renminbi [Member]		
Disclosure of associates [line items]		
Face amount		
Profit/(loss) for the year		
Net current liabilities		
Shareholder loan		
Change in guarantee amount | $		$ 250,0(
Qoros [Member] | China, Yuan Renminbi [Member] | Additional Funding [Member]		
Disclosure of associates [line items]		
Borrowings		
Qoros [Member] | Convertible Loan [Member]		
Disclosure of associates [line items]		
Face amount | $		
Qoros [Member] | Convertible Loan [Member] | China, Yuan Renminbi [Member]		
Disclosure of associates [line items]		
Face amount		
Qoros [Member] | EXIM Bank [Member]		
Disclosure of associates [line items]		
Percentage of shares pledged		9.00%
Maximum borrowing percentage		5.00%
Qoros [Member] | EXIM Bank [Member] | China, Yuan Renminbi [Member]		
Disclosure of associates [line items]		

Borrowing capacity			
Qoros [Member] | Consortium Loan Agreement [Member]			
Disclosure of associates [line items]			
Face amount | $		$ 108,000	
Borrowing capacity | $		78,000	
Nominal annual interest rate			
Borrowings | $			
Release of guarantees | $		$ 54,000	
Interest rate basis		LIBOR	LIBOR
Adjustment to interest rate basis		3.50%	
Maturity term		102 months	102 months
Pledged patents			
Qoros [Member] | Consortium Loan Agreement [Member] | Loan One [Member]			
Disclosure of associates [line items]			
Face amount | $	65,000		
Equity derivative, fair value | $	5,000		
Qoros [Member] | Consortium Loan Agreement [Member] | Loan Two [Member]			
Disclosure of associates [line items]			
Face amount | $	65,000		
Equity derivative, fair value | $	$ 5,000		
Qoros [Member] | Consortium Loan Agreement [Member] | China, Yuan Renminbi [Member]			
Disclosure of associates [line items]			
Face amount			
Borrowing capacity			
Borrowings			
Release of guarantees			¥ 350,000
Interest rate basis		LIBOR	LIBOR
Adjustment to interest rate basis		10.00%	
Pledged patents			
Qoros [Member] | Consortium Loan Agreement [Member] | China, Yuan Renminbi [Member] | Loan One [Member]			
Disclosure of associates [line items]			
Face amount			
Equity derivative, fair value			

Qoros [Member] | Consortium Loan Agreement [Member] | China, Yuan Renminbi [Member] | Loan Two [Member]			
Disclosure of associates [line items]			
Face amount			
Equity derivative, fair value			
Chery [Member]			
Disclosure of associates [line items]			
Face amount | $			$ 482,000
Guarantee amount | $			
Release of guarantees | $			$ 242,000
Receipt of guarantees | $		$ 115,000	
Chery [Member] | Disposal of major subsidiary [Member]			
Disclosure of associates [line items]			
Proportion of ownership interest	25.00%		
Chery [Member] | Additional Funding [Member]			
Disclosure of associates [line items]			
Percentage of shares pledged			
Chery [Member] | Ansonia Commitment [Member]			
Disclosure of associates [line items]			
Guarantee amount | $			
Chery [Member] | China, Yuan Renminbi [Member]			
Disclosure of associates [line items]			
Face amount			
Guarantee amount			
Release of guarantees			¥ 1,500,000
Receipt of guarantees		¥ 750,000	
Chery [Member] | China, Yuan Renminbi [Member] | Ansonia Commitment [Member]			
Disclosure of associates [line items]			
Guarantee amount			
Quantum [Member] | Disposal of major subsidiary [Member]			
Disclosure of associates [line items]			
Proportion of ownership interest	24.00%		

[1] Restated (See note 2.E and 28)

[2] Excludes up to 5% of Qoros shares which Chery may borrow from Quantum to meet its pledge obligations under the Qoros RMB1.2 billion loan facility, as discussed
[3] Plus interest and fees.
[4] Kenon's major shareholder Ansonia Holdings Singapore B.V. has committed to fund RMB25 million (approximately $4 million) of Kenon's back-to-back guarantee ol
[5] Qoros is a joint venture (See Note 10.C.b). The current assets include cash and cash equivalent of $12 million (2016: $67 million). The current and non-current liabili

Investment in Associated Companies (Additional Information - Tower) (Narrative) (Details) - USD ($) $ in Thousands	1 Months Ended				12 Months Ended				
	Aug. 05, 2016	Jul. 23, 2015	Mar. 31, 2015	Feb. 28, 2015	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Jul. 07, 2015	May 27, 2015
Disclosure of associates [line items]									
Number of shares held								53,682,994	
Gain from distribution of dividend in kind							[1] $ 209,710	[1]	
Proceeds from issuance of shares					$ 100,478	$ 9,468	$ 6,110		
Tower Series F Bonds [Member]									
Disclosure of associates [line items]									
Amount converted			$ 80,000						
Proportion of ownership interest			23.00%						
Dilution gain			$ 32,000						
Tower Series 9 Warrants [Member]									
Disclosure of associates [line items]									
Number of shares held									1,669,795
Tower [Member]									
Disclosure of associates [line items]									
Proportion of ownership interest		2.00%		29.00%					
Number of shares held		1,669,795							18,030,041
Shares per share		0.335861							
Fair value of distribution in kind		$ 255,000							
Gain from distribution of dividend in kind		$ 210,000							
Shares issued	(1,699,795)								
Proceeds from issuance of shares	$ 11,400								

[1] Restated (See note 2.E and 28)

Investment in Associated Companies (Restrictions) (Narrative) (Details) - ZIM [Member]	Jul. 14, 2014	Feb. 05, 2004
Disclosure of associates [line items]		
Percentage acquired		48.60%
Settlement Agreement [Member]		
Disclosure of associates [line items]		
Minimum holding percentage, consent to transfer	35.00%	
Minimum holding percentage, prior notice	24.00%	
Minimum shareholder interest	36.00%	

Investment in Associated Companies (Condensed Information Regarding Statement of Financial Position) (Details) - USD ($) $ in Thousands		12 Months Ended				
	Jan. 08, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015		Dec. 31, 2014
Disclosure of associates [line items]						
Current assets		$ 1,504,641	$ 853,603			
Non-current assets		1,021,216	4,284,190			
Current liabilities		(806,322)	(1,044,763)			
Non-current liabilities		(668,188)	(3,198,826)			
Non-controlling interests		(68,229)	(212,963)			
Write back/(impairment) of assets and investments		(28,758)	72,263 [1]	$ 6,541	[1]	
Cash and cash equivalents included in current assets		$ 1,417,388	$ 326,635	383,953		$ 610,056
Kenon equity interest in Qoros [Member]						
Disclosure of associates [line items]						
Proportion of ownership interest	24.00%					
Qoros [Member]						
Disclosure of associates [line items]						
Principal place of business [2]		China	China			
Proportion of ownership interest [2]		50.00%	50.00%			
Current assets [2]		$ 235,237	$ 259,804			
Non-current assets [2]		1,259,762	1,273,862			
Current liabilities [2]		(870,192)	(773,946)			
Non-current liabilities [2]		(804,062)	(695,484)			
Non-controlling interests [2]						
Total net assets attributable to the Group [2]		(179,255)	64,236			
Share of Group in net assets [2]		(89,627)	32,118			
Write back/(impairment) of assets and investments [2]						
Excess cost [2]						
Loans [2]		61,645	55,798			
Financial guarantee [2]		29,676	29,677			
Book value of investment [2]		1,694	117,593			
Cash and cash equivalents included in current assets		12,000	67,000			
Total current and noncurrent liabilities net of trade and other payables and provisions		$ 1,000,000	$ 1,100,000			
ZIM [Member]						
Disclosure of associates [line items]						
Principal place of business		International	International			
Proportion of ownership interest		32.00%	32.00%			
Current assets		$ 579,595	$ 465,892			
Non-current assets		1,222,743	1,237,740			

Current liabilities	(686,693)	(530,842)	
Non-current liabilities	(1,209,137)	(1,273,447)	
Non-controlling interests	(6,509)	(3,125)	
Total net assets attributable to the Group	(100,001)	(103,782)	
Share of Group in net assets	(32,000)	(33,210)	
Write back/(impairment) of assets and investments	28,758	(72,263)	$ 7,000
Excess cost	123,242	187,216	
Loans			
Financial guarantee			
Book value of investment	$ 120,000	$ 81,743	

[1] Restated (See note 2.E and 28)

[2] Qoros is a joint venture (See Note 10.C.b). The current assets include cash and cash equivalent of $12 million (2016: $67 million). The current and non-current liabilities excluding trade and other payables and provisions amount to $1 billion (2016: $1.1 billion). In January 2018, the Group's equity interest in Qoros was reduced to 24% (see Note 33.2.A).

Investment in Associated Companies (Condensed Information Regarding Results of Operations) (Details) - USD ($) $ in Thousands		12 Months Ended				
		Dec. 31, 2017		Dec. 31, 2016		Dec. 31, 2015
Disclosure of associates [line items]						
Revenues		$ 365,704		$ 324,253	[1]	$ 325,899 [1]
(Loss) / income		(208,445)		(429,152)	[1]	23,111 [1]
Other comprehensive (loss) / income		41,428		9,079		(24,347)
Total comprehensive income/(loss) for the year		309,548		(384,923)		71,545
Depreciation and amortization		178,461		172,381		27,040
Income taxes		72,809		2,252	[1]	9,043 [1]
Qoros [Member]						
Disclosure of associates [line items]						
Revenues	[2]	280,079		377,456		232,114
(Loss) / income	[2],[3]	(242,395)		(285,069)		(392,427)
Other comprehensive (loss) / income	[2],[3]	31		7		(19)
Total comprehensive income/(loss) for the year	[2]	(242,364)		(285,062)		(392,446)
Kenon's share of comprehensive (loss) / income	[2]	(121,182)		(142,531)		(196,223)
Adjustments	[2]	(16)		(3)		
Kenon's share of comprehensive (Loss) / Income presented in the books	[2]	(121,198)		(142,534)		(196,223)
Depreciation and amortization		102,000		119,000		75,000
Interest income		2,000		2,000		2,000
Interest expense		50,000		63,000		2,000
Income taxes		14		37		92
ZIM [Member]						
Disclosure of associates [line items]						
Revenues		2,978,291		2,539,296		2,991,135
(Loss) / income	[3]	6,235		(168,290)		2,253
Other comprehensive (loss) / income	[3]	(3,871)		(12,351)		(1,948)
Total comprehensive income/(loss) for the year		2,364		(180,641)		305
Kenon's share of comprehensive (loss) / income		756		(57,805)		98
Adjustments		8,538		9,856		9,418
Kenon's share of comprehensive (Loss) / Income presented in the books		$ 9,294		$ (47,949)		9,516
Tower [Member]						
Disclosure of associates [line items]						
Revenues	[4]					461,778
(Loss) / income	[3],[4]					(737)
Other comprehensive (loss) / income	[3],[4]					
Total comprehensive income/(loss) for the year	[4]					(737)
Kenon's share of comprehensive (loss) / income	[4]					(189)

Adjustments	[4]	(609)
Kenon's share of comprehensive (Loss) / Income presented in the books	[4]	$ (798)

[1] Restated (See note 2.E and 28)

[2] Qoros is a joint venture (See Note 10.C.b). The depreciation and amortization, interest income, interest expense and income tax expenses recorded by Qoros during the year were $102 million, $2 million, $50 million and $14 thousand (2016: $119 million, $2 million, $63 million and $37 thousand; 2015: $75 million, $2 million, $2 million and $92 thousand) respectively.

[3] Excludes portion attributable to non-controlling interest.

[4] Distributed as dividend-in-kind in July 2015 (see Note 10.C.c). Results of operations for 2015 corresponds to the six months ended June 30, 2015.

Investment in Associated Companies (Schedule of Associated Companies that are Individually Immaterial) (Details) - USD ($) $ in Thousands	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Aggregated individually immaterial associates [member]			
Disclosure of associates [line items]			
Book value of investments as at December 31	$ 8,897	$ 9,008	

Investment in Associated Companies (Schedule of Ansonia Loans) (Details) ¥ in Thousands, $ in Thousands	12 Months Ended			
	Dec. 31, 2017 USD ($)		Dec. 31, 2017 CNY (¥)	
Disclosure of associates [line items]				
Nominal annual interest rate	8.00%		8.00%	
Ansonia Holdings [Member]				
Disclosure of associates [line items]				
Amount | $	$ 69,000			
Nominal annual interest rate	6.00%		6.00%	
Maturity term	9 months			
Ansonia Holdings [Member] | China, Yuan Renminbi [Member]				
Disclosure of associates [line items]				
Amount			¥ 450,000	
Ansonia Holdings [Member] | Tranche 1 [Member]				
Disclosure of associates [line items]				
Convertible into Equity Discount Rate	10.00%	[1]	10.00%	[1]
Loan Transfer Date	May 20, 2016	[2]		
Ansonia Holdings [Member] | Tranche 1 [Member] | China, Yuan Renminbi [Member]				
Disclosure of associates [line items]				
Amount			¥ 150,000	
Ansonia Holdings [Member] | Tranche 2 [Member]				
Disclosure of associates [line items]				
Convertible into Equity Discount Rate	10.00%	[1]	10.00%	[1]
Loan Transfer Date	June 28, 2016	[2]		
Ansonia Holdings [Member] | Tranche 2 [Member] | China, Yuan Renminbi [Member]				
Disclosure of associates [line items]				
Amount			¥ 150,000	
Ansonia Holdings [Member] | Tranche 3 [Member]				
Disclosure of associates [line items]				
Convertible into Equity Discount Rate	25.00%	[1]	25.00%	[1]
Loan Transfer Date	September 6, 2016	[2]		
Ansonia Holdings [Member] | Tranche 3 [Member] | China, Yuan Renminbi [Member]				
Disclosure of associates [line items]				
Amount			¥ 150,000	

[1] To facilitate potential investment by a third party in Qoros, Ansonia loans are automatically convertible into equity in Quantum in the event of a third-party financing at Qoros meets certain conditions, or when Ansonia loans are repaid in relation to such third-party financing. The loans will be convertible into equity of Quantum at a 10% (Tranche 1 and 2) and at a 25% discount (Tranche 3) discount to the implied value of Qoros based upon the third-party financing.

[2] Loans carry the same term of 9 months from the first transfer date

Investment in Associated Companies (Schedule of Guarantees Provided) (Details) - Qoros Credit Facility Member [member] - Entering into significant commitments or contingent liabilities [member] ¥ in Thousands, $ in Thousands		1 Months Ended		2 Months Ended			12 Months Ended	
		Apr. 30, 2017 CNY (¥)	Mar. 31, 2017 CNY (¥)	Mar. 10, 2017 CNY (¥)	Mar. 10, 2017 USD ($)	Mar. 10, 2017 CNY (¥)	Dec. 31, 2017 CNY (¥)	Mar. 10, 2017 CNY (¥)
Disclosure of associates [line items]								
Credit facility/Amount of Loans | $					$ 114,000			
Guarantee amount | $					$ 44,000			
Pledge of Qoros Shares in relation to Investment					10.30%			10.30%
China, Yuan Renminbi [Member]								
Disclosure of associates [line items]								
Credit facility/Amount of Loans							¥ 777,000	¥ 777,000
Guarantee amount								288,500
Release of Kenon Guarantees to Chery						¥ 850,000	850,000 [1]	
Remaining Guarantee Obligations Post-Investment								
Pledge of Qoros Shares in relation to Investment	[2]						10.30%	
First Tranche [Member]								
Disclosure of associates [line items]								
Credit facility/Amount of Loans | $					$ 57,000			
Release of Kenon Guarantees to Chery | $					63,000			
First Tranche [Member] | China, Yuan Renminbi [Member]								
Disclosure of associates [line items]								
Credit facility/Amount of Loans			¥ 388,500					
Guarantee amount	[3]		850,000					
Release of Kenon Guarantees to Chery			425,000 [1]			¥ 425,000		
Remaining Guarantee Obligations Post-Investment			¥ 425,000					
Pledge of Qoros Shares in relation to Investment			5.17%					
Second Tranche [Member]								

Disclosure of associates [line items]					
Credit facility/Amount of Loans | $				15,000	
Guarantee amount | $				$ 425,000	
Second Tranche [Member] | China, Yuan Renminbi [Member]					
Disclosure of associates [line items]					
Credit facility/Amount of Loans	¥ 100,000				¥ 100,000
Guarantee amount	425,000				
Release of Kenon Guarantees to Chery	105,000	[1]	¥ 425,000		
Remaining Guarantee Obligations Post-Investment	¥ 320,000				
Pledge of Qoros Shares in relation to Investment	5.17%				
Third Tranche [Member] | China, Yuan Renminbi [Member]					
Disclosure of associates [line items]					
Credit facility/Amount of Loans				¥ 288,500	
Guarantee amount				320,000	
Release of Kenon Guarantees to Chery	[1]			320,000	
Remaining Guarantee Obligations Post-Investment					
Pledge of Qoros Shares in relation to Investment				5.17%	

[1] Plus interest and fees.

[2] Excludes up to 5% of Qoros shares which Chery may borrow from Quantum to meet its pledge obligations under the Qoros RMB1.2 billion loan facility, as discussed above.

[3] Kenon's major shareholder Ansonia Holdings Singapore B.V. has committed to fund RMB25 million (approximately $4 million) of Kenon's back-to-back guarantee obligations in certain circumstances.

