SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF A FOREIGN ISSUER
PURSUANT TO RULE 13A-16 OR 15D-16
OF THE SECURITIES EXCHANGE ACT OF 1934

November 14, 2018

Commission File Number 001-36761

Kenon Holdings Ltd.

1 Temasek Avenue #36-01
Millenia Tower
Singapore 039192
(Address of principal executive offices)

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

Form 20-F ☒ Form 40-F ☐

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

Yes ☐ No ☒

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

CONTENTS

Periodic Report of OPC Energy Ltd. for the Three Months Ended September 30, 2018

On November 14, 2018, Kenon Holdings Ltd.'s subsidiary OPC Energy Ltd. ("**OPC**") reported to the Israeli Securities Authority and the Tel Aviv Stock Exchange its periodic report (in Hebrew) for the three months ended September 30, 2018 ("**OPC's Periodic Report**"). English convenience translations of (i) Chapter B: Report of the Board of Directors for the period ended September 30, 2018 and (ii) Chapter C: Condensed Consolidated Interim Financial Statements as of September 30, 2018 of OPC's Periodic Report are furnished as Exhibits 99.1 and 99.2, respectively, to this Report on Form 6-K. In the event of a discrepancy between the Hebrew and English versions, the Hebrew version shall prevail.

Forward Looking Statements

This Report on Form 6-K, including the exhibits hereto, includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include statements with respect to the Tzomet Energy, including OPC's payment of the remaining consideration for the acquisition of Tzomet, OPC's expectations regarding Tzomet's administrative proceeding and OPC's strategy with respect to the Tzomet project, OPC's expectations with respect to the Tamar gas dispute, OPC's business strategy, including OPC's plans with respect to development projects,its strategy to obtain regulatory clearances and approvals for its projects, and the technologies intended to be used thereto, the Electricity Authority ("EA") tariffs and their expected effects on OPC, OPC's adoption of certain accounting standards and the expected effects of those standards on OPC's results, statements relating to disputes and/or regulatory proceedings, prospective claims and expected impact and outcomes and statements with respect to stock option plans. These statements are based on OPC Energy Ltd. management's current expectations or beliefs, and are subject to uncertainty and changes in circumstances. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond Kenon's control, which could cause the actual results to differ materially from those indicated in such forward-looking statements. Such risks include OPC's failure to obtain regulatory approvals for its projects, OPC's failure to develop or complete its projects as planned or at all, that OPC's current and future disputes and regulatory and administrative proceedings do not proceed as expected, that the new accounting standards have a material effect on OPC's results, changes to the EA tariffs and their effect on OPC's results, OPC's failure to successfully conduct litigation and/or regulatory proceedings and prospective claims, and other risks and factors, including those risks set forth under the heading "Risk Factors" in Kenon's Annual Report on Form 20-F filed with the SEC and other filings. Except as required by law, Kenon undertakes no obligation to update these forward-looking statements, whether as a result of new information, future events, or otherwise.

Exhibits

99.1	OPC Energy Ltd. – Periodic Report for the three months ended September 30, 2018—Chapter B: Report of the Board of Directors for the period ended September 30, 2018, as published on November 14, 2018 with the Israeli Securities Authority and Tel Aviv Stock Exchange*
99.2	OPC Energy Ltd. – Periodic Report for the three months ended September 30, 2018—Chapter C: Condensed Consolidated Interim Financial Statements as of September 30, 2018, as published on November 14, 2018 with the Israeli Securities Authority and Tel Aviv Stock Exchange*

*English convenience translation from Hebrew original document.

SIGNATURES

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

KENON HOLDINGS LTD.

Date: November 14, 2018

By:	/s/ Robert L. Rosen
Name:	Robert L. Rosen
Title:	Chief Executive Officer

Exhibit 99.1

OPC ENERGY LTD.

Report of the Board of Directors regarding the Company's Matters
for the Nine - Month and Three - Month Periods Ended September 30, 2018

November 13, 2018

The Board of Directors of OPC Energy Ltd. (hereinafter – "the Company") is pleased to present herein the Report of the Board of Directors regarding the activities of the Company and its investee companies, the financial statements of which are consolidated with the Company's financial statements (hereinafter – "the Group"), as at September 30, 2018 and for the nine-month and three-month periods then ended, in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970 (hereinafter – "the Reporting Regulations").

The review provided below is limited in scope and relates to events and changes in the state of the Company's affairs during the period of the report that have a material effect on the data included in the interim financial statements and on the data in the Description of the Company's Business, and is presented based on the assumption that the reader has access to, among other things, the Directors' Report and the financial statements for the year ended December 31, 2017, which were published on March 29, 2018 (Reference No.: 2018-01-026919), (hereinafter – "the Consolidated Reports"). The information included in the Consolidated Reports is included herein by reference.

It is noted that, as of September 30, 2018, there are no warning signs, as defined in Regulation 10(B)(14) of the Reporting Regulations, that require the Company to publish a report of projected cash flows.