Investment in Associated Companies (Schedule of Dividends Received) (Details) - USD ($) $ in Thousands	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Investment In Associated Companies Schedule Of Dividends Received Details			
From associated companies	$ 382	$ 743	$ 4,487

Subsidiaries (Investments - I.C. Power) (Narrative) (Details) ₪ in Thousands, $ in Thousands	1 Months Ended					11 Months Ended	12 Months Ended			
	May 17, 2017 USD ($)	Apr. 28, 2017 USD ($)	Jan. 22, 2016 USD ($)	Aug. 10, 2015 USD ($)	Aug. 10, 2015 ILS (₪)	Dec. 31, 2016 USD ($)	Dec. 31, 2016 USD ($)	Dec. 31, 2017 USD ($)	Dec. 31, 2016 ILS (₪)	Aug. 10, 2015 ILS (₪)
Disclosure of subsidiaries [line items]										
Total consideration transferred								$ (3,280)		
Post-closing purchase price adjustments		$ 10,200								
Goodwill						$ 96,095	$ 96,095	$ 459		
AIE Capital Notes [Member]										
Disclosure of subsidiaries [line items]										
Face amount						33,700	$ 33,700			
Maturity term							5 years			
NIS [Member] | AIE Capital Notes [Member]										
Disclosure of subsidiaries [line items]										
Face amount | ₪									₪ 130,000	
Estrella Cooperatief BA [Member]										
Disclosure of subsidiaries [line items]										
Percentage acquired			100.00%							
Total consideration transferred			$ 266,286							
Cash consideration paid			242,536							
Fair value of total identifiable net assets acquired			249,509							
Deferred payment			$ 23,750							
Acquisition date			Jan. 22, 2016							
Revenues - since acquisition date						515,000				
Profit (loss) - since acquisition date						$ 29,000				
Revenues - as if acquired at beginning of period							$ 551,000			
Profit (loss) - as if acquired at beginning of period							$ 30,000			

Property, plant and equipment		$ 392,495			
Intangibles		195,148			
Deferred income tax liabilities		(54,642)			
Goodwill	[1]	$ 37,102			
Estrella Cooperatief BA [Member] | DEOCSA [Member]					
Disclosure of subsidiaries [line items]					
Ownership percentage		90.60%			
Estrella Cooperatief BA [Member] | DEORSA [Member]					
Disclosure of subsidiaries [line items]					
Ownership percentage		92.68%			
Energuate [Member]					
Disclosure of subsidiaries [line items]					
Percentage acquired		100.00%			
Advanced Integrated Energy Ltd. [Member]					
Disclosure of subsidiaries [line items]					
Percentage acquired			100.00%		100.00%
Cash consideration paid			$ 15,600		
Repayment of loan			$ 9,000		
Acquisition date			Aug. 10, 2015	Aug. 10, 2015	
Property, plant and equipment			$ 9,000		
Intangibles			464		
Deferred income tax liabilities			123		
Goodwill			119		
Advanced Integrated Energy Ltd. [Member] | Transaction One [Member]					
Disclosure of subsidiaries [line items]					
Cash consideration paid			9,400		
Advanced Integrated Energy Ltd. [Member] | Transaction Two [Member]					
Disclosure of subsidiaries [line items]					
Cash consideration paid			460		
Advanced Integrated Energy Ltd. [Member] | Hadera Paper					

Energy Center [Member]				
Disclosure of subsidiaries [line items]				
Cash consideration paid		$ 6,000		
Advanced Integrated Energy Ltd. [Member] | NIS [Member]				
Disclosure of subsidiaries [line items]				
Cash consideration paid | ₪				₪ 60,000
Repayment of loan | ₪			₪ 34,000	
Advanced Integrated Energy Ltd. [Member] | NIS [Member] | Transaction One [Member]				
Disclosure of subsidiaries [line items]				
Cash consideration paid | ₪				36,000
Advanced Integrated Energy Ltd. [Member] | NIS [Member] | Transaction Two [Member]				
Disclosure of subsidiaries [line items]				
Cash consideration paid | ₪				1,700
Advanced Integrated Energy Ltd. [Member] | NIS [Member] | Hadera Paper Energy Center [Member]				
Disclosure of subsidiaries [line items]				
Cash consideration paid | ₪				₪ 24,000
Actis [Member]				
Disclosure of subsidiaries [line items]				
Amount paid	$ 272			
Escrow account amount paid	$ 10,000			

[1] This amount is not deductible for tax purposes and was determined in Quetzales.

Subsidiaries (Investments - I.C. Green) (Narrative) (Details) - USD ($) $ in Thousands	12 Months Ended Dec. 31, 2017	Dec. 30, 2017	Dec. 31, 2016	Dec. 10, 2016
Disclosure of subsidiaries [line items]				
Nominal annual Interest rate	8.00%			
Primus Green Energy (PGE) [Member]				
Disclosure of subsidiaries [line items]				
Ownership percentage	90.85%			
Primus Green Energy (PGE) [Member] | Bridge Financing [Member]				
Disclosure of subsidiaries [line items]				
Face amount	$ 35,000	$ 7,400	$ 7,500	$ 26,000
Nominal annual Interest rate	7.00%			7.00%

Subsidiaries (Investments - I.C. Power Pte Ltd Restrictions) (Narrative) (Details) - 1 months ended Oct. 19, 2015 - OPC [Member] ₪ in Thousands, $ in Thousands	USD ($)	ILS (₪)
Disclosure of subsidiaries [line items]		
Cash transferred and dividends paid | $	$ 77,000	
Repayment of Capital Notes [Member]		
Disclosure of subsidiaries [line items]		
Cash transferred and dividends paid | $	58,000	
Intercompany Loan [Member]		
Disclosure of subsidiaries [line items]		
Cash transferred and dividends paid | $	$ 19,000	
NIS [Member]		
Disclosure of subsidiaries [line items]		
Cash transferred and dividends paid | ₪		₪ 295,000
NIS [Member] | Repayment of Capital Notes [Member]		
Disclosure of subsidiaries [line items]		
Cash transferred and dividends paid | ₪		222,000
NIS [Member] | Intercompany Loan [Member]		
Disclosure of subsidiaries [line items]		
Cash transferred and dividends paid | ₪		₪ 72,500

Subsidiaries (Schedule of Consideration Transferred) (Details) - USD ($) $ in Thousands	Dec. 31, 2017	Jan. 22, 2016
Disclosure of subsidiaries [line items]		
Total consideration transferred	$ (3,280)	
Estrella Cooperatief BA [Member]		
Disclosure of subsidiaries [line items]		
Cash consideration		$ 242,536
Deferred payment		23,750
Total consideration transferred		266,286
Cash and cash equivalent acquired		(60,227)
Total		$ 206,059

Subsidiaries (Schedule of Assets Acquired and Liabilities Assumed) (Details) - Estrella Cooperatief BA [Member] $ in Thousands	Jan. 22, 2016 USD ($)
Disclosure of subsidiaries [line items]	
Property, plant and equipment	$ 392,495
Intangibles	195,148
Deferred income tax assets, net	20,289
Trade receivables, net	100,508
Cash and cash equivalent	60,227
Other assets	22,457
Credit from bank and others	(288,290)
Deferred income tax liabilities	(54,642)
Trade payables	(108,193)
Guarantee deposits from customers	(51,072)
Other liabilities	(39,418)
Total identifiable net assets acquired	$ 249,509

Subsidiaries (Schedule of Goodwill) (Details) - USD ($) $ in Thousands		Dec. 31, 2017	Dec. 31, 2016	Jan. 22, 2016
Disclosure of subsidiaries [line items]				
Total consideration transferred		$ (3,280)		
Goodwill		$ 459	$ 96,095	
Estrella Cooperatief BA [Member]				
Disclosure of subsidiaries [line items]				
Total consideration transferred				$ 266,286
Non-controlling interest				20,325
Fair value of identifiable net assets				(249,509)
Goodwill	[1]			$ 37,102

[1] This amount is not deductible for tax purposes and was determined in Quetzales.

Subsidiaries (Schedule of Subsidiaries) (Details) - USD ($) $ in Thousands	12 Months Ended					
	Dec. 31, 2017	Dec. 31, 2016		Dec. 31, 2015		
Disclosure of subsidiaries [line items]						
Current assets	$ 1,504,641	$ 853,603				
Non-current assets	1,021,216	4,284,190				
Current liabilities	(806,322)	(1,044,763)				
Non-current liabilities	(668,188)	(3,198,826)				
Net assets	1,297,995					
Carrying amount of NCI	68,229	212,963				
Revenues	365,704	324,253	[1]	$ 325,899	[1]	
Profit/(loss) for the year	268,120	(394,002)	[1]	95,892	[1]	
Other comprehensive income/(loss)	41,428	9,079		(24,347)		
Profit attributable to NCI	31,530	17,935	[1]	22,900	[1]	
Cash flows from operating activities	391,851	162,337		290,171		
Cash flows from investing activities	584,497	(399,638)		(736,887)		
Cash flows from financing activities excluding dividends paid to non-controlling interests	97,121	174,561		232,515		
Effect of changes in the exchange rate on cash and cash equivalents	17,284	5,422		(11,902)		
Net increase/(decrease) in cash equivalents	$ 1,073,469	$ (62,740)		$ (214,201)		
OPC [Member]						
Disclosure of subsidiaries [line items]						
NCI percentage	[2] 24.18%					
Current assets	$ 204,461					
Non-current assets	736,123					
Current liabilities	(99,441)					
Non-current liabilities	(667,996)					
Net assets	173,147					
Carrying amount of NCI	41,863					
Revenues	[2] 365,395					
Profit/(loss) for the year	[2] 5,896					
Other comprehensive income/(loss)	[2] 8,514					
Profit attributable to NCI	[2] 1,425					
OCI attributable to NCI	[2] 2,058					
Cash flows from operating activities	[2] 110,290					
Cash flows from investing activities	[2] (154,194)					
Cash flows from financing activities excluding dividends paid to non-controlling interests	[2] 165,107					
Dividends paid to non-controlling interests	[2] (4,159)					
Effect of changes in the exchange rate on cash and cash equivalents	[2] 7,126					
Net increase/(decrease) in cash equivalents	[2] $ 124,170					
Samay I.S.A [Member]						

Disclosure of subsidiaries [line items]			
NCI percentage	[2]	25.10%	25.10%
Current assets	[2]	$ 75,485	$ 47,766
Non-current assets	[2]	380,947	344,052
Current liabilities	[2]	(73,846)	(36,075)
Non-current liabilities	[2]	(311,030)	(289,560)
Net assets	[2]	71,556	66,183
Carrying amount of NCI	[2]	17,961	16,612
Revenues	[2]	40,000	
Profit/(loss) for the year	[2]	548	(4,049)
Other comprehensive income/(loss)	[2]	4,825	(6,057)
Profit attributable to NCI	[2]	138	(1,016)
OCI attributable to NCI	[2]	1,211	(1,520)
Cash flows from operating activities	[2]	(1,276)	
Cash flows from investing activities	[2]	(60,468)	(236,207)
Cash flows from financing activities excluding dividends paid to non-controlling interests	[2]		138,000
Dividends paid to non-controlling interests	[2]	47,088	
Effect of changes in the exchange rate on cash and cash equivalents	[2]	373	(3,266)
Net increase/(decrease) in cash equivalents	[2]	$ (14,283)	$ (101,473)
Nicaragua Energy Holding [Member]			
Disclosure of subsidiaries [line items]			
NCI percentage	[2]	35.42%	35.42%
Current assets	[2]	$ 41,630	$ 43,390
Non-current assets	[2]	144,313	172,917
Current liabilities	[2]	(26,053)	(22,044)
Non-current liabilities	[2]	(100,834)	(121,142)
Net assets	[2]	59,056	73,121
Carrying amount of NCI	[2]	20,918	25,899
Revenues	[2]	90,017	111,428
Profit/(loss) for the year	[2]	7,511	14,469
Other comprehensive income/(loss)	[2]		
Profit attributable to NCI	[2]	2,660	5,125
OCI attributable to NCI	[2]		
Cash flows from operating activities	[2]	17,737	42,480
Cash flows from investing activities	[2]	(931)	(5,088)
Cash flows from financing activities excluding dividends paid to non-controlling interests	[2]	(4,004)	(26,139)
Dividends paid to non-controlling interests	[2]	(26,440)	(4,401)
Effect of changes in the exchange rate on cash and cash equivalents	[2]	(348)	(489)

Net increase/(decrease) in cash equivalents	[2]	$ (13,986)	$ 6,363
Kallpa Generacion S.A. [Member]			
Disclosure of subsidiaries [line items]			
NCI percentage	[2]	25.10%	25.10%
Current assets	[2]	$ 108,246	$ 92,120
Non-current assets	[2]	611,928	638,325
Current liabilities	[2]	(55,323)	(188,291)
Non-current liabilities	[2]	(511,277)	(356,900)
Net assets	[2]	153,574	185,254
Carrying amount of NCI	[2]	38,547	46,499
Revenues	[2]	438,475	447,679
Profit/(loss) for the year	[2]	35,820	44,088
Other comprehensive income/(loss)	[2]		(53)
Profit attributable to NCI	[2]	8,991	11,066
OCI attributable to NCI	[2]		(13)
Cash flows from operating activities	[2]	114,838	120,438
Cash flows from investing activities	[2]	(16,082)	(13,589)
Cash flows from financing activities excluding dividends paid to non-controlling interests	[2]	(16,943)	(91,084)
Dividends paid to non-controlling interests	[2]	(88,911)	(7,530)
Effect of changes in the exchange rate on cash and cash equivalents	[2]	198	(5,334)
Net increase/(decrease) in cash equivalents	[2]	$ (6,900)	$ 2,901
Cerro del Aguila S.A. [Member]			
Disclosure of subsidiaries [line items]			
NCI percentage	[2]	25.10%	25.10%
Current assets	[2]	$ 53,843	$ 23,841
Non-current assets	[2]	949,440	847,015
Current liabilities	[2]	(85,935)	(25,909)
Non-current liabilities	[2]	(618,219)	(556,277)
Net assets	[2]	299,129	288,670
Carrying amount of NCI	[2]	75,081	72,456
Revenues	[2]	49,646	
Profit/(loss) for the year	[2]	9	(8,579)
Other comprehensive income/(loss)	[2]	10,449	(1,079)
Profit attributable to NCI	[2]	2	(2,153)
OCI attributable to NCI	[2]	2,623	(271)
Cash flows from operating activities	[2]	25,629	
Cash flows from investing activities	[2]	(69,372)	(180,771)
Cash flows from financing activities excluding dividends paid to non-controlling interests	[2]		95,000
Dividends paid to non-controlling interests	[2]	62,823	

Effect of changes in the exchange rate on cash and cash equivalents	[2]	369	(2,929)
Net increase/(decrease) in cash equivalents	[2]	$ 19,449	$ (88,700)

[1] Restated (See note 2.E and 28)

[2] These entities are discontinued operations in 2017.

Deposits, Loans and Other Receivables, including Derivative Instruments (Schedule of Composition) (Details) - USD ($) $ in Thousands		Dec. 31, 2017	Dec. 31, 2016
Disclosure of deposits, loans and other receivables including derivative instruments [Abstract]			
Deposits in banks and others - restricted cash		$ 76,459	$ 16,690
Long-term trade receivable			10,120
Financial derivatives not used for hedging			1,342
Income tax receivables and tax claims	[1]		99,892
Other receivables	[2]	30,258	48,731
Deposits, Loans and Other Receivables, including Derivative Instruments		$ 106,717	$ 176,775

[1] Mainly from discontinued operations.

[2] Mainy relates to OPC's connectivity fees to the gas transmission network and the electricity grid classified as long-term deferred expenses.

Deferred Payment Obligation Receivable (Schedule of Deferred Payment Obligation Receivable) (Details) - USD ($) $ in Thousands	Dec. 31, 2017	Dec. 31, 2016
Disclosure of deferred payment obligation receivable [Abstract]		
Deferred payment receivable	$ 175,000	
Nominal annual interest rate	8.00%	

Property, Plant and Equipment, Net (Narrative) (Details) - USD ($) $ in Thousands	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Disclosure of detailed information about property, plant and equipment [abstract]			
Assets impaired of Colombian assets	$ 10,000		
Borrowing costs capitalized	3,000	$ 14,000	
Fixed assets purchased on credit	$ 31,000	$ 25,000	$ 46,000

Property, Plant and Equipment, Net (Schedule of Composition of Property, Plant and Equipment) (Details) - USD ($) $ in Thousands	12 Months Ended	
	Dec. 31, 2017	Dec. 31, 2016
Disclosure of detailed information about property, plant and equipment [line items]		
Balance at beginning of year	$ 3,497,300	$ 2,953,821
Additions	65,611	159,076
Disposals	(61,087)	(26,695)
Differences in translation reserves	66,863	19,544
Acquisition as part of business combination		392,495
Transfers and Reclassifications		(941)
Sale of subsidiaries	[1] (2,952,523)	
Balance at end of year	616,164	3,497,300
Prepayments on account of property, plant & equipment		6,057
Cost [Member]		
Disclosure of detailed information about property, plant and equipment [line items]		
Balance at beginning of year	4,307,155	3,624,400
Additions	230,471	317,853
Disposals	(76,917)	(47,427)
Differences in translation reserves	76,424	20,774
Acquisition as part of business combination		392,495
Transfers and Reclassifications		(940)
Sale of subsidiaries	[1] (3,811,336)	
Balance at end of year	725,797	4,307,155
Cost [Member] | Land, roads, buildings and leasehold improvements [Member]		
Disclosure of detailed information about property, plant and equipment [line items]		
Balance at beginning of year	1,041,723	288,538
Additions	4,139	7,759
Disposals	(1,615)	(1,244)
Differences in translation reserves	4,167	629
Acquisition as part of business combination		2,441
Transfers and Reclassifications		743,600
Sale of subsidiaries	[1] (1,005,625)	
Balance at end of year	42,789	1,041,723
Cost [Member] | Installations, machinery and equipment [Member]		
Disclosure of detailed information about property, plant and equipment [line items]		
Balance at beginning of year	2,445,579	1,840,754
Additions	68,410	46,652
Disposals	(70,142)	(35,616)
Differences in translation reserves	49,825	7,350
Acquisition as part of business combination		
Transfers and Reclassifications		586,439
Sale of subsidiaries	[1] (1,994,241)	

Balance at end of year		499,431	2,445,579
Cost [Member] | Dams [Member]			
Disclosure of detailed information about property, plant and equipment [line items]			
Balance at beginning of year		164,469	138,310
Additions		105	159
Disposals		(5)	(965)
Differences in translation reserves			
Acquisition as part of business combination			
Transfers and Reclassifications			26,965
Sale of subsidiaries	[1]	(164,569)	
Balance at end of year			164,469
Cost [Member] | Office furniture and equipment and motor vehicles [Member]			
Disclosure of detailed information about property, plant and equipment [line items]			
Balance at beginning of year		455,352	52,124
Additions		43,744	25,866
Disposals		(4,954)	(8,958)
Differences in translation reserves		11,589	12,129
Acquisition as part of business combination			375,063
Transfers and Reclassifications			(872)
Sale of subsidiaries	[1]	(500,163)	
Balance at end of year		5,568	455,352
Cost [Member] | Cost of depreciable property, plant and equipment [Member]			
Disclosure of detailed information about property, plant and equipment [line items]			
Balance at beginning of year		4,107,123	2,319,726
Additions		116,398	80,436
Disposals		(76,716)	(46,783)
Differences in translation reserves		65,581	20,108
Acquisition as part of business combination			377,504
Transfers and Reclassifications			1,356,132
Sale of subsidiaries	[1]	(3,664,598)	
Balance at end of year		547,788	4,107,123
Cost [Member] | Plants under construction [Member]			
Disclosure of detailed information about property, plant and equipment [line items]			
Balance at beginning of year		131,178	1,260,375
Additions		109,709	217,278
Disposals		(15)	(167)
Differences in translation reserves		9,356	385
Acquisition as part of business combination			7,839
Transfers and Reclassifications			(1,354,532)
Sale of subsidiaries	[1]	(85,609)	
Balance at end of year		164,619	131,178
Cost [Member] | Spare parts for installations [Member]			
Disclosure of detailed information about property, plant and equipment [line items]			
Balance at beginning of year		68,854	44,299
Additions		4,364	20,139

Disposals		(186)	(477)
Differences in translation reserves		1,487	281
Acquisition as part of business combination			7,152
Transfers and Reclassifications			(2,540)
Sale of subsidiaries	[1]	(61,129)	
Balance at end of year		13,390	68,854
Accumulated depreciation [Member]			
Disclosure of detailed information about property, plant and equipment [line items]			
Balance at beginning of year		809,855	670,579
Additions		164,860	158,777
Disposals		(15,830)	(20,732)
Differences in translation reserves		9,561	1,230
Acquisition as part of business combination			
Transfers and Reclassifications			1
Sale of subsidiaries	[1]	(858,813)	
Balance at end of year		109,633	809,855
Accumulated depreciation [Member] | Land, roads, buildings and leasehold improvements [Member]			
Disclosure of detailed information about property, plant and equipment [line items]			
Balance at beginning of year		83,737	71,953
Additions		20,523	13,169
Disposals		(807)	(1,434)
Differences in translation reserves		530	48
Acquisition as part of business combination			
Transfers and Reclassifications			1
Sale of subsidiaries	[1]	(96,690)	
Balance at end of year		7,293	83,737
Accumulated depreciation [Member] | Installations, machinery and equipment [Member]			
Disclosure of detailed information about property, plant and equipment [line items]			
Balance at beginning of year		637,794	530,324
Additions		112,416	123,275
Disposals		(13,466)	(16,512)
Differences in translation reserves		8,547	970
Acquisition as part of business combination			
Transfers and Reclassifications			(263)
Sale of subsidiaries	[1]	(644,458)	
Balance at end of year		100,833	637,794
Accumulated depreciation [Member] | Dams [Member]			
Disclosure of detailed information about property, plant and equipment [line items]			
Balance at beginning of year		48,385	46,764
Additions		8,097	1,742
Disposals		(250)	(121)
Differences in translation reserves			
Acquisition as part of business combination			
Transfers and Reclassifications			

Sale of subsidiaries	[1]	(56,232)	
Balance at end of year			48,385
Accumulated depreciation [Member] | Office furniture and equipment and motor vehicles [Member]			
Disclosure of detailed information about property, plant and equipment [line items]			
Balance at beginning of year		39,939	21,538
Additions		23,824	20,591
Disposals		(1,307)	(2,665)
Differences in translation reserves		484	212
Acquisition as part of business combination			
Transfers and Reclassifications			263
Sale of subsidiaries	[1]	(61,433)	
Balance at end of year		1,507	39,939
Carrying amount before prepayments [Member]			
Disclosure of detailed information about property, plant and equipment [line items]			
Balance at beginning of year		3,497,300	2,959,878
Additions			
Balance at end of year		$ 616,164	$ 3,497,300

[1] This amount includes impairment as a result of the sale of Colombian assets. The Company recorded the impairment in cost of sales of $ 10 million.

Property, Plant and Equipment, Net (Schedule of Net Carrying Values of Property, Plant and Equipment) (Details) - USD ($) $ in Thousands	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Disclosure of detailed information about property, plant and equipment [line items]			
Property, plant and equipment, net	$ 616,164	$ 3,497,300	$ 2,953,821
Carrying amount before prepayments [Member]			
Disclosure of detailed information about property, plant and equipment [line items]			
Land, roads, buildings and leasehold improvements	35,496	957,986	
Installations, machinery and equipment	398,598	1,807,785	
Dams		116,084	
Office furniture and equipment, motor vehicles and other equipment	4,061	415,413	
Plants under construction	164,619	131,178	
Spare parts for installations	13,390	68,854	
Property, plant and equipment, net	$ 616,164	$ 3,497,300	$ 2,959,878

Property, Plant and Equipment, Net (Schedule of Property, Plant and Equipment Acquired Through Financing Leases) (Details) - USD ($) $ in Thousands	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Disclosure of detailed information about property, plant and equipment [line items]			
Property, plant and equipment	$ 616,164	$ 3,497,300	$ 2,953,821
Cost [Member]			
Disclosure of detailed information about property, plant and equipment [line items]			
Property, plant and equipment	725,797	4,307,155	3,624,400
Accumulated depreciation [Member]			
Disclosure of detailed information about property, plant and equipment [line items]			
Property, plant and equipment	109,633	809,855	$ 670,579
I.C. Power [Member]			
Disclosure of detailed information about property, plant and equipment [line items]			
Land, roads, buildings and leasehold improvements		35,686	
Installations, machinery and equipment		158,484	
Motor vehicles		364	
Property, plant and equipment		194,534	
I.C. Power [Member] | Cost [Member]			
Disclosure of detailed information about property, plant and equipment [line items]			
Land, roads, buildings and leasehold improvements		42,288	
Installations, machinery and equipment		275,852	
Motor vehicles		410	
Property, plant and equipment		318,550	
I.C. Power [Member] | Accumulated depreciation [Member]			
Disclosure of detailed information about property, plant and equipment [line items]			
Land, roads, buildings and leasehold improvements		(6,602)	
Installations, machinery and equipment		(117,368)	
Motor vehicles		(46)	
Property, plant and equipment		$ (124,016)	

Property, Plant and Equipment, Net (Schedule of Composition of Depreciation Expense) (Details) - USD ($) $ in Thousands	12 Months Ended	
	Dec. 31, 2017	Dec. 31, 2016
Disclosure of detailed information about property, plant and equipment [abstract]		
Depreciation charged to results	$ 30,794	$ 27,286

Property, Plant and Equipment, Net (Schedule of Composition of Depreciation and Amortization Expense) (Details) - USD ($) $ in Thousands	12 Months Ended	
	Dec. 31, 2017	Dec. 31, 2016
Disclosure of detailed information about property, plant and equipment [abstract]		
Depreciation charged to cost of sales	$ 30,102	$ 26,697
Depreciation charged to general, selling and administrative expenses	597	468
Depreciation charged to results	30,699	27,165
Amortization of intangibles charged to cost of sales		
Amortization of intangibles charged to general, selling and administrative expenses	95	121
Depreciation and amortization from continuing operations	$ 30,794	$ 27,286

Intangible Assets, Net (Narrative) (Details) - USD ($) $ in Thousands	12 Months Ended	
	Dec. 31, 2017	Dec. 31, 2016
Disclosure of reconciliation of changes in intangible assets and goodwill [line items]		
Discount rate		32.00%
Cost of sales [Member]		
Disclosure of reconciliation of changes in intangible assets and goodwill [line items]		
Impairment	$ 10,000	
Others [Member]		
Disclosure of reconciliation of changes in intangible assets and goodwill [line items]		
Impairment	3,000	
Goodwill [Member]		
Disclosure of reconciliation of changes in intangible assets and goodwill [line items]		
Impairment	$ 7,000	

Intangible Assets, Net (Schedule of Intangible Assets, Net) (Details) - USD ($) $ in Thousands		12 Months Ended	
		Dec. 31, 2017	Dec. 31, 2016
Disclosure of reconciliation of changes in intangible assets and goodwill [line items]			
Balance		$ 376,778	
Balance		1,641	$ 376,778
Cost [Member]			
Disclosure of reconciliation of changes in intangible assets and goodwill [line items]			
Balance		433,643	191,237
Acquisitions as part of business combinations		491	232,249
Acquisitions - self development		10,459	9,469
Disposals		(82)	(153)
Reclassification			(161)
Sale of subsidiaries		(422,500)	
Translation differences		1,565	1,002
Balance		23,576	433,643
Amortization and impairment [Member]			
Disclosure of reconciliation of changes in intangible assets and goodwill [line items]			
Balance		56,865	43,993
Amortization for the year		12,922	13,002
Disposals		25	(153)
Sale of subsidiaries	[1]	(47,930)	
Translation differences		53	23
Balance		21,935	56,865
Carrying values [Member]			
Disclosure of reconciliation of changes in intangible assets and goodwill [line items]			
Balance		376,778	147,244
Balance		376,778	376,778
Goodwill [Member]			
Disclosure of reconciliation of changes in intangible assets and goodwill [line items]			
Impairment		7,000	
Goodwill [Member] | Cost [Member]			
Disclosure of reconciliation of changes in intangible assets and goodwill [line items]			
Balance		117,550	79,581
Acquisitions as part of business combinations		296	37,102
Acquisitions - self development			
Disposals			
Reclassification			

Sale of subsidiaries		(97,167)	
Translation differences		1,235	867
Balance		21,914	117,550
Goodwill [Member] | Amortization and impairment [Member]			
Disclosure of reconciliation of changes in intangible assets and goodwill [line items]			
Balance		21,455	21,455
Amortization for the year			
Disposals			
Sale of subsidiaries	[1]		
Translation differences			
Balance		21,455	21,455
Goodwill [Member] | Carrying values [Member]			
Disclosure of reconciliation of changes in intangible assets and goodwill [line items]			
Balance		96,095	58,126
Balance		96,095	96,095
Concessions licenses [Member] | Cost [Member]			
Disclosure of reconciliation of changes in intangible assets and goodwill [line items]			
Balance		189,351	
Acquisitions as part of business combinations			189,351
Acquisitions - self development			
Disposals			
Reclassification			
Sale of subsidiaries		(189,351)	
Translation differences			
Balance			189,351
Concessions licenses [Member] | Amortization and impairment [Member]			
Disclosure of reconciliation of changes in intangible assets and goodwill [line items]			
Balance		5,434	
Amortization for the year		5,759	5,434
Disposals			
Sale of subsidiaries	[1]	(11,193)	
Translation differences			
Balance			5,434
Concessions licenses [Member] | Carrying values [Member]			
Disclosure of reconciliation of changes in intangible assets and goodwill [line items]			
Balance		183,917	
Balance		183,917	183,917
Customer relationships [Member] | Cost [Member]			
Disclosure of reconciliation of changes in intangible assets and goodwill [line items]			
Balance		41,074	41,074

Acquisitions as part of business combinations			
Acquisitions - self development			
Disposals			
Reclassification			
Sale of subsidiaries		(41,074)	
Translation differences			
Balance			41,074
Customer relationships [Member] | Amortization and impairment [Member]			
Disclosure of reconciliation of changes in intangible assets and goodwill [line items]			
Balance		20,942	16,888
Amortization for the year		3,970	4,054
Disposals			
Sale of subsidiaries	[1]	(24,912)	
Translation differences			
Balance			20,942
Customer relationships [Member] | Carrying values [Member]			
Disclosure of reconciliation of changes in intangible assets and goodwill [line items]			
Balance		20,132	24,186
Balance		20,132	20,132
Software costs [Member] | Cost [Member]			
Disclosure of reconciliation of changes in intangible assets and goodwill [line items]			
Balance		1,771	1,776
Acquisitions as part of business combinations		195	
Acquisitions - self development		179	138
Disposals			(153)
Reclassification			
Sale of subsidiaries		(1,066)	
Translation differences		74	10
Balance		1,153	1,771
Software costs [Member] | Amortization and impairment [Member]			
Disclosure of reconciliation of changes in intangible assets and goodwill [line items]			
Balance		1,015	937
Amortization for the year		209	227
Disposals		25	(153)
Sale of subsidiaries	[1]	(804)	
Translation differences			4
Balance		445	1,015
Software costs [Member] | Carrying values [Member]			
Disclosure of reconciliation of changes in intangible assets and goodwill [line items]			
Balance		756	839
Balance		756	756

Others [Member]			
Disclosure of reconciliation of changes in intangible assets and goodwill [line items]			
Impairment		3,000	
Others [Member] | Cost [Member]			
Disclosure of reconciliation of changes in intangible assets and goodwill [line items]			
Balance		83,897	68,806
Acquisitions as part of business combinations			5,796
Acquisitions - self development		10,280	9,331
Disposals		(82)	
Reclassification			(161)
Sale of subsidiaries		(93,842)	
Translation differences		256	125
Balance		509	83,897
Others [Member] | Amortization and impairment [Member]			
Disclosure of reconciliation of changes in intangible assets and goodwill [line items]			
Balance		8,019	4,713
Amortization for the year		2,984	3,287
Disposals			
Sale of subsidiaries	[1]	(11,021)	
Translation differences		53	19
Balance		35	8,019
Others [Member] | Carrying values [Member]			
Disclosure of reconciliation of changes in intangible assets and goodwill [line items]			
Balance		75,878	64,093
Balance		$ 75,878	$ 75,878

[1] This amount includes impairment as a result of the sale of Colombian assets. The Company recorded the impairment in cost of sales of $ 10 million ($3 million in Others and $7 million in Goodwill).

Intangible Assets, Net (Schedule of Carrying Amounts of Intangible Assets) (Details) - USD ($) $ in Thousands	Dec. 31, 2017	Dec. 31, 2016
Disclosure of detailed information about intangible assets [abstract]		
Intangible assets with a finite useful life	$ 1,182	$ 280,683
Intangible assets with an indefinite useful life or not yet available for use	459	96,095
Goodwill and intangible assets, net	$ 1,641	$ 376,778

Intangible Assets, Net (Schedule of Goodwill from Cash Generating Units) (Details) - USD ($) $ in Thousands		Dec. 31, 2017	Dec. 31, 2016
Disclosure of reconciliation of changes in intangible assets and goodwill [line items]			
Goodwill		$ 459	$ 96,095
Nejapa [Member]			
Disclosure of reconciliation of changes in intangible assets and goodwill [line items]			
Goodwill	[1]		40,693
Kallpa [Member]			
Disclosure of reconciliation of changes in intangible assets and goodwill [line items]			
Goodwill	[1]		10,934
Energuate [Member]			
Disclosure of reconciliation of changes in intangible assets and goodwill [line items]			
Goodwill	[1]		37,651
Surpetroil [Member]			
Disclosure of reconciliation of changes in intangible assets and goodwill [line items]			
Goodwill	[1]		6,699
AIE [Member]			
Disclosure of reconciliation of changes in intangible assets and goodwill [line items]			
Goodwill	[1]	$ 459	$ 118

[1] Discontinued operations

Intangible Assets, Net (Schedule of Key Assumptions Used for Estimating Recoverable Amounts of Cash Generating Units) (Details)		Dec. 31, 2017	Dec. 31, 2016
Disclosure of detailed information about intangible assets [line items]			
Discount rate			32.00%
Peru [Member]			
Disclosure of detailed information about intangible assets [line items]			
Discount rate	[1]		6.70%
Energuate [Member]			
Disclosure of detailed information about intangible assets [line items]			
Discount rate	[1]		8.90%
El Salvador [Member]			
Disclosure of detailed information about intangible assets [line items]			
Discount rate	[1]		9.80%
Colombia [Member]			
Disclosure of detailed information about intangible assets [line items]			
Discount rate	[1]		8.20%
Terminal value growth rate [Member]			
Disclosure of detailed information about intangible assets [line items]			
Discount rate			2.00%

[1] Discontinued operations

Loans and Debentures (Long-term loans from banks and others) (Narrative) (Details) ₪ in Thousands, $ in Thousands	Jan. 09, 2018 USD ($)	Jan. 03, 2018	Sep. 08, 2017	1 Months Ended Jun. 22, 2014 USD ($)	12 Months Ended Dec. 31, 2017 USD ($)	Dec. 31, 2016 USD ($)	Dec. 31, 2015 USD ($)	Dec. 31, 2017 ILS (₪)	May 31, 2017 USD ($)	May 31, 2017 ILS (₪)	Dec. 31, 2016 ILS (₪)	May 09, 2016 USD ($)	Jun. 22, 2014 ILS (₪)	Jan. 31, 2011 USD ($)	Jan. 31, 2011 ILS (₪)
Disclosure of detailed information about borrowings [line items]															
Short-term loans from banks - Current					$ 317,684	$ 213,417									
Nominal annual Interest rate					8.00%			8.00%							
Proceeds received					$ 1,938,877	799,481	$ 333,549								
Top of range [member]															
Disclosure of detailed information about borrowings [line items]															
Corporate guarantees					33,000										
Top of range [member] | NIS [Member]															
Disclosure of detailed information about borrowings [line items]															
Corporate guarantees | ₪								₪ 115,000							
Accumulate over 24 months in semi-annual deposits [Member]															
Disclosure of detailed information about borrowings [line items]															
Corporate guarantees					$ 5,800										
Accumulate over 24 months in semi-annual deposits [Member] | NIS [Member]															
Disclosure of detailed information about borrowings [line items]															
Corporate guarantees | ₪								₪ 20,000							
Overseas Investments Peru Credit Suisse (D) [Member]															
Disclosure of detailed information about borrowings [line items]															
Face amount												$ 100,000			
Interest rate basis					LIBOR										
Adjustment to interest rate basis					5.00%			5.00%							
Maturity			May 9, 2019		2017										
Borrowings					$ 100,000	97,000									
Overseas Investments Peru Credit Suisse (D) [Member] | Prepayment of debt [Member]															
Disclosure of detailed information about borrowings [line items]															
Maturity		February 2019													

Repayments	$ 101,000							
Prepayments	$ 101,000							
Overseas Investments Peru Credit Suisse (D) [Member] | Bottom of range [member]								
Disclosure of detailed information about borrowings [line items]								
Adjustment to interest rate basis		5.00%		5.00%				
Overseas Investments Peru Credit Suisse (D) [Member] | Middle of range [Member]								
Disclosure of detailed information about borrowings [line items]								
Adjustment to interest rate basis		5.75%		5.75%				
Overseas Investments Peru Credit Suisse (D) [Member] | Top of range [member]								
Disclosure of detailed information about borrowings [line items]								
Adjustment to interest rate basis		6.50%		6.50%				
OPC Rotem Ltd Lenders Consortium (E) [Member]								
Disclosure of detailed information about borrowings [line items]								
Face amount							$ 460,000	
Reserve account		$ 21,000	19,000					
Maturity		2031						
Shareholder ownership percentage		14.00%						
Amount used from guarantee		$ 1,400	1,200					
OPC Rotem Ltd Lenders Consortium (E) [Member] | NIS [Member]								
Disclosure of detailed information about borrowings [line items]								
Face amount | ₪								₪ 1,800,000
Reserve account | ₪				₪ 72,000	₪ 73,000			
Amount used from guarantee | ₪				₪ 4,000				₪ 5,000
OPC Rotem Ltd Lenders Consortium (E) [Member] | Bottom of range [member]								
Disclosure of detailed information about borrowings [line items]								
Nominal annual Interest rate		4.85%		4.85%				
OPC Rotem Ltd Lenders Consortium (E) [Member] | Top of range [member]								
Disclosure of detailed information about borrowings [line items]								
Nominal annual Interest rate		5.36%		5.36%				
IC Power Asia Development Ltd [Member]								
Disclosure of detailed								

information about borrowings [line items]					
Corporate guarantees	$ 6,600				
IC Power Asia Development Ltd [Member] | NIS [Member]					
Disclosure of detailed information about borrowings [line items]					
Corporate guarantees | ₪			₪ 23,000		
OPC [Member]					
Disclosure of detailed information about borrowings [line items]					
Corporate guarantees	26,500				
OPC [Member] | NIS [Member]					
Disclosure of detailed information about borrowings [line items]					
Corporate guarantees | ₪			92,000		
Amitim and Menora [Member] | OPC Energy Ltd [Member]					
Disclosure of detailed information about borrowings [line items]					
Face amount	$ 93,000				
Amitim and Menora [Member] | OPC Energy Ltd [Member] | Tranche A Bridge Loan [Member]					
Disclosure of detailed information about borrowings [line items]					
Face amount | ₪					₪ 150,000
Maturity	March 31, 2017				
Nominal annual Interest rate	4.85%				4.85%
Prepayments		41,000	$ 7,000		
Amitim and Menora [Member] | OPC Energy Ltd [Member] | Tranche B Long Term Loan [Member]					
Disclosure of detailed information about borrowings [line items]					
Face amount | ₪					₪ 200,000
Maturity	March 2029				
Nominal annual Interest rate	7.75%				7.75%
Prepayments		$ 10,000			
Amitim and Menora [Member] | NIS [Member] | OPC Energy Ltd [Member]					
Disclosure of detailed information about borrowings [line items]					
Face amount | ₪					₪ 350,000

Amitim and Menora [Member] | NIS [Member] | OPC Energy Ltd [Member] | Tranche A Bridge Loan [Member]				
Disclosure of detailed information about borrowings [line items]				
Prepayments | ₪			₪ 23,000	162,000
Amitim and Menora [Member] | NIS [Member] | OPC Energy Ltd [Member] | Tranche B Long Term Loan [Member]				
Disclosure of detailed information about borrowings [line items]				
Prepayments | ₪				₪ 38,000
ICPAD [Member]				
Disclosure of detailed information about borrowings [line items]				
Corporate guarantees	5,800			
ICPAD [Member] | NIS [Member]				
Disclosure of detailed information about borrowings [line items]				
Corporate guarantees | ₪		20,000		
OPC and Verdis [Member]				
Disclosure of detailed information about borrowings [line items]				
Corporate guarantees	16,600			
OPC and Verdis [Member] | NIS [Member]				
Disclosure of detailed information about borrowings [line items]				
Corporate guarantees | ₪		57,500		
Rotem [Member]				
Disclosure of detailed information about borrowings [line items]				
Corporate guarantees	$ 16,600			
Rotem [Member] | NIS [Member]				
Disclosure of detailed information about borrowings [line items]				
Corporate guarantees | ₪		₪ 57,500		

Loans and Debentures (Debentures) (Narrative) (Details) ₪ in Thousands, $ in Thousands	12 Months Ended								
	Dec. 31, 2017 USD ($)	Dec. 31, 2016 USD ($)	Dec. 31, 2015 USD ($)	Jun. 30, 2018 ILS (₪)	Dec. 31, 2017 ILS (₪)	Aug. 20, 2017	May 31, 2017 USD ($)	May 31, 2017 ILS (₪)	Dec. 31, 2014 USD ($)
Disclosure of detailed information about borrowings [line items]									
Proceeds received	$ 1,938,877	$ 799,481	$ 333,549						
Nominal annual Interest rate	8.00%				8.00%				
Deposit for debt service fund	$ 106,717	176,775							
Equity	$ 1,051,347	$ 894,204	$ 1,263,555						$ 1,437,698
OPC [Member]									
Disclosure of detailed information about borrowings [line items]									
Equity | ₪					₪ 600				
Equity-to-balance sheet ratio	65.00%				65.00%				
OPC [Member] | Basis of its stand-alone financial statements [Member]									
Disclosure of detailed information about borrowings [line items]									
Debt coverage ratio				105.00%					
OPC [Member] | Basis of its stand-alone financial statements [Member] | Bottom of range [member]									
Disclosure of detailed information about borrowings [line items]									
Equity | ₪				₪ 80,000					
Equity-to-balance sheet ratio				12.50%					
Bonds (Series A) [Member] | OPC [Member]									
Disclosure of detailed information about borrowings [line items]									
Face amount							$ 92,000		
Nominal annual Interest rate						4.45%	4.95%	4.95%	
Nominal annual Interest rate reduced							0.50%	0.50%	
Deposit for debt service fund	$ 5,000								
Bonds (Series A) [Member] | OPC [Member] | NIS [Member]									
Disclosure of detailed information about borrowings [line items]									
Face amount | ₪								₪ 320,000	

Deposit for debt service fund | ₪	₪ 18,000

Loans and Debentures (Schedule of Contractual Conditions) (Details) - USD ($) $ in Thousands	Dec. 31, 2017		Dec. 31, 2016	
Current liabilities				
Short-term loans from banks, financial institutions and others	$ 317,684	[1],[2]	$ 213,417	[3]
Total current liabilities	317,684		213,417	
Loans from banks, financial institutions and others	123,908		251,803	
Non-convertible debentures	6,364		10,617	
Liability in respect of financing lease			6,976	
Total current maturities of long-term liabilities	130,272		269,396	
Total current liabilities	447,956		482,813	
Non-current liabilities				
Loans from banks and financial institutions	627,150		1,903,323	
Non-convertible debentures	91,122	[4]	867,287	[5]
Liability in respect of financing lease			88,169	
Other long-term balances	543		240,213	
Total other long-term liabilities	718,815		3,098,992	
Less current maturities	(130,272)		(269,396)	
Total non-current liabilities	$ 588,543		$ 2,829,596	

[1] Balances as at December 31, 2017 mainly relates to loans from related parties (see Note 31.E).

[2] Excludes current portion of long-term liabilities.

[3] Excludes current portion of long-term liabilities and long-term liabilities which were classified to short-term.

[4] Includes current portion of long-term liabilities.

[5] Includes current portion of long-term liabilities and long-term liabilities which were classified to short-term.

Loans and Debentures (Schedule of Composition of I.C. Power Loans) (Details) - USD ($) $ in Thousands	12 Months Ended		
	Sep. 08, 2017	Dec. 31, 2017	Dec. 31, 2016
Disclosure of detailed information about borrowings [line items]			
Nominal annual interest rate		8.00%	
Short-term loans from banks - Current		$ 317,684	$ 213,417
Loans from Banks and others - Current		123,908	251,803
Loans from Banks and others - Non-Current		627,150	1,903,323
Liabilities in respect of finance leases - Current			6,976
Liabilities in respect of finance leases - Non-Current			88,169
Debentures - Current		6,364	10,617
Debentures - Non-Current		84,758	856,670
Total - Current		447,956	482,813
Total - Non-Current		588,543	2,829,596
Loans from Banks and others Subtotal [Member]			
Disclosure of detailed information about borrowings [line items]			
Loans from Banks and others - Current		123,908	251,803
Loans from Banks and others - Non-Current		503,242	1,651,520
Finance Lease Liabilities Subtotal [Member]			
Disclosure of detailed information about borrowings [line items]			
Liabilities in respect of finance leases - Non-Current			81,193
Total Borrowings [Member]			
Disclosure of detailed information about borrowings [line items]			
Total - Current		130,272	482,813
Total - Non-Current		$ 588,000	2,589,383
I.C. Power Distribution Holdings - Credit Suisse [Member]			
Disclosure of detailed information about borrowings [line items]			
Interest rate basis		LIBOR	
Adjustment to interest rate basis		4.00%	
Currency		USD	
Maturity		2017	
Short-term loans from banks - Current			119,487
I.C. Power Distribution Holdings - Samay Interbank [Member]			
Disclosure of detailed information about borrowings [line items]			
Nominal annual interest rate		2.90%	
Currency		USD	
Maturity		2017	
Short-term loans from banks - Current			31,945
I.C. Power Distribution Holdings - DEOCSA Various entities [Member]			
Disclosure of detailed information about borrowings [line items]			
Interest rate basis		LIBOR	
Adjustment to interest rate basis		4.75%	
Currency		USD	

Maturity	2017	
Short-term loans from banks - Current		18,000
I.C. Power Distribution Holdings - DEORSA Various entities [Member]		
Disclosure of detailed information about borrowings [line items]		
Interest rate basis	LIBOR	
Adjustment to interest rate basis	4.75%	
Currency	USD	
Maturity	2017	
Short-term loans from banks - Current		12,000
I.C. Power Distribution Holdings - CDA Banco de Credito del Peru [Member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	0.83%	
Currency	USD	
Maturity	2017	
Short-term loans from banks - Current		14,000
I.C. Power Distribution Holdings PQP Banco Industrial Guatemala [Member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	4.75%	
Currency	USD	
Maturity	2017	
Short-term loans from banks - Current		6,000
I.C. Power Distribution Holdings Cobee Various entities [Member]		
Disclosure of detailed information about borrowings [line items]		
Currency	BOB	
Short-term loans from banks - Current		4,499
I.C. Power Distribution Holdings Cobee Various entities [Member] | Bottom of range [member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	4.20%	
Maturity	2016	
I.C. Power Distribution Holdings Cobee Various entities [Member] | Top of range [member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	5.50%	
Maturity	2017	
I.C. Power Distribution Holdings Nejapa Scotiabank El Salvador [Member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	5.50%	
Currency	USD	
Maturity	2017	
Short-term loans from banks - Current		4,200
Empresa Energetica Corinto Ltd - Banco de America Central (BAC) [Member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	5.25%	
Currency	USD	
Maturity	2017	

Short-term loans from banks - Current		1,586
Empresa Energetica Corinto Ltd - Cepp Scotiabank [Member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	2.40%	
Currency	USD	
Maturity	2017	
Short-term loans from banks - Current		1,000
Empresa Energetica Corinto Ltd - BHD Bank [Member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	2.53%	
Currency	USD	
Maturity	2017	
Short-term loans from banks - Current		200
Empresa Energetica Corinto Ltd - Surenergy Banco Davivienda [Member]		
Disclosure of detailed information about borrowings [line items]		
Interest rate basis	DTF	
Adjustment to interest rate basis	4.50%	
Currency	COP	
Maturity	2017	
Short-term loans from banks - Current		500
Cerro del Aguila Tranche A [Member]		
Disclosure of detailed information about borrowings [line items]		
Interest rate basis	LIBOR	
Currency	USD	
Maturity	2024	
Loans from Banks and others - Current		15,344
Loans from Banks and others - Non-Current		320,437
Cerro del Aguila Tranche A [Member] | Bottom of range [member]		
Disclosure of detailed information about borrowings [line items]		
Adjustment to interest rate basis	4.25%	
Cerro del Aguila Tranche A [Member] | Top of range [member]		
Disclosure of detailed information about borrowings [line items]		
Adjustment to interest rate basis	5.50%	
Cerro del Aguila Tranche B [Member]		
Disclosure of detailed information about borrowings [line items]		
Interest rate basis	LIBOR	
Currency	USD	
Maturity	2024	
Loans from Banks and others - Current		
Loans from Banks and others - Non-Current		180,896
Cerro del Aguila Tranche B [Member] | Bottom of range [member]		
Disclosure of detailed information about borrowings [line items]		
Adjustment to interest rate basis	4.25%	
Cerro del Aguila Tranche B [Member] | Top of range [member]		
Disclosure of detailed information about borrowings [line items]		
Adjustment to interest rate basis	6.25%	

Cerro del Aguila Tranche 1D [Member]		
Disclosure of detailed information about borrowings [line items]		
Interest rate basis	LIBOR	
Currency	USD	
Maturity	2024	
Loans from Banks and others - Current		1,760
Loans from Banks and others - Non-Current		38,697
Cerro del Aguila Tranche 1D [Member] | Bottom of range [member]		
Disclosure of detailed information about borrowings [line items]		
Adjustment to interest rate basis	2.75%	
Cerro del Aguila Tranche 1D [Member] | Top of range [member]		
Disclosure of detailed information about borrowings [line items]		
Adjustment to interest rate basis	3.60%	
Cerro del Aguila Tranche 2D [Member]		
Disclosure of detailed information about borrowings [line items]		
Interest rate basis	LIBOR	
Currency	USD	
Maturity	2027	
Loans from Banks and others - Current		
Loans from Banks and others - Non-Current		21,959
Cerro del Aguila Tranche 2D [Member] | Bottom of range [member]		
Disclosure of detailed information about borrowings [line items]		
Adjustment to interest rate basis	2.75%	
Cerro del Aguila Tranche 2D [Member] | Top of range [member]		
Disclosure of detailed information about borrowings [line items]		
Adjustment to interest rate basis	3.60%	
Sumitomo /HSBC / Bank of Tokyo [Member]		
Disclosure of detailed information about borrowings [line items]		
Interest rate basis	LIBOR	
Currency	USD	
Maturity	2021	
Loans from Banks and others - Current		5,047
Loans from Banks and others - Non-Current		302,247
Sumitomo /HSBC / Bank of Tokyo [Member] | Bottom of range [member]		
Disclosure of detailed information about borrowings [line items]		
Adjustment to interest rate basis	2.125%	
Sumitomo /HSBC / Bank of Tokyo [Member] | Top of range [member]		
Disclosure of detailed information about borrowings [line items]		
Adjustment to interest rate basis	2.625%	
Central Cardones Tranche One BCI / Banco Itau [Member]		
Disclosure of detailed information about borrowings [line items]		
Interest rate basis	LIBOR	
Adjustment to interest rate basis	1.90%	
Currency	USD	
Maturity	2021	

Loans from Banks and others - Current		3,781
Loans from Banks and others - Non-Current		18,228
Central Cardones Tranche Two BCI / Banco Itau [Member]		
Disclosure of detailed information about borrowings [line items]		
Interest rate basis	LIBOR	
Adjustment to interest rate basis	2.75%	
Currency	USD	
Maturity	2021	
Loans from Banks and others - Current		
Loans from Banks and others - Non-Current		13,383
Colmito Banco Bice [Member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	7.90%	
Currency	CLP	
Maturity	2028	
Loans from Banks and others - Current		625
Loans from Banks and others - Non-Current		16,121
Consorcio Eolico Amayo, S.A.(I) Banco Centroamericano de Integracion Economica [Member]		
Disclosure of detailed information about borrowings [line items]		
Interest rate basis	LIBOR	
Currency	USD	
Maturity	2023	
Loans from Banks and others - Current		5,307
Loans from Banks and others - Non-Current		37,376
Consorcio Eolico Amayo, S.A.(I) Banco Centroamericano de Integracion Economica [Member] | Bottom of range [member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	8.45%	
Consorcio Eolico Amayo, S.A.(I) Banco Centroamericano de Integracion Economica [Member] | Top of range [member]		
Disclosure of detailed information about borrowings [line items]		
Adjustment to interest rate basis	4.00%	
Consorcio Eolico Amayo (Fase II), S.A. Various entities [Member]		
Disclosure of detailed information about borrowings [line items]		
Interest rate basis	LIBOR	
Adjustment to interest rate basis	5.75%	
Currency	USD	
Maturity	2025	
Loans from Banks and others - Current		3,029
Loans from Banks and others - Non-Current		28,250
Consorcio Eolico Amayo (Fase II), S.A. Various entities [Member] | Bottom of range [member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	8.53%	
Consorcio Eolico Amayo (Fase II), S.A. Various entities [Member] | Top of range [member]		

Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	10.76%	
Empresa Energetica Corinto, Ltd. Banco de America Central (BAC) [Member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	8.35%	
Currency	USD	
Maturity	2018	
Loans from Banks and others - Current		3,124
Loans from Banks and others - Non-Current		3,402
Tipitapa Power Company, Ltd. Banco de America Central (BAC) [Member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	8.35%	
Currency	USD	
Maturity	2018	
Loans from Banks and others - Current		2,801
Loans from Banks and others - Non-Current		3,328
Jamaica Private Power Company Royal Bank of Canada [Member]		
Disclosure of detailed information about borrowings [line items]		
Interest rate basis	LIBOR	
Adjustment to interest rate basis	5.50%	
Currency	USD	
Maturity	2017	
Loans from Banks and others - Current		824
Loans from Banks and others - Non-Current		
Burmeister & Wain Scandinavian Contractor A/S [Member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	3.59%	
Currency	USD	
Maturity	2018	
Loans from Banks and others - Current		338
Loans from Banks and others - Non-Current		233
PQP Banco Industrial [Member]		
Disclosure of detailed information about borrowings [line items]		
Interest rate basis	LIBOR	
Adjustment to interest rate basis	4.50%	
Currency	USD	
Maturity	2021	
Loans from Banks and others - Current		2,374
Loans from Banks and others - Non-Current		9,632
Surpetroil S.A.S Banco de Occidente S.A [Member]		
Disclosure of detailed information about borrowings [line items]		
Interest rate basis	IBR	
Adjustment to interest rate basis	5.87%	
Currency	COP	
Maturity	2018	

Loans from Banks and others - Current			504
Loans from Banks and others - Non-Current			375
Surpetroil S.A.S Banco Pichincha [Member]			
Disclosure of detailed information about borrowings [line items]			
Interest rate basis		DTF	
Adjustment to interest rate basis		3.00%	
Currency		COP	
Maturity		2017	
Loans from Banks and others - Current			100
Loans from Banks and others - Non-Current			
Kanan Scotiabank [Member]			
Disclosure of detailed information about borrowings [line items]			
Interest rate basis		LIBOR	
Adjustment to interest rate basis		3.50%	
Currency		USD	
Maturity		2021	
Loans from Banks and others - Current			46,094
Loans from Banks and others - Non-Current			
Overseas Investments Peru Credit Suisse (D) [Member]			
Disclosure of detailed information about borrowings [line items]			
Interest rate basis		LIBOR	
Adjustment to interest rate basis		5.00%	
Currency		USD	
Maturity	May 9, 2019	2017	
Loans from Banks and others - Current		$ 99,964	97,274
Loans from Banks and others - Non-Current			
Sub total		$ 100,000	97,000
Overseas Investments Peru Credit Suisse (D) [Member] | Bottom of range [member]			
Disclosure of detailed information about borrowings [line items]			
Adjustment to interest rate basis		5.00%	
Overseas Investments Peru Credit Suisse (D) [Member] | Top of range [member]			
Disclosure of detailed information about borrowings [line items]			
Adjustment to interest rate basis		6.50%	
DEORSA Syndicated Loan - various banks [Member]			
Disclosure of detailed information about borrowings [line items]			
Interest rate basis		LIBOR	
Currency		USD	
Loans from Banks and others - Current			10,167
Loans from Banks and others - Non-Current			67,857
DEORSA Syndicated Loan - various banks [Member] | Bottom of range [member]			
Disclosure of detailed information about borrowings [line items]			
Adjustment to interest rate basis		4.70%	
Maturity		2021	
DEORSA Syndicated Loan - various banks [Member] | Top of range [member]			
Disclosure of detailed information about borrowings [line items]			

Adjustment to interest rate basis	4.75%	
Maturity	2025	
DEORSA Syndicated Loan - various banks One [Member]		
Disclosure of detailed information about borrowings [line items]		
Interest rate basis	TAPP	
Currency	GTQ	
Loans from Banks and others - Current		4,687
Loans from Banks and others - Non-Current		30,653
DEORSA Syndicated Loan - various banks One [Member] | Bottom of range [member]		
Disclosure of detailed information about borrowings [line items]		
Adjustment to interest rate basis	(5.60%)	
Maturity	2021	
DEORSA Syndicated Loan - various banks One [Member] | Top of range [member]		
Disclosure of detailed information about borrowings [line items]		
Adjustment to interest rate basis	(6.10%)	
Maturity	2025	
DEOCSA Syndicated Loan - various banks [Member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	6.00%	
Interest rate basis	LIBOR	
Currency	USD	
Loans from Banks and others - Current		16,876
Loans from Banks and others - Non-Current		107,488
DEOCSA Syndicated Loan - various banks [Member] | Bottom of range [member]		
Disclosure of detailed information about borrowings [line items]		
Adjustment to interest rate basis	4.70%	
Maturity	2021	
DEOCSA Syndicated Loan - various banks [Member] | Top of range [member]		
Disclosure of detailed information about borrowings [line items]		
Adjustment to interest rate basis	4.75%	
Maturity	2025	
DEOCSA Syndicated Loan - various banks One [Member]		
Disclosure of detailed information about borrowings [line items]		
Interest rate basis	TAPP	
Currency	GTQ	
Loans from Banks and others - Current		6,215
Loans from Banks and others - Non-Current		43,127
DEOCSA Syndicated Loan - various banks One [Member] | Bottom of range [member]		
Disclosure of detailed information about borrowings [line items]		
Adjustment to interest rate basis	(5.60%)	
Maturity	2021	
DEOCSA Syndicated Loan - various banks One [Member] | Top of range [member]		
Disclosure of detailed information about borrowings [line items]		
Adjustment to interest rate basis	(6.10%)	

Maturity	2025	
RECSA Banco G&T Continental [Member]		
Disclosure of detailed information about borrowings [line items]		
Interest rate basis	TAPP	
Adjustment to interest rate basis	(6.63%)	
Currency	GTQ	
Maturity	2020	
Loans from Banks and others - Current		931
Loans from Banks and others - Non-Current		3,722
OPC Rotem Ltd Lenders Consortium (E) [Member]		
Disclosure of detailed information about borrowings [line items]		
Currency	NIS	
Maturity	2031	
Loans from Banks and others - Current	$ 23,944	20,290
Loans from Banks and others - Non-Current	$ 463,160	344,240
OPC Rotem Ltd Lenders Consortium (E) [Member] | Bottom of range [member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	4.85%	
OPC Rotem Ltd Lenders Consortium (E) [Member] | Top of range [member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	5.36%	
Facility B - Amitim and Menora Pension Funds (F) [Member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	7.75%	
Currency	NIS	
Maturity	2029	
Loans from Banks and others - Current		4,311
Loans from Banks and others - Non-Current	$ 40,092	47,425
IC Power Asua Development Ltd Bank Hapoalim New York [Member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	0.75%	
Currency	USD	
Maturity	2019	
Loans from Banks and others - Current		
Loans from Banks and others - Non-Current		12,000
AGS Veolia Energy Israel Ltd [Member]		
Disclosure of detailed information about borrowings [line items]		
Currency	NIS	
Maturity	2019	
Loans from Banks and others - Current		
Loans from Banks and others - Non-Current		444
Kallpa Generacion Banco de Credito del Peru [Member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	7.15%	
Currency	USD	
Maturity	2023	

Liabilities in respect of finance leases - Current		6,624
Liabilities in respect of finance leases - Non-Current		81,193
Surpetroil S.A.S. Banco de Occidente S.A. [Member]		
Disclosure of detailed information about borrowings [line items]		
Interest rate basis	DTF	
Adjustment to interest rate basis	3.50%	
Currency	COP	
Maturity	2017	
Liabilities in respect of finance leases - Current		223
Liabilities in respect of finance leases - Non-Current		
DEORSA Arrendadora Agromercantil [Member]		
Disclosure of detailed information about borrowings [line items]		
Interest rate basis	TAPP	
Adjustment to interest rate basis	(2.47%)	
Currency	GTQ	
Maturity	2017	
Liabilities in respect of finance leases - Current		129
Liabilities in respect of finance leases - Non-Current		
Bonds Cobee III-1B [Member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	6.50%	6.50%
Currency	USD	
Maturity	2017	
Debentures - Current		$ 1,750
Debentures - Non-Current		
Bonds Cobee III-1C (bolivianos) [Member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	9.00%	
Currency	BOB	
Maturity	2020	
Debentures - Current		1,586
Debentures - Non-Current		4,757
Bonds Cobee III-2 [Member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	6.75%	
Currency	USD	
Maturity	2014	
Debentures - Current		5,000
Debentures - Non-Current		
Bonds Cobee III-3 (bolivianos) [Member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	7.00%	
Currency	BOB	
Maturity	2022	
Debentures - Current		

Debentures - Non-Current		6,160
Bonds Cobee IV-1A [Member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	6.00%	
Currency	USD	
Maturity	2018	
Debentures - Current		
Debentures - Non-Current		3,988
Bonds Cobee IV-1B [Member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	7.00%	
Currency	USD	
Maturity	2020	
Debentures - Current		
Debentures - Non-Current		3,980
Bonds Cobee IV-1C (bolivianos) [Member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	7.80%	
Currency	BOB	
Maturity	2024	
Debentures - Current		
Debentures - Non-Current		12,030
Cobee Bonds-IV Issuance 3 [Member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	6.70%	
Currency	USD	
Maturity	2019	
Debentures - Current		
Debentures - Non-Current		4,973
Cobee Bonds-IV Issuance 4 (bolivianos) [Member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	7.80%	
Currency	BOB	
Maturity	2024	
Debentures - Current		
Debentures - Non-Current		15,039
Cobee Bonds-IV Issuance 5 (bolivianos) [Member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	5.75%	
Currency	BOB	
Maturity	2026	
Debentures - Current		1,950
Debentures - Non-Current		17,697
Inkia Energy Ltd Inkia Bonds [Member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	8.38%	

Currency	USD	
Maturity	2021	
Debentures - Current		
Debentures - Non-Current		447,904
Kallpa Generacion Kallpa Bonds [Member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	4.88%	
Currency	USD	
Maturity	2026	
Debentures - Current		
Debentures - Non-Current		325,970
Cepp Bonds [Member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	6.00%	
Currency	USD	
Maturity	2019	
Debentures - Current		
Debentures - Non-Current		9,945
Cobee Bonds (Premium) [Member]		
Disclosure of detailed information about borrowings [line items]		
Debentures - Current		331
Debentures - Non-Current		4,227
Cobee Bonds (Premium) [Member] | Currency One [Member]		
Disclosure of detailed information about borrowings [line items]		
Currency	USD	
Cobee Bonds (Premium) [Member] | Currency Two [Member]		
Disclosure of detailed information about borrowings [line items]		
Currency	BOB	
Cobee Bonds (Premium) [Member] | Bottom of range [member]		
Disclosure of detailed information about borrowings [line items]		
Maturity	2017	
Cobee Bonds (Premium) [Member] | Top of range [member]		
Disclosure of detailed information about borrowings [line items]		
Maturity	2024	
OPC Energy Ltd Bonds - Series A (G) [Member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	4.45%	
Currency	NIS	
Maturity	2030	
Debentures - Current	$ 6,364	
Debentures - Non-Current	$ 84,758	

Loans and Debentures (Schedule of Classification Based on Currencies and Interest Rates) (Details) - USD ($) $ in Thousands	Dec. 31, 2017	Dec. 31, 2016
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	8.00%	
Short-term loans from financial institutions	$ 317,684	$ 213,417
Debentures	91,122 [1]	867,287 [2]
Loans from financial institutions (including financing lease)	627,150	1,991,491
Total	718,272	2,858,778
In Other Currencies [Member]		
Disclosure of detailed information about borrowings [line items]		
Short-term loans from financial institutions		4,999
Debentures	91,122	63,235
Loans from financial institutions (including financing lease)		17,948
In Other Currencies [Member] | Weighted average [member] | Debentures [Member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	4.80%	
In Dollars [Member]		
Disclosure of detailed information about borrowings [line items]		
Short-term loans from financial institutions		208,418
Debentures		804,052
Loans from financial institutions (including financing lease)	$ 99,964	1,467,369
In Dollars [Member] | Weighted average [member] | Loans from financial institutions (including financing lease) [Member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	7.90%	
In Shekels [Member]		
Disclosure of detailed information about borrowings [line items]		
Loans from financial institutions (including financing lease)	$ 527,186	416,710
In Shekels [Member] | Weighted average [member] | Loans from financial institutions (including financing lease) [Member]		
Disclosure of detailed information about borrowings [line items]		
Nominal annual interest rate	4.80%	
In Quetzales [Member]		
Disclosure of detailed information about borrowings [line items]		
Loans from financial institutions (including financing lease)		$ 89,464

[1] Includes current portion of long-term liabilities.

[2] Includes current portion of long-term liabilities and long-term liabilities which were classified to short-term.

Loans and Debentures (Schedule of Financing Lease Liability) (Details) - USD ($) $ in Thousands	Dec. 31, 2017	Dec. 31, 2016
Disclosure of detailed information about borrowings [line items]		
Minimum future lease rentals	$ 114,072	
Interest component	25,903	
Present value of minimum lease rentals	88,169	
Less than one year [member]		
Disclosure of detailed information about borrowings [line items]		
Minimum future lease rentals	13,016	
Interest component	6,040	
Present value of minimum lease rentals	6,976	
From one year to five years [member]		
Disclosure of detailed information about borrowings [line items]		
Minimum future lease rentals	85,849	
Interest component	19,217	
Present value of minimum lease rentals	66,632	
More than five years [member]		
Disclosure of detailed information about borrowings [line items]		
Minimum future lease rentals	15,207	
Interest component	646	
Present value of minimum lease rentals	$ 14,561	

Loans and Debentures (Schedule of Covenants) (Details) $ in Thousands	Dec. 31, 2017 USD ($)	Dec. 31, 2016 USD ($)	Dec. 31, 2015 USD ($)	Dec. 31, 2014 USD ($)
Disclosure of detailed information about borrowings [line items]				
Shareholder equity	$ 1,051,347	$ 894,204	$ 1,263,555	$ 1,437,698
OPC [Member] | Bottom of range [member]				
Disclosure of detailed information about borrowings [line items]				
Debt service to coverage ratio	1.25	1.25		

Trade Payables (Schedule of Trade Payables) (Details) - USD ($) $ in Thousands		Dec. 31, 2017	Dec. 31, 2016
Current			
Trade Payables		$ 36,994	$ 264,720
Accrued expenses and other payables		21,901	20,892
Current trade payables		58,895	285,612
Non-current			
Trade Payables	[1]		$ 44,057

[1] As of December 31, 2016, non-current trade payables correspond mainly to spare parts, used for major maintenance of facilities of discontinued operations, acquired according to a long-term program (LTP) agreement signed with Siemens. During 2016, these trade payables have not generated interests and no specific guarantee have been granted.

Other Payables including Derivative Instruments (Schedule of Other Payables) (Details) - USD ($) $ in Thousands	Dec. 31, 2017	Dec. 31, 2016
Current liabilities:		
Financial derivatives not used for hedging	$ 73	$ 783
Financial derivatives used for hedging	439	11,563
The State of Israel and government agencies	1,208	4,206
Employees and payroll-related agencies	179	4,846
Customer advances and deferred income		944
Accrued expenses	14,915	23,563
Dividend payable to non-controlling interest		2,893
Interest payable	21	23,038
Transaction costs on sale of subsidiaries	59,000	
Other	6,687	19,467
Other payables, including derivative instruments	82,522	91,303
Non-current liabilities:		
Financial derivatives not used for hedging		1,342
Financial derivatives used for hedging		13,701
Other financial derivatives (see note 10.C.b.6)		29,594
Non-current derivative instruments		$ 44,637

Provisions (Narrative) (Details) $ in Thousands	12 Months Ended Dec. 31, 2015 USD ($)
I.C. Power [Member]	
Disclosure of other provisions [line items]	
Provision recognized in cost of sales	$ 15,000

Provisions (Schedule of Provisions) (Details) - USD ($) $ in Thousands		12 Months Ended		
		Dec. 31, 2017	Dec. 31, 2016	
Disclosure of other provisions [line items]				
Balance at January, 1		$ 119,531	$ 41,686	
Reclassified from long-term liabilities			34,263	
Provision made during the year			130,193	
Provision reversed to profit/(loss) during the year			(4,587)	
Provision paid/ released		(75,189)	(76,193)	
Effects of foreign currency			(5,831)	
Balance at December, 31		44,342	119,531	
Financial Guarantee [Member]				
Disclosure of other provisions [line items]				
Balance at January, 1	[1]	118,763		
Reclassified from long-term liabilities	[1]		34,263	
Provision made during the year	[1]		130,193	
Provision reversed to profit/(loss) during the year	[1]		(4,587)	
Provision paid/ released	[1]	(74,421)	(36,023)	
Effects of foreign currency	[1]		(5,083)	
Balance at December, 31	[1]	44,342	118,763	
Others [Member]				
Disclosure of other provisions [line items]				
Balance at January, 1	[2]	768	41,686	
Reclassified from long-term liabilities				[2]
Provision made during the year				[2]
Provision reversed to profit/(loss) during the year				[2]
Provision paid/ released		(768)	(40,170)	[2]
Effects of foreign currency			(748)	[2]
Balance at December, 31			$ 768	[2]

[1] Relates to Kenon's provision of financial guarantees to Chery in respect of an obligation of Qoros (see Note 10.C.b.7).

[2] Corresponds to a provisison made by an I.C. Power's subsidiary as a result of a regulator charge. Expenses related to this provision were recognized in the cost of sales in the amount of $15 million in 2015.

Contingent Liabilities, Commitments and Concessions (Claims) (Narrative) (Details) $ in Millions	Jul. 20, 2017 MW	Feb. 02, 2017 USD ($)	Dec. 31, 2016 ₪ / MWh	Nov. 30, 2016 ₪ / MWh	Jul. 31, 2013 MW
Disclosure of contingent liabilities in business combination [line items]					
Tariffs published by EA	333.2				
OPC-Rotem [Member]					
Disclosure of contingent liabilities in business combination [line items]					
Tariffs published by EA | ₪ / MWh			264	265.2	
OPC-Rotem [Member] | Legal proceedings liability [Member]					
Disclosure of contingent liabilities in business combination [line items]					
Contingent liability | $		$ 24.6			
Top of range [Member]					
Disclosure of contingent liabilities in business combination [line items]					
Tariffs published by EA					386
Bottom of range [member]					
Disclosure of contingent liabilities in business combination [line items]					
Tariffs published by EA					333.2

Contingent Liabilities, Commitments and Concessions (Schedule of Guarantees) (Details) ₪ in Thousands, $ in Thousands	Dec. 31, 2017 USD ($)	Dec. 31, 2017 ILS (₪)	Dec. 31, 2016 USD ($)
Disclosure of transactions between related parties [line items]			
Financial guarantee	[1] $ 44,342		$ 118,763
Advanced Integrated Energy Ltd. [Member] | IDOM - EPC Agreement [Member]			
Disclosure of transactions between related parties [line items]			
Financial guarantee	10,500		
Cash Collateral			
Advanced Integrated Energy Ltd. [Member] | IDOM - EPC Agreement [Member] | NIS [Member]			
Disclosure of transactions between related parties [line items]			
Financial guarantee | ₪			
Advanced Integrated Energy Ltd. [Member] | GE - CSA Agreement [Member]			
Disclosure of transactions between related parties [line items]			
Financial guarantee	21,000		
Cash Collateral			
Advanced Integrated Energy Ltd. [Member] | GE - CSA Agreement [Member] | NIS [Member]			
Disclosure of transactions between related parties [line items]			
Financial guarantee | ₪			
OPC Rotem Ltd. [Member] | Facility Agreement [Member]			
Disclosure of transactions between related parties [line items]			
Financial guarantee	12,980		
Cash Collateral	$ 6,505		
OPC Rotem Ltd. [Member] | Facility Agreement [Member] | NIS [Member]			
Disclosure of transactions between related parties [line items]			
Financial guarantee | ₪		₪ 45,000	

[1] Financial Guarantees contractual period in Qoros is dependent on Qoros's timeliness to meet the obligation of current loans payable.

Contingent Liabilities, Commitments and Concessions (Power Purchase Agreement, Gas Supply) (Narrative) (Details) ₪ in Thousands, $ in Thousands	Jan. 08, 2018 ₪ / MWh	Dec. 06, 2017 USD ($)	Apr. 06, 2017 USD ($) MW	Apr. 05, 2017 m²	Sep. 13, 2015	Aug. 10, 2015	Nov. 25, 2012 CubicMeter	Dec. 31, 2016 ₪ / MWh	Oct. 31, 2016	Aug. 31, 2016 USD ($)	Aug. 31, 2016 ILS (₪)	1 Months Ended Jun. 27, 2016 USD ($)	Feb. 28, 2016 USD ($)	Feb. 28, 2016 ILS (₪
Disclosure of contingent liabilities in business combination [line items]														
Tariffs published by EA | MW													
Payment to IEC in satisfaction of service charges														
Adjusted system management cost provision allocated to cost of sales														
Increase in payments														
Purchase price														
Nominal annual Interest rate														
Bottom of range [member]														
Disclosure of contingent liabilities in business combination [line items]														
Tariffs published by EA | MW														
Top of range [Member]														
Disclosure of contingent liabilities in business combination [line items]														
Tariffs published by EA | MW														
OPC Hadera, Israel [Member]														
Disclosure of contingent liabilities in business combination [line items]														
Period of the agreement						OPC Hadera will supply steam and electricity during the period commencing upon COD of the power plant and for a period of 18 years thereafter.								
OPC Hadera, Israel [Member] | Gas Sale and Purchase Agreement (GSPA) [Member]														
Disclosure of contingent liabilities in business combination [line items]														
Period of the agreement														

Bank guarantee in favour of Tamar Partners

OPC Hadera, Israel [Member] | Additional GSPA [Member]

Disclosure of contingent liabilities in business combination [line items]

Period of the agreement

OPC Hadera, Israel [Member] | PPA with end users [Member]

Disclosure of contingent liabilities in business combination [line items]

Period of the agreement | 10 years

OPC Hadera, Israel [Member] | NIS [Member] | Gas Sale and Purchase Agreement (GSPA) [Member]

Disclosure of contingent

liabilities in business combination [line items]							
Bank guarantee in favour of Tamar Partners | ₪							
OPC-Rotem [Member]							
Disclosure of contingent liabilities in business combination [line items]							
Period of the agreement							
Reduction in generation component tariff		5.00%		5.00%			
Initially proposed tariff reduction				8.00%			
Tariffs published by EA | ₪ / MWh				264			
Effective increase in tariffs							
System management service charges							
Payment to IEC in satisfaction of service charges							$ 40,000
Change in system management service charges					2.50%	2.50%	
Adjusted system management cost provision allocated to cost of sales					$ 768		
OPC-Rotem [Member] | 2018 Tariff Update [Member]							
Disclosure of contingent liabilities in business combination [line items]							
Effective increase in tariffs	6.70%						
OPC-Rotem [Member] | 2018 Tariff Update [Member] | Bottom of range [member]							
Disclosure of contingent liabilities in business combination [line items]							
Tariffs published by EA | ₪ / MWh	265						
OPC-Rotem [Member] | 2018 Tariff Update [Member] | Top of range [Member]							
Disclosure of contingent liabilities in business combination [line items]							
Tariffs published by EA | ₪ / MWh	281.6						
OPC-Rotem [Member] | NIS [Member]							
Disclosure of contingent liabilities in business combination [line items]							
System management service charges | ₪							
Payment to IEC in satisfaction of service charges | ₪							₪ 154,00
Adjusted system management cost provision allocated to cost of sales | ₪					₪ 3,000		
OPC-Rotem [Member] | Israel Electric Company (IEC) [Member]							
Disclosure of contingent liabilities in business combination [line items]							
Period of the agreement							

OPC-Rotem [Member] | Noble Energy Mediterranean Ltd. [Member]	
Disclosure of contingent liabilities in business combination [line items]	
Period of the agreement	The agreement shall terminate upon the earlier of: June 2029 or until OPC Rotem has consumed the entire contractual quantity.
Cubic meters to be provided in total | CubicMeter	10,600,000,000
OPC Hadera, Israel [Member] | Israel Natural Gas Lines Ltd. [Member]	
Disclosure of contingent liabilities in business combination [line items]	
Period of the agreement	
Bank guarantee in favour of Tamar Partners	
OPC Hadera, Israel [Member] | Israel Natural Gas Lines Ltd. [Member] | CPI-linked corporate guarantee [Member]	
Disclosure of contingent liabilities in business combination [line items]	
Bank guarantee in favour of Tamar Partners	
OPC Hadera, Israel [Member] | Israel Natural Gas Lines Ltd. [Member] | NIS [Member]	
Disclosure of contingent liabilities in business combination [line items]	
Bank guarantee in favour of Tamar Partners | ₪	

OPC Hadera, Israel [Member] | Israel Natural Gas Lines Ltd. [Member] | NIS [Member] | CPI-linked corporate guarantee [Member]		
Disclosure of contingent liabilities in business combination [line items]		
Bank guarantee in favour of Tamar Partners | ₪		
OPC Hadera, Israel [Member] | SerIDOM Servicios Integrados IDOM [Member]		
Disclosure of contingent liabilities in business combination [line items]		
Cost of contract for power plant		
OPC Hadera, Israel [Member] | General Electric International and GE Global Parts [Member]		
Disclosure of contingent liabilities in business combination [line items]		
Period of the agreement		25 years from the date of signing the Service Agreement.
Cost of contract for power plant		$ 42,000
OPC Energy Ltd., Israel [Member] | Option agreement with Hadera Paper [Member]		
Disclosure of contingent liabilities in business combination [line items]		
Period of the agreement	lease period will be 25 years less one month	
Area of lease | m²	68,000	
Option expiration period	December 31, 2022	
Option divided period	The option period is divided into three periods	
Option fees payable		
OPC Energy Ltd., Israel [Member] | Option agreement with Hadera Paper [Member] | Tranche 1 [Member]		
Disclosure of contingent liabilities in business combination [line items]		
Option fees payable		
OPC Energy Ltd., Israel [Member] | Option agreement with Hadera Paper [Member] | NIS [Member]		
Disclosure of contingent liabilities in business		

combination [line items]		
Option fees payable | ₪		
OPC Energy Ltd., Israel [Member] | Option agreement with Hadera Paper [Member] | NIS [Member] | Tranche 1 [Member]		
Disclosure of contingent liabilities in business combination [line items]		
Option fees payable | ₪		
OPC Energy Ltd., Israel [Member] | Zomet Energy Ltd [Member]		
Disclosure of contingent liabilities in business combination [line items]		
Megawatts of availability under agreement | MW		396
Percentage of shares acquired		95.00%
Total transaction consideration		$ 24,000
OPC Energy Ltd., Israel [Member] | Ipswich Holdings Netherlands B.V. [Member]		
Disclosure of contingent liabilities in business combination [line items]		
Percentage of shares acquired		47.50%
OPC Energy Ltd., Israel [Member] | Rapac Energy Ltd. [Member]		
Disclosure of contingent liabilities in business combination [line items]		
Percentage of shares acquired		47.50%
OPC Rotem and OPC Hadera [Member] | Energean agreement [Member]		
Disclosure of contingent liabilities in business combination [line items]		
Period of the agreement	The agreements are valid for 15 years from the date the agreement comes into effect or until completion of the supply of the total contractual quantity from Energean to each of the subsidiaries (OPC Rotem and OPC Hadera).	

	According to each of the agreements, if after the elapse of 14 years from the date the agreement comes into effect, the contracting company did not take an amount equal to 90% of the total contractual quantity, subject to advance notice, each party may extend the agreement for an additional period which will begin at the end of 15 years from the date the agreement comes into effect until the earlier of: (1) completion of consumption of the total contractual quantity; or (2) at the end of 18 years from the date the agreement comes into effect.
Total financial volume of agreements	$ 1,300,000
Inkia Energy Limited [Member]	
Disclosure of contingent liabilities in business combination [line items]	
Percentage of shares acquired	
Purchase price	
Nominal annual Interest rate	
Deferred Payment Agreement	
Period of purchase price	
Period of corporate guarantee	

[1] Restated (See note 2.E and 28)

[2] Restated (See note 2.E)

Share Capital and Reserves (Narrative) (Details) - USD ($) $ / shares in Units, $ in Thousands	12 Months Ended				
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015		Mar. 22, 2018
Disclosure of classes of share capital [line items]					
Issuance of ordinary shares	88,000	26,000			
Selling, general and administrative expenses	$ 56,292	$ 47,095 [1], [2]	$ 49,726	[1], [2]	
Capital distribution aggregate amount	1,267,210	$ 1,267,450			
Share capital and total equity reduced	$ 750,000				
Capital distribution [Member]					
Disclosure of classes of share capital [line items]					
Capital distribution aggregate amount					$ 665,000
Capital distribution aggregate amount per share					$ 12.35
Share capital and total equity reduced					$ 665,000
Retain cash in excess					$ 50,000
Share Incentive Plan [Member]					
Disclosure of classes of share capital [line items]					
Issuance of ordinary shares	87,911	25,692			
Issuance of ordinary shares price per share	$ 12.51	$ 9.34			
Percentage of total issued shares (excluding treasury shares) of Kenon	3.00%				
Fair value of the shares granted	$ 1,000	$ 240	940		
Selling, general and administrative expenses	$ 508	$ 547	$ 566		

[1] Restated (See note 2.E and 28)

[2] Restated (See note 2.E)

Share Capital and Reserves (Schedule of Share Capital) (Details) - shares shares in Thousands	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Disclosure of classes of share capital [abstract]			
Authorised and in issue	53,808	53,720	53,694
Authorised and in issued as part of the spin-off from IC			
Total Authorised and in issue	53,720	53,694	
Issued for share plan	88	26	

OPC Energy Ltd's Initial Public Offering (Details) ₪ / shares in Units, $ / shares in Units, $ in Thousands, ₪ in Millions	Aug. 10, 2017 USD ($) $ / shares shares	Aug. 10, 2017 ILS (₪)	12 Months Ended			
			Dec. 31, 2017 USD ($) shares	Dec. 31, 2016 USD ($) shares	Dec. 31, 2015 USD ($)	Aug. 10, 2017 ₪ / shares
Statement Line Items [Line Items]						
Number of shares issued | shares			88,000	26,000		
Proceeds of issuance			$ 100,478	$ 9,468	$ 6,110	
Issuance costs			$ (34,391)			
OPC Energy Ltd [Member] | Public Offering [Member]						
Statement Line Items [Line Items]						
Number of shares issued | shares	31,866,700					
Issued price per share | $ / shares	$ 3.47					
Proceeds of issuance	$ 111,000					
Issuance costs	$ 11,000					
Percentage of shares hold by public	24.20%	24.20%				
Percentage of Group's equity interest diluted	75.80%	75.80%				
Capital reserves realization	$ 57,000					
Capital reserves realization attributable to equity holders in non-controlling interest	$ 42,000					
OPC Energy Ltd [Member] | Public Offering [Member] | NIS [Member]						
Statement Line Items [Line Items]						
Issued price per share | ₪ / shares						₪ 12.5
Proceeds of issuance | ₪		₪ 399				
Issuance costs | ₪		₪ 39				

Cost of Sales and Services (Schedule of Cost of Sales and Services) (Details) - USD ($) $ in Thousands	12 Months Ended					
	Dec. 31, 2017	Dec. 31, 2016 [1]		Dec. 31, 2015 [1]		
Disclosure of cost of sales and services [Abstract]						
Capacity and energy purchases and transmission costs	$ 50,973	$ 57,310		$ 93,196		
Fuel, gas and lubricants	137,832	133,012		142,967		
Payroll and related expenses	6,269	5,942		4,325		
Regulatory expenses	62,908	48,509				
Third party services	2,670	2,890				
Other	6,484	4,003		4,328		
Cost of sales and services	$ 267,136	$ 251,666	[2]	$ 244,816	[2]	

[1] Restated (See note 2.E)

[2] Restated (See note 2.E and 28)

Selling, General and Administrative Expenses (Schedule of Selling, General and Administrative Expenses) (Details) - USD ($) $ in Thousands	12 Months Ended					
	Dec. 31, 2017	Dec. 31, 2016	[1]	Dec. 31, 2015	[1]	
Disclosure of selling, general and administrative expenses [Abstract]						
Payroll and related expenses	$ 21,380	$ 14,830		$ 17,085		
Depreciation and amortization	691	641		817		
Professional fees	20,334	23,863		9,576		
Other expenses	13,887	7,761		22,248		
Selling, General and Administrative Expenses	$ 56,292	$ 47,095	[2]	$ 49,726	[2]	

[1] Restated (See note 2.E)

[2] Restated (See note 2.E and 28)

Financing Income (Expenses), Net (Schedule of Financing Income (Expenses), Net) (Details) - USD ($) $ in Thousands	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Financing income			
Interest income from bank deposits	$ 640	$ 2,269	$ 4,772
Net change from change in exchange rates	2,259	5,448	521
Net changes in fair value of Tower options series 9			2,119
Net change in fair value of derivative financial instruments		6	2,720
Other income	5	1	589
Financing income	2,904	7,724 [1]	10,721 [1]
Financing expenses			
Interest expenses to banks and others	(59,514)	(45,317)	(34,378)
Net change from change in exchange rates			(648)
Net change in fair value of derivative financial instruments	(1,168)		
Other expenses	(9,484)	(1,959)	(1,368)
Financing expenses	(70,166)	(47,276) [1]	(36,394) [1]
Financing expenses, net	$ (67,262)	$ (39,552) [1]	$ (25,673) [1]

[1] Restated (See note 2.E and 28)

Income Taxes (Narrative) (Details) - USD ($) $ in Thousands	1 Months Ended				12 Months Ended		
	Jan. 04, 2016	Jan. 31, 2018	Jan. 31, 2017	Dec. 22, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Disclosure of temporary difference, unused tax losses and unused tax credits [line items]							
Current taxes	[1]				$ 64,291	$ 1,687	$ 25
Income tax rate					17.00%	17.00%	17.00%
Tax rate reduced				25% to 23%			
Deferred tax liability on undistributed earnings					$ 3,000	$ 1,000	
Changes in tax rates or tax laws enacted or announced [Member]							
Disclosure of temporary difference, unused tax losses and unused tax credits [line items]							
Tax rate reduced		23%	24%				
Hadera's income tax rate [Member]							
Disclosure of temporary difference, unused tax losses and unused tax credits [line items]							
Tax rate reduced	1.5% to a rate of 25%						
Israel [Member]							
Disclosure of temporary difference, unused tax losses and unused tax credits [line items]							
Income tax rate					24.00%	25.00%	26.50%
Singapore [Member]							
Disclosure of temporary difference, unused tax losses and unused tax credits [line items]							
Income tax rate					17.00%		
Tax laws					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 (extended from May 31, 2017 to 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.
Singapore [Member] | Top of range [Member]	
Disclosure of temporary difference, unused tax losses and unused tax credits [line items]	
Income tax rate	15.00%
Inkia Transaction [Member]	
Disclosure of temporary difference, unused tax losses and unused tax credits [line items]	
Current taxes	$ 61,000

[1] Current taxes on income for the current year includes $61 million taxes payable in connection with a planned restructuring to simplify the holding structure of some of the companies remaining in the Kenon group subsequent to the Inkia transaction. As a result of this restructuring (which was substantially completed in January 2018), Kenon will hold its interest in OPC directly. Kenon does not expect any further tax liability in relation to any future sales of its interest in OPC.

Income Taxes (Schedule of Components of Income Taxes) (Details) - USD ($) $ in Thousands	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Current taxes on income			
In respect of current year [1]	$ 64,291	$ 1,687	$ 25
In respect of prior years	44	92	(294)
Deferred tax income			
Creation and reversal of temporary differences	8,474	473	9,312
Total taxes on income	$ 72,809	$ 2,252 [2]	$ 9,043 [2]

[1] Current taxes on income for the current year includes $61 million taxes payable in connection with a planned restructuring to simplify the holding structure of some of the companies remaining in the Kenon group subsequent to the Inkia transaction. As a result of this restructuring (which was substantially completed in January 2018), Kenon will hold its interest in OPC directly. Kenon does not expect any further tax liability in relation to any future sales of its interest in OPC.

[2] Restated (See note 2.E and 28)

Income Taxes (Schedule of Reconciliation between Theoretical Tax Expense (Benefit) on Pre-tax Income (Loss)) (Details) - USD ($) $ in Thousands	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Disclosure of income taxes [Abstract]			
(Loss)/profit from continuing operations before income taxes	$ (135,636)	$ (426,900)	$ 32,154
Statutory tax rate	17.00%	17.00%	17.00%
Tax computed at the statutory tax rate	$ (23,058)	$ (72,573)	$ 5,466
Increase (decrease) in tax in respect of:			
Elimination of tax calculated in respect of the Group's share in losses of associated companies	20,924	31,651	18,880
Income subject to tax at a different tax rate	63,446	(2,548)	7,218
Non-deductible expenses	12,850	41,960	3,944
Exempt income	(7,006)		(35,651)
Taxes in respect of prior years	44	92	(294)
Impact of change in tax rate			
Changes in temporary differences in respect of which deferred taxes are not recognized	4,285	1,419	580
Tax losses and other tax benefits for the period regarding which deferred taxes were not recorded	350	2,449	8,335
Differences between the measurement base of income reported for tax purposes and the income reported in the financial statements	13		(419)
Other differences	961	(198)	984
Total taxes on income	$ 72,809	$ 2,252 [1]	$ 9,043 [1]

[1] Restated (See note 2.E and 28)

Income Taxes (Schedule of Deferred Tax Assets and Liabilities Recognized) (Details) - USD ($) $ in Thousands	12 Months Ended	
	Dec. 31, 2017	Dec. 31, 2016
Disclosure of temporary difference, unused tax losses and unused tax credits [line items]		
Balance of deferred tax asset (liability)	$ (200,250)	$ (135,390)
Changes recorded on the statement of profit and loss	(13,111)	(18,171)
Changes recorded to equity reserve	(6,142)	(5,188)
Translation differences	(4,372)	(291)
Impact of change in tax rate	575	(6,857)
Changes in respect of business combinations		(34,353)
Sale of subsidiaries	170,547	
Balance of deferred tax asset (liability)	(52,753)	(200,250)
Property plant and equipment [Member]		
Disclosure of temporary difference, unused tax losses and unused tax credits [line items]		
Balance of deferred tax asset (liability)	(207,493)	(123,968)
Changes recorded on the statement of profit and loss	(13,940)	(48,212)
Changes recorded to equity reserve		
Translation differences	(10,046)	(1,495)
Impact of change in tax rate	575	7,638
Changes in respect of business combinations		(41,456)
Sale of subsidiaries	140,736	
Balance of deferred tax asset (liability)	(90,168)	(207,493)
Employee benefits [Member]		
Disclosure of temporary difference, unused tax losses and unused tax credits [line items]		
Balance of deferred tax asset (liability)	1,711	601
Changes recorded on the statement of profit and loss	(1,097)	286
Changes recorded to equity reserve	882	61
Translation differences	24	15
Impact of change in tax rate		
Changes in respect of business combinations		748
Sale of subsidiaries	(1,520)	
Balance of deferred tax asset (liability)		1,711
Carryforward of losses and deductions for tax purposes [Member]		
Disclosure of temporary difference, unused tax losses and unused tax credits [line items]		
Balance of deferred tax asset (liability)	84,735	61,943
Changes recorded on the statement of profit and loss	(13,919)	28,014
Changes recorded to equity reserve		
Translation differences	4,397	398
Impact of change in tax rate		(5,620)
Changes in respect of business combinations		

Sale of subsidiaries		(39,764)	
Balance of deferred tax asset (liability)		35,449	84,735
Other [Member]			
Disclosure of temporary difference, unused tax losses and unused tax credits [line items]			
Balance of deferred tax asset (liability)	[1]	(79,203)	(73,966)
Changes recorded on the statement of profit and loss	[1]	15,845	1,741
Changes recorded to equity reserve	[1]	(7,024)	(5,249)
Translation differences	[1]	1,253	791
Impact of change in tax rate	[1]		(8,875)
Changes in respect of business combinations	[1]		6,355
Sale of subsidiaries	[1]	71,095	
Balance of deferred tax asset (liability)	[1]	$ 1,966	$ (79,203)

[1] This amount includes deferred tax arising from derivative instruments, intangibles, undistributed profits, non-monetary items and trade receivables distribution.

Income Taxes (Schedule of Deferred Taxes Presented in Statements of Financial Position) (Details) - USD ($) $ in Thousands	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Disclosure of income taxes [Abstract]			
As part of non-current assets		$ 25,104	
As part of non-current liabilities	(52,753)	(225,354)	
Deferred tax asset (liability)	$ (52,753)	$ (200,250)	$ (135,390)

Earnings per Share (Schedule of (Loss)/Income Allocated to Holders of Ordinary Shareholders) (Details) - USD ($) $ in Thousands	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Earnings per share [abstract]			
Income/(Loss) for the year attributable to Kenon's shareholders	$ 236,590	$ (411,937)	$ 72,992
Income for the year from discontinued operations (after tax)	476,565	35,150 [1]	72,781 [1]
Less: NCI	(24,928)	(13,250)	(12,872)
Income for the year from discontinued operations (after tax) attributable to Kenon's shareholders	451,637	21,900	59,909
(Loss)/Income for the year from continuing operations attributable to Kenon's shareholders	$ (215,047)	$ (433,837)	$ 13,083

[1] Restated (See note 2.E and 28)

Earnings per Share (Schedule of Number of Ordinary Shares) (Details) - shares shares in Thousands	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Earnings per share [abstract]			
Weighted Average number of shares used in calculation of basic / diluted earnings per share	53,761	53,720	53,649

Discontinued Operations (Narrative) (Details) - I.C. Power [Member] $ in Thousands	1 Months Ended Dec. 31, 2017 USD ($)
Statement Line Items [Line Items]	
Proceeds from sale of business to ISQ	$ 1,332,000
Proceeds paid by ISQ	1,110,000
Retained unconsolidated cash at Inkia	222,000
Base purchase price	1,177,000
Bonds assumed by ISQ	600,000
Amount paid by ISQ	935,000
Deferred payment obligation	$ 175,000
Interest payable in kind	8.00%
Certain payments from ISQ	$ 12,000

Discontinued Operations (Schedule of Results Attributable to Discontinued Operations) (Details) - USD ($) $ in Thousands	12 Months Ended			
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Disclosure of discontinued operations [Abstract]				
Revenue	$ 1,777,232	$ 1,517,391	$ 962,677	
Cost of sales and services (excluding depreciation and amortization)	(1,235,214)	(1,076,563)	(620,180)	
Depreciation and amortization	(135,733)	(132,998)	(85,482)	
Gross profit	406,285	307,830	257,015	
Income before taxes on income	152,280	92,233	126,116	
Taxes on income	(73,141)	(57,083)	(53,335)	
Income after taxes on income	79,139	35,150	72,781	
Gain on sale of discontinued operations	529,923			
Tax on gain on sale of discontinued operations	(132,497)			
Income from discontinued operations	476,565	35,150 [1]	72,781 [1]	
Net cash flows provided by operating activities	319,637	176,515	229,757	
Net cash flows provided by/(used in) investing activities	816,544	(300,833)	(637,994)	
Net cash flows (used in)/provided by financing activities	(103,524)	25,308	163,714	
Cash and cash equivalents provided by/(used in) discontinued operations	1,032,657	(99,010)	(244,523)	
Property, plant and equipment	616,164	3,497,300	2,953,821	
Goodwill and intangible assets	1,641	376,778		
Investments in associated companies	9,155			
Deferred taxes, net	52,753	225,354		
Income tax receivable	112,457			
Trade and other receivables	379,143			
Inventories	[2]	91,659		
Cash and cash equivalents	1,417,388	$ 326,635	$ 383,953	$ 610,056
Trade and other liabilities	(2,753,476)			
Net asset	1,297,995			
Consideration received, satisfied in cash	934,573			
Transaction costs	(3,280)			
Cash and cash equivalents disposed off	(138,708)			
Net cash inflow	$ 792,585			

[1] Restated (See note 2.E and 28)

[2] Inventories as at December 31, 2016 belongs to discontinued operations.

Segment, Customer and Geographic Information (Schedule of Information Regarding Reportable Segments) (Details) - USD ($) $ in Thousands	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Disclosure of operating segments [line items]			
Total sales	$ 365,704	$ 324,253 [1]	$ 325,899 [1]
Income/(loss) before taxes	(135,636)	(426,900) [1]	32,154 [1]
Income Taxes	(72,809)	(2,252) [1]	(9,043) [1]
(Loss)/Profit for the year from continuing operations	(208,445)	(429,152) [1]	23,111 [1]
Depreciation and amortization	178,461	172,381	27,040
Financing income	(2,904)	(7,724) [1]	(10,721) [1]
Financing expenses	70,166	47,276 [1]	36,394 [1]
Other items:			
Share in losses/(income) of associated companies	110,665	186,215 [1]	187,033 [1]
Write back/(impairment) of assets and investments	(28,758)	72,263 [1]	6,541 [1]
Gain from distribution of dividend in kind		[1]	(209,710) [1]
Asset impairment			6,541
Provision of financial guarantee		130,193 [1]	[1]
Impairment of investments		72,263	
Other items	179,963	455,509	36,577
Adjusted EBITDA	44,327	28,609	68,731
Segment assets	2,404,163	4,929,560	4,113,755
Investments in associated companies	121,694	208,233	369,022
Total liabilities and equity	2,525,857	5,137,793	4,482,777
Segment liabilities	1,474,510	4,243,589	3,219,222
Capital expenditure	230,471	317,853	574,389
OPC [Member]			
Disclosure of operating segments [line items]			
Total sales	365,395	324,188	325,570
Income/(loss) before taxes	22,708	20,450	29,975
Income Taxes	(8,945)	(67)	(8,151)
(Loss)/Profit for the year from continuing operations	13,763	20,383	21,824
Depreciation and amortization	30,102	26,697	25,435
Financing income	(1,088)	(2,988)	(3,140)
Financing expenses	33,753	22,838	26,315
Other items:			
Share in losses/(income) of associated companies			
Write back/(impairment) of assets and investments			
Gain from distribution of dividend in kind			
Asset impairment			
Provision of financial guarantee			
Impairment of investments			

Other items		62,767	46,547	48,610
Adjusted EBITDA		85,475	66,997	78,585
Segment assets		939,809	667,631	810,551
Investments in associated companies				
Segment liabilities		742,692	533,684	676,832
Capital expenditure		109,226	72,540	18,273
Qoros [Member]				
Disclosure of operating segments [line items]				
Total sales			[2]	[2]
Income/(loss) before taxes	[2]	(121,198)	(142,534)	(196,223)
Income Taxes	[2]			
(Loss)/Profit for the year from continuing operations	[2]	(121,198)	(142,534)	(196,223)
Depreciation and amortization	[2]			
Financing income	[2]			
Financing expenses	[2]			
Other items:				
Share in losses/(income) of associated companies	[2]	121,198	142,534	196,223
Write back/(impairment) of assets and investments				
Gain from distribution of dividend in kind	[2]			
Asset impairment	[2]			
Provision of financial guarantee	[2]			
Impairment of investments	[2]			
Other items	[2]	121,198	142,534	196,223
Adjusted EBITDA	[2]			
Segment assets	[2]			
Investments in associated companies	[2]	1,694	117,593	158,729
Segment liabilities	[2]			
Capital expenditure	[2]			
Other [Member]				
Disclosure of operating segments [line items]				
Total sales		309	65	329
Income/(loss) before taxes		(37,146)	(304,816)	198,402
Income Taxes		(63,864)	(2,185)	(892)
(Loss)/Profit for the year from continuing operations		(101,010)	(307,001)	197,510
Depreciation and amortization		692	589	1,605
Financing income		(13,230)	(17,081)	(7,581)
Financing expenses		47,827	36,783	10,079
Other items:				
Share in losses/(income) of associated companies		(10,533)	43,681	(9,190)
Write back/(impairment) of assets and investments		(28,758)		
Gain from distribution of dividend in kind				(209,710)
Asset impairment				6,541
Provision of financial guarantee			130,193	

Impairment of investments		72,263	
Other items	(4,002)	266,428	(208,256)
Adjusted EBITDA	(41,148)	(38,388)	(9,854)
Segment assets	1,464,354	4,261,929	3,303,204
Investments in associated companies	120,000	90,640	210,293
Segment liabilities	731,818	3,709,905	2,542,390
Capital expenditure	121,245	245,313	556,116
Adjustments [Member]			
Disclosure of operating segments [line items]			
Total sales			
Income/(loss) before taxes			
Income Taxes			
(Loss)/Profit for the year from continuing operations			
Depreciation and amortization			
Financing income	11,414	12,345	
Financing expenses	(11,414)	(12,345)	
Other items:			
Share in losses/(income) of associated companies			
Write back/(impairment) of assets and investments			
Gain from distribution of dividend in kind			
Asset impairment			
Provision of financial guarantee			
Impairment of investments			
Other items			
Adjusted EBITDA			
Segment assets			
Investments in associated companies			
Segment liabilities			
Capital expenditure			

[1] Restated (See note 2.E and 28)

[2] Associated Company - See Note 10.A.2 and 10.C.b.

Segment, Customer and Geographic Information (Schedule of Major Customers and Percentage of Group's Total Revenues) (Details) - USD ($) $ in Thousands	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Disclosure of operating segments [line items]			
Total revenues	$ 365,704	$ 324,253 [1]	$ 325,899 [1]
Customer 1 [Member]			
Disclosure of operating segments [line items]			
Total revenues	$ 75,735	$ 59,880	$ 70,545
Percentage of revenues of the Group	20.71%	18.47%	21.65%
Customer 2 [Member]			
Disclosure of operating segments [line items]			
Total revenues	[2]	[2]	$ 35,760
Percentage of revenues of the Group	[2]	[2]	10.97%
Customer 3 [Member]			
Disclosure of operating segments [line items]			
Total revenues	$ 53,605	$ 39,355	$ 43,904
Percentage of revenues of the Group	14.66%	12.14%	13.47%
Customer 4 [Member]			
Disclosure of operating segments [line items]			
Total revenues	$ 50,447	$ 32,446	$ 35,650
Percentage of revenues of the Group	13.79%	10.01%	10.94%
Customer 5 [Member]			
Disclosure of operating segments [line items]			
Total revenues	$ 38,212	$ 36,391	[2]
Percentage of revenues of the Group	10.45%	11.22%	[2]

[1] Restated (See note 2.E and 28)

[2] Represents an amount less than 10% of revenues.

Segment, Customer and Geographic Information (Schedule of Information Based on Geographic Areas) (Details) - USD ($) $ in Thousands	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Disclosure of geographical areas [line items]			
Total revenues	$ 365,704	$ 324,253 [1]	$ 325,899 [1]
Israel [Member]			
Disclosure of geographical areas [line items]			
Total revenues	365,395	324,188	325,570
Others [Member]			
Disclosure of geographical areas [line items]			
Total revenues	$ 309	$ 65	$ 329

[1] Restated (See note 2.E and 28)

Segment, Customer and Geographic Information (Schedule of Non-current Assets on the Basis of Geographic Location) (Details) - USD ($) $ in Thousands	Dec. 31, 2017	Dec. 31, 2016
Disclosure of geographical areas [line items]		
Total non-current assets	$ 617,805	$ 3,874,078
Peru [Member]		
Disclosure of geographical areas [line items]		
Total non-current assets		1,910,421
Guatemala [Member]		
Disclosure of geographical areas [line items]		
Total non-current assets		682,985
Israel [Member]		
Disclosure of geographical areas [line items]		
Total non-current assets	617,358	495,639
Others [Member]		
Disclosure of geographical areas [line items]		
Total non-current assets	$ 447	$ 785,033

Related-party Information (Schedule of Transactions with Directors and Officers) (Details) - USD ($) $ in Thousands	12 Months Ended	
	Dec. 31, 2017	Dec. 31, 2016
Disclosure of transactions between related parties [abstract]		
Short-term benefits	$ 5,632	$ 4,352
Share-based payments	508	547
Key management personnel compensation	$ 6,140	$ 4,899

Related-party Information (Schedule of Transactions with Related Parties (Excluding Associates)) (Details) - Parent [Member] - USD ($) $ in Thousands	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Disclosure of transactions between related parties [line items]			
Sales of electricity	$ 102,443	$ 148,119	$ 135,655
Administrative expenses	331	614	329
Sales of gas	31,296	29,873	
Financing expenses, net	$ 18,444	$ 14,475	$ 10,716

Related-party Information (Schedule of Transactions with Associates) (Details) - Associates [Member] - USD ($) $ in Thousands	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Disclosure of transactions between related parties [line items]			
Sales of electricity			$ 5,115
Operating expenses			204
Other income, net	$ 198	$ 178	$ 95

Related-party Information (Schedule of Balances with Related Parties) (Details) - USD ($) $ in Thousands		Dec. 31, 2017	Dec. 31, 2016
Disclosure of transactions between related parties [line items]			
Trade receivables		$ 44,137	$ 285,100
Loans and Other Liabilities			
Weighted-average interest rates (%)		8.00%	
Ansonia Holdings Singapore B.V. [Member]			
Disclosure of transactions between related parties [line items]			
Cash and short-term deposit			
Trade receivables			
Loans and Other Liabilities			
In US dollar or linked thereto		$ 75,081	$ 45,735
Weighted-average interest rates (%)		6.00%	6.00%
In CPI-linked Israeli currency			
Weighted-average interest rates (%)			
Repayment years			
Current maturities		$ 75,081	
Second year			45,735
Third year			
Fourth year			
Fifth year			
Sixth year and thereafter			
Total Repayment		75,081	45,735
Other related parties [Member]			
Disclosure of transactions between related parties [line items]			
Cash and short-term deposit	[1]		2,462
Trade receivables	[1]	12,778	12,245
Loans and Other Liabilities			
In US dollar or linked thereto	[1]	$ 242,598	$ 222,971
Weighted-average interest rates (%)	[1]	7.69%	7.24%
In CPI-linked Israeli currency	[1]		
Weighted-average interest rates (%)	[1]		
Repayment years			
Current maturities	[1]	$ 242,598	
Second year	[1]		
Third year	[1]		
Fourth year	[1]		
Fifth year	[1]		
Sixth year and thereafter	[1]		222,971
Total Repayment	[1]	242,598	222,971

Total Related Parties [Member]		
Disclosure of transactions between related parties [line items]		
Cash and short-term deposit		2,462
Trade receivables	12,778	12,245
Loans and Other Liabilities		
In US dollar or linked thereto	$ 317,679	$ 268,706
Weighted-average interest rates (%)	7.29%	6.62%
In CPI-linked Israeli currency		
Weighted-average interest rates (%)		

[1] IC, Israel Chemicals Ltd ("ICL"), Oil Refineries Ltd ("ORL").

Financial Instruments (Schedule of Maximum Exposure to Credit Risk for Financial Assets) (Details) - USD ($) $ in Thousands	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Disclosure of risk management strategy related to hedge accounting [line items]				
Cash and cash equivalents	$ 1,417,388	$ 326,635	$ 383,953	$ 610,056
Short-term investments and deposits	7,144	89,545		
Trade receivables, net	44,137	284,532		
Long-term trade receivables		10,120		
Other current assets	35,752	49,773		
Credit Risk [Member]				
Disclosure of risk management strategy related to hedge accounting [line items]				
Cash and cash equivalents	1,417,388	326,635		
Short-term investments and deposits	7,144	89,545		
Trade receivables, net	44,137	284,532		
Long-term trade receivables		10,120		
Other current assets	35,752	28,462		
Deposits and other long-term receivables including derivative instruments	281,717	66,434		
Maximum exposure to credit risk	$ 1,786,138	$ 805,728		

Financial Instruments (Schedule of Maximum Exposure to Credit Risk for Trade Receivables By Geographic Region) (Details) - Trade Receivables [Member] - USD ($) $ in Thousands	Dec. 31, 2017	Dec. 31, 2016
Disclosure of risk management strategy related to hedge accounting [line items]		
Maximum exposure to credit risk	$ 44,137	$ 294,652
Israel [Member]		
Disclosure of risk management strategy related to hedge accounting [line items]		
Maximum exposure to credit risk	44,058	34,779
South America [Member]		
Disclosure of risk management strategy related to hedge accounting [line items]		
Maximum exposure to credit risk		93,293
Central America [Member]		
Disclosure of risk management strategy related to hedge accounting [line items]		
Maximum exposure to credit risk		155,142
Other regions [Member]		
Disclosure of risk management strategy related to hedge accounting [line items]		
Maximum exposure to credit risk	$ 79	$ 11,438

Financial Instruments (Schedule of Aging of Trade Receivables) (Details) - USD ($) $ in Thousands	Dec. 31, 2017	Dec. 31, 2016
Disclosure of financial assets that are either past due or impaired [line items]		
Trade receivables	$ 44,137	$ 285,100
For which impairment was not recorded [Member]		
Disclosure of financial assets that are either past due or impaired [line items]		
Trade receivables	44,137	294,652
For which impairment was not recorded [Member] | Not past due [Member]		
Disclosure of financial assets that are either past due or impaired [line items]		
Trade receivables	50	233,787
For which impairment was not recorded [Member] | Past due up to 3 months [Member]		
Disclosure of financial assets that are either past due or impaired [line items]		
Trade receivables	40,879	50,723
For which impairment was not recorded [Member] | Past due 3 - 6 months [Member]		
Disclosure of financial assets that are either past due or impaired [line items]		
Trade receivables	3,208	9,160
For which impairment was not recorded [Member] | Past due 6 - 9 months [Member]		
Disclosure of financial assets that are either past due or impaired [line items]		
Trade receivables		83
For which impairment was not recorded [Member] | Past due 9 - 12 months [Member]		
Disclosure of financial assets that are either past due or impaired [line items]		
Trade receivables		652
For which impairment was not recorded [Member] | Past due more than one year [Member]		
Disclosure of financial assets that are either past due or impaired [line items]		
Trade receivables		247
Cost [Member]		
Disclosure of financial assets that are either past due or impaired [line items]		
Trade receivables		5,004
Cost [Member] | Not past due [Member]		
Disclosure of financial assets that are either past due or impaired [line items]		
Trade receivables		8
Cost [Member] | Past due up to 3 months [Member]		
Disclosure of financial assets that are either past due or impaired [line items]		
Trade receivables		
Cost [Member] | Past due 3 - 6 months [Member]		
Disclosure of financial assets that are either past due or impaired [line items]		
Trade receivables		282
Cost [Member] | Past due 6 - 9 months [Member]		
Disclosure of financial assets that are either past due or impaired [line items]		
Trade receivables		
Cost [Member] | Past due 9 - 12 months [Member]		
Disclosure of financial assets that are either past due or impaired [line items]		

Trade receivables	
Cost [Member] | Past due more than one year [Member]	
Disclosure of financial assets that are either past due or impaired [line items]	
Trade receivables	4,714
Impairment [Member]	
Disclosure of financial assets that are either past due or impaired [line items]	
Trade receivables	(5,004)
Impairment [Member] | Not past due [Member]	
Disclosure of financial assets that are either past due or impaired [line items]	
Trade receivables	(8)
Impairment [Member] | Past due up to 3 months [Member]	
Disclosure of financial assets that are either past due or impaired [line items]	
Trade receivables	
Impairment [Member] | Past due 3 - 6 months [Member]	
Disclosure of financial assets that are either past due or impaired [line items]	
Trade receivables	(282)
Impairment [Member] | Past due 6 - 9 months [Member]	
Disclosure of financial assets that are either past due or impaired [line items]	
Trade receivables	
Impairment [Member] | Past due 9 - 12 months [Member]	
Disclosure of financial assets that are either past due or impaired [line items]	
Trade receivables	
Impairment [Member] | Past due more than one year [Member]	
Disclosure of financial assets that are either past due or impaired [line items]	
Trade receivables	$ (4,714)

Financial Instruments (Schedule of Anticipated Repayment Dates of the Financial Liabilities) (Details) - USD ($) $ in Thousands	Dec. 31, 2017		Dec. 31, 2016	
Book value: Non-derivative financial liabilities				
Loans from banks and others	$ 317,684	[1],[2]	$ 213,417	[3]
Trade payables	58,895		285,612	
Other payables	77,869		160,540	
Non-convertible debentures	91,122	[4]	867,287	[5]
Loans from banks and others	627,150	[4]	2,143,499	[5]
Liabilities in respect of financing lease			88,169	
Financial guarantee	[6] 44,342		118,763	
Book value: Financial liabilities - hedging instruments				
Interest SWAP contracts			22,865	
Forward exchange rate contracts	439		2,399	
Interest SWAP contracts and options			2,125	
Derivatives from debt restructure	73		29,594	
Financial liabilities	1,217,574		3,934,270	
Projected cash fows: Non-derivative financial liabilities				
Loans from banks and others	317,786	[2]	219,651	[3]
Trade payables	58,895		285,612	
Other payables	77,964		160,540	
Non-convertible debentures	125,089	[4]	1,190,032	[5]
Loans from banks and others	846,652	[4]	2,756,851	[5]
Liabilities in respect of financing lease			114,069	
Financial guarantee	[6] 44,342		118,763	
Projected cash flows: Financial liabilities - hedging instruments				
Interest SWAP contracts			22,865	
Forward exchange rate contracts	439		2,399	
Projected cash flows: Financial liabilities not for hedging				
Interest SWAP contracts and options			2,125	
Derivatives from debt restructure	73		29,594	
Financial liabilities	1,471,240		4,902,501	
Less than one year [member]				
Projected cash fows: Non-derivative financial liabilities				
Loans from banks and others	317,786	[2]	219,651	[3]
Trade payables	58,895		285,612	
Other payables	77,964		59,650	
Non-convertible debentures	13,153	[4]	58,113	[5]
Loans from banks and others	157,805	[4]	340,684	[5]
Liabilities in respect of financing lease			13,013	
Financial guarantee	[6] 44,342		118,763	

Projected cash flows: Financial liabilities - hedging instruments				
Interest SWAP contracts			9,930	
Forward exchange rate contracts	439		1,627	
Projected cash flows: Financial liabilities not for hedging				
Interest SWAP contracts and options			783	
Derivatives from debt restructure	73			
Financial liabilities	670,457		1,107,826	
1-2 years [Member]				
Projected cash fows: Non-derivative financial liabilities				
Loans from banks and others		[2]		[3]
Trade payables				
Other payables			10,121	
Non-convertible debentures	7,086	[4]	57,217	[5]
Loans from banks and others	50,768	[4]	244,508	[5]
Liabilities in respect of financing lease			12,171	
Financial guarantee	[6]			
Projected cash flows: Financial liabilities - hedging instruments				
Interest SWAP contracts			5,788	
Forward exchange rate contracts			772	
Projected cash flows: Financial liabilities not for hedging				
Interest SWAP contracts and options			570	
Derivatives from debt restructure			29,594	
Financial liabilities	57,854		360,741	
2-5 years [Member]				
Projected cash fows: Non-derivative financial liabilities				
Loans from banks and others		[2]		[3]
Trade payables				
Other payables			21,718	
Non-convertible debentures	34,033	[4]	616,765	[5]
Loans from banks and others	173,222	[4]	977,251	[5]
Liabilities in respect of financing lease			57,432	
Financial guarantee	[6]			
Projected cash flows: Financial liabilities - hedging instruments				
Interest SWAP contracts			4,192	
Forward exchange rate contracts				
Projected cash flows: Financial liabilities not for hedging				
Interest SWAP contracts and options			688	
Derivatives from debt restructure				
Financial liabilities	207,255		1,678,046	
More than five years [member]				
Projected cash fows: Non-derivative financial liabilities				
Loans from banks and others		[2]		[3]
Trade payables				
Other payables			69,051	

Non-convertible debentures	70,817	[4]	457,937	[5]
Loans from banks and others	464,857	[4]	1,194,408	[5]
Liabilities in respect of financing lease			31,453	
Financial guarantee	[6]			
Projected cash flows: Financial liabilities - hedging instruments				
Interest SWAP contracts			2,955	
Forward exchange rate contracts				
Projected cash flows: Financial liabilities not for hedging				
Interest SWAP contracts and options			84	
Derivatives from debt restructure				
Financial liabilities	$ 535,674		$ 1,755,888	

[1] Balances as at December 31, 2017 mainly relates to loans from related parties (see Note 31.E).

[2] Excludes current portion of long-term liabilities.

[3] Excludes current portion of long-term liabilities and long-term liabilities which were classified to short-term.

[4] Includes current portion of long-term liabilities.

[5] Includes current portion of long-term liabilities and long-term liabilities which were classified to short-term.

[6] Financial Guarantees contractual period in Qoros is dependent on Qoros's timeliness to meet the obligation of current loans payable.

Financial Instruments (Schedule of Exposure to CPI and Foreign Currency Risks) (Details) - USD ($) $ in Thousands		Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Non-derivative instruments					
Cash and cash equivalents		$ 1,417,388	$ 326,635	$ 383,953	$ 610,056
Short-term investments, deposits and loans		7,144	89,545		
Trade receivables		44,137	284,532		
Other receivables	[1]	6,378	27,085		
Long-term deposits and loans		76,459	16,690		
Loans from banks and others		123,908	251,803		
Trade payables		58,895	285,612		
Other payables		21,901	20,892		
Long-term loans from banks and others and debentures		588,543	2,829,596		
Net exposure		1,297,995			
Currency risk [Member] | Unlinked [Member]					
Non-derivative instruments					
Cash and cash equivalents		158,679	11,810		
Short-term investments, deposits and loans		60,855	29,137		
Trade receivables		42,004	34,779		
Other receivables		2,686	665		
Long-term deposits and loans		25,600	20,349		
Total financial assets		289,824	96,740		
Loans from banks and others					
Trade payables		31,286	26,913		
Other payables		3,178	1,093		
Long-term loans from banks and others and debentures		109,629	444		
Total financial liabilities		144,093	28,450		
Total non-derivative financial instruments, net		145,731	68,290		
Derivative instruments					
Net exposure		145,731	68,290		
Currency risk [Member] | CPI linked [Member]					
Non-derivative instruments					
Cash and cash equivalents					
Short-term investments, deposits and loans					
Trade receivables					
Other receivables					
Long-term deposits and loans					
Total financial assets					
Loans from banks and others					
Trade payables					
Other payables			1,205		
Long-term loans from banks and others and debentures		478,891	416,266		
Total financial liabilities		478,891	417,471		

Total non-derivative financial instruments, net	478,891	(417,471)
Derivative instruments		
Net exposure	478,891	(417,471)
Currency risk [Member] | Other [Member]		
Non-derivative instruments		
Cash and cash equivalents	18,593	24,240
Short-term investments, deposits and loans		26,198
Trade receivables		172,664
Other receivables	3,603	6,964
Long-term deposits and loans		16,412
Total financial assets	22,196	246,478
Loans from banks and others	30,308	34,998
Trade payables	86	128,512
Other payables	1,316	17,266
Long-term loans from banks and others and debentures		465,262
Total financial liabilities	31,710	646,038
Total non-derivative financial instruments, net	(9,514)	(399,560)
Derivative instruments	(439)	(2,421)
Net exposure	$ (9,953)	$ (401,981)

[1] As at December 31, 2016, this includes discontinued operations' receivables of $16 million from insurance claims, transmission line sale, transaction costs and selective consumption tax on heavy fuel oil.

Financial Instruments (Schedule of Sensitivity Analysis) (Details) - Currency risk [Member] - USD ($) $ in Thousands	Dec. 31, 2017	Dec. 31, 2016
Shekel/dollar [Member]		
Disclosure of risk management strategy related to hedge accounting [line items]		
10% increase effect on net income (loss) and equity	$ 13,248	$ 6,208
5% increase effect on net income (loss) and equity	6,940	3,252
5% decrease effect on net income (loss) and equity	(6,940)	(3,252)
10% decrease effect on net income (loss) and equity	(13,248)	(6,208)
CPI linked [Member]		
Disclosure of risk management strategy related to hedge accounting [line items]		
10% increase effect on net income (loss) and equity	(43,536)	(37,952)
5% increase effect on net income (loss) and equity	(22,804)	(19,880)
5% decrease effect on net income (loss) and equity	22,804	19,880
10% decrease effect on net income (loss) and equity	43,536	37,952
Dollar/other [Member]		
Disclosure of risk management strategy related to hedge accounting [line items]		
10% increase effect on net income (loss) and equity	(2,559)	(44,447)
5% increase effect on net income (loss) and equity	(1,269)	(21,044)
5% decrease effect on net income (loss) and equity	1,269	19,037
10% decrease effect on net income (loss) and equity	$ 2,559	$ 36,332

Financial Instruments (Schedule of Type of Interest Borne by Financial Instruments) (Details) - USD ($) $ in Thousands	Dec. 31, 2017	Dec. 31, 2016
Disclosure of financial instruments by type of interest rate [line items]		
Financial liabilities	$ (1,217,574)	$ (3,934,270)
Financial assets (liabilities), net	1,297,995	
Fixed interest rate [Member]		
Disclosure of financial instruments by type of interest rate [line items]		
Financial assets	1,438,243	157,121
Financial liabilities		(1,530,715)
Financial assets (liabilities), net	1,438,243	(1,373,594)
Variable rate instruments [Member]		
Disclosure of financial instruments by type of interest rate [line items]		
Financial assets		20,167
Financial liabilities	(239,876)	(2,600,799)
Financial assets (liabilities), net	$ (239,876)	$ (2,580,632)

Financial Instruments (Schedule of Effect of 100 Basis Point Change on Profit and Loss) (Details) - Variable rate instruments [Member] - USD ($) $ in Thousands	Dec. 31, 2017	Dec. 31, 2016
Disclosure of financial instruments by type of interest rate [line items]		
100 bp increase	$ (2,399)	$ (25,806)
100 bp decrease	$ 2,399	$ 25,806

Financial Instruments (Schedule of Carrying Amount and Fair Value of Financial Instrument Groups) (Details) - USD ($) $ in Thousands	Dec. 31, 2017	Dec. 31, 2016
Disclosure of fair value measurement of liabilities [line items]		
Non-convertible debentures	$ 91,122 [1]	$ 867,287 [2]
Long-term loans from banks and others (excluding interests)	588,543	2,829,596
Carrying Value [Member]		
Disclosure of fair value measurement of liabilities [line items]		
Non-convertible debentures	91,122	867,287
Long-term loans from banks and others (excluding interests)	527,706	2,116,740
Recurring fair value measurement [Member] | Level 2 [Member]		
Disclosure of fair value measurement of liabilities [line items]		
Non-convertible debentures	105,488	947,786
Long-term loans from banks and others (excluding interests)	$ 649,487	$ 2,354,612

[1] Includes current portion of long-term liabilities.

[2] Includes current portion of long-term liabilities and long-term liabilities which were classified to short-term.

Financial Instruments (Schedule of Financial Instruments Measured at Fair Value) (Details) - USD ($) $ in Thousands		Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Assets				
Assets measured at fair value		$ 2,525,857	$ 5,137,793	
Liabilities				
Financial guarantee	[1]	44,342	118,763	
Other financial derivatives		73	29,594	
Liabilities measured at fair value		1,474,510	4,243,589	$ 3,219,222
Level 2 [Member]				
Assets				
Derivatives not used for accounting hedge	[2]	1,471	3,173	
Assets measured at fair value		1,471	3,173	
Liabilities				
Financial guarantee				
Derivatives used for accounting hedge		439	25,264	
Derivatives not used for accounting hedge		73	2,125	
Other financial derivatives			29,594	
Liabilities measured at fair value		512	$ 56,983	
Level 2 [Member] | Advanced Integrated Energy Ltd. [Member]				
Assets				
Derivatives not used for accounting hedge		$ 3,000		

[1] Financial Guarantees contractual period in Qoros is dependent on Qoros's timeliness to meet the obligation of current loans payable.

[2] Includes $3 million 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.

Financial Instruments (Schedule of Valuation Techniques Used in Measuring Level 2 Fair Values) (Details)	12 Months Ended
	Dec. 31, 2016
Marketable securities held for trade [Member]	
Disclosure of financial assets [line items]	
Valuation technique	DLOM valuation method
Significant unobservable data	Not applicable
Inter-relationship between significant unobservable inputs and fair value measurement	Not applicable
Interest rate swap [Member]	
Disclosure of financial assets [line items]	
Valuation technique	The Group applies standard valuation techniques such as: discounted cash flows for fixed and variables coupons (estimated with forward curves) using as discounted rates the projected LIBOR zero coupon curve. The observable inputs are obtained through market information suppliers.
Significant unobservable data	Not applicable
Inter-relationship between significant unobservable inputs and fair value measurement	Not applicable
Foreign Exchange Forwards [Member]	
Disclosure of financial assets [line items]	
Valuation technique	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.
Significant unobservable data	Not applicable
Inter-relationship between significant unobservable inputs and fair value measurement	Not applicable
Credit from banks, others and debentures [Member]	
Disclosure of financial assets [line items]	
Valuation technique	Discounted cash flows with market interest rate
Significant unobservable data	Not applicable
Inter-relationship between significant unobservable inputs and fair value measurement	Not applicable

Subsequent Events (Details) $ / shares in Units, $ in Thousands, ¥ in Millions	Jan. 09, 2018 USD ($)	Jan. 08, 2018 USD ($)	Jan. 08, 2018 CNY (¥)	Jan. 03, 2018 USD ($)	Jan. 02, 2018 USD ($)	Sep. 08, 2017	6 Months Ended Jun. 30, 2018 USD ($)	12 Months Ended Dec. 31, 2017 USD ($)	Mar. 22, 2018 USD ($) $ / shares	Jan. 08, 2018 CNY (¥)	Dec. 31, 2016 USD ($)	May 09, 2016 USD ($)
Disclosure of non-adjusting events after reporting period [line items]												
Capital distribution aggregate amount								$ 1,267,210			$ 1,267,450	
Share capital and total equity reduced								750,000				
Total consideration transferred								$ (3,280)				
Overseas Investments Peru Credit Suisse (D) [Member]												
Disclosure of non-adjusting events after reporting period [line items]												
Maturity						May 9, 2019		2017				
Face amount												$ 100,000
Capital distribution [Member]												
Disclosure of non-adjusting events after reporting period [line items]												
Capital distribution aggregate amount									$ 665,000			
Capital distribution aggregate amount per share | $ / shares									$ 12.35			
Share capital and total equity reduced									$ 665,000			
Pre-investment valuation of Qoros [Member]												
Disclosure of non-adjusting events after reporting period [line items]												
Investment		$ 1,000,000										
Pre-investment valuation of Qoros [Member] | China, Yuan Renminbi [Member]												
Disclosure of non-adjusting events after reporting period [line items]												
Investment | ¥										¥ 6,500		
Existing shareholder loans [Member]												
Disclosure of non-adjusting events after reporting period												

[line items]				
Investment	290,000			
Existing shareholder loans [Member] | China, Yuan Renminbi [Member]				
Disclosure of non-adjusting events after reporting period [line items]				
Investment | ¥				¥ 1,890
Investment Agreement [Member]				
Disclosure of non-adjusting events after reporting period [line items]				
Total consideration transferred	$ 480,000			
Percentage of increase its stake	67.00%			67.00%
Gain on dilution			$ 286,000	
Investment Agreement [Member] | Investment paid to Kenon [Member]				
Disclosure of non-adjusting events after reporting period [line items]				
Funding by Investor	$ 20,000			
Investment Agreement [Member] | China, Yuan Renminbi [Member]				
Disclosure of non-adjusting events after reporting period [line items]				
Funding by Investor | ¥		¥ 6,630		
Total consideration transferred | ¥				¥ 3,120
Investment Agreement [Member] | China, Yuan Renminbi [Member] | Ultimately invested in Qoros equity [Member]				
Disclosure of non-adjusting events after reporting period [line items]				
Funding by Investor | ¥		6,500		
Investment Agreement [Member] | China, Yuan Renminbi [Member] | Investment paid to Kenon [Member]				
Disclosure of non-adjusting events after reporting period [line items]				
Funding by Investor | ¥		¥ 130		
Prepayment of debt [Member] | Overseas Investments Peru Credit Suisse (D) [Member]				
Disclosure of non-adjusting events after reporting period [line items]				

Prepayments			$ 100,000			
Maturity			February 2019			
Repayments	$ 101,000					
Repayment of debt [Member] | Overseas Investments Peru Credit Suisse (D) [Member]						
Disclosure of non-adjusting events after reporting period [line items]						
Repayments			$ 101,000			
Repayment of debt [Member] | IC [Member]						
Disclosure of non-adjusting events after reporting period [line items]						
Repayments				$ 242,000		
Qoros required to repay outstanding shareholder loans to each of Kenon and Chery [Member]						
Disclosure of non-adjusting events after reporting period [line items]						
Face amount		$ 145,000				
Qoros required to repay outstanding shareholder loans to each of Kenon and Chery [Member] | China, Yuan Renminbi [Member]						
Disclosure of non-adjusting events after reporting period [line items]						
Face amount | ¥						¥ 944
Baoneng group owns of Quros [Member]						
Disclosure of non-adjusting events after reporting period [line items]						
Ownership interest		51.00%	51.00%			
Kenon equity interest in Qoros [Member]						
Disclosure of non-adjusting events after reporting period [line items]						
Ownership interest		24.00%	24.00%			
Chery equity interest in Qoros [Member]						
Disclosure of non-adjusting events after reporting period [line items]						
Ownership interest		25.00%	25.00%			