Presented together with this report are the consolidated interim financial statements as at September 30, 2018 (hereinafter – "the Interim Statements"). In certain cases, details are provided regarding events that took place after the date of the financial statements and shortly before the publication date of the report. The materiality of the information included in this report was examined from the point of view of the Company. Occasionally, an additional detailed description has been provided in order to give a comprehensive picture of the issue at hand. The interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

It is emphasized that the description in this report contains forward - looking information, as defined in the Securities Law, 1968 (hereinafter – "the Securities Law"). Forward-looking information is uncertain information relating to the future, including projections, assessments, estimates or other information relating to a future matter or event, the realization of which is uncertain and/or outside the Company's control. The forward - looking information included in this report is based on information or assessments existing in the Company as at the publication date of this report.

This Directors' Report has not been audited or reviewed by the Company's auditing CPAs.

Explanations of the Board of Directors regarding the State of the Group's Affairs

1. General

The Company is a public company the securities of which are listed for trade on the Tel Aviv Stock Exchange Ltd. (hereinafter – "the Stock Exchange").

Kenon Holdings Inc. (hereinafter – "Kenon") is the Company's controlling shareholder for the purposes of the Securities Law and the Companies Law, 1999. Kenon is a company incorporated in Singapore, the shares of which are "dual listed" on both the New York Stock Exchange (NYSE) and on the Tel-Aviv Stock Exchange.

The Company is engaged, by itself and through several subsidiaries, in the generation and supply of electricity in Israel, including, initiation, development, construction and operation of power plants, and generation and supply of electricity to private customers and Israel Electric Company (hereinafter – "IEC").

Brief description of the Group, its business environment and its areas of activity

The Company operates in a single segment – generation and supply of electricity. In this framework, the Company is engaged in initiation, development, construction and operation of power plants and generation and supply of electricity to private customers and IEC. In its electricity generation and supply activities, the Company concentrates on generation of electricity using conventional and cogeneration technologies. The Company owns (through subsidiaries that it controls) two power plants: the Rotem power plant, which utilizes conventional generation technology, and the Hadera Power Plant, which is currently under construction and is designated to use cogeneration technology.

The Rotem power plant is owned by OPC Rotem Ltd. (hereinafter – "Rotem"), in which the Company holds 80% of the shares. The remaining shares of Rotem are held by a single shareholder.

The Hadera Power Plant, which is currently under construction, is owned by OPC Hadera Ltd. (hereinafter – "Hadera"). Hadera also owns the energy center that, as at the date of the report, supplies all of the steam consumption and part of the electricity consumption of Hadera Paper Mills Ltd. (hereinafter – "Hadera Paper"). As at September 30, 2018, the investments in the Hadera power plant and infrastructures amounted to about NIS 760 million.

On February 26, 2018, the Company's Board of Directors approved completion of the Zomet transaction and to acquire 95% of the issued and paid-up share capital of Zomet Energy Ltd. (hereinafter – "Zomet"), which is advancing a project for construction of a power plant using open-cycle conventional technology. The above-mentioned transaction was completed on March 7, 2018, and commencing from that date the Company holds 95% of Zomet's issued and paid-up share capital (for details regarding the Zomet Transaction, see the Company's Immediate Report dated February 27, 2018 (Reference No.: 2018-01-015789), which are included herein by means of reference, and Note 5 to the Interim Reports).

In addition, pursuant to a resolution of the Government of Israel dated April 2, 2017, the Company has been advancing, through the National Infrastructures Committee, plans for construction of an additional power plant running on natural gas located adjacent to the Company's Rotem site.

The Company is also engaged in initiation of projects for generation of electricity using photovoltaic technology and distributed energy.

Explanations of the Board of Directors regarding the State of the Group's Affairs (Cont.)

2. Financial Position as at September 30, 2018 (in thousands of NIS)

Category	9/30/2018	12/31/2017	Analysis
Current Assets			
Cash and cash equivalents	467,543	508,181	Most of the decrease stems from current debt payments, in the amount of about NIS 154 million, a deposit in short-term deposits, in the amount of about NIS 100 million, additional investments in construction of the Hadera power plant, in the amount of about NIS 40 million, distribution of a dividend to the holders of non-controlling interests, in the amount of about NIS 29 million, investments in property, plant and equipment in Rotem, in the amount of about NIS 21 million, acquisition of Zomet, in the amount of about NIS 8 million, and additional investments in the Zomet project, in the amount of about NIS 6 million. This decrease was partly offset by an increase in the cash balances deriving from the Company's current operating activities, in the amount of about NIS 310 million, and net withdrawals from restricted cash, in the amount of about NIS 8 million. For further information – see the Company's condensed consolidated statements of cash flows as at September 30, 2018, included in the Interim Reports.
Short-term deposits and restricted cash	100,923	752	Most of the increase derives from a deposit in short-term deposits, in the amount of about NIS 100 million.
Trade receivables	154,589	152,751	Most of the increase stems from a collection subsequent to the date of the report, and accountings relating to prior periods, in the amount of about NIS 23 million, and sale of gas during September 2018, in the amount of about NIS 12 million. This increase was partly offset by the impact of the seasonal factor on the sales, in the amount of about NIS 34 million.
Receivables and debit balances, including derivative financial instruments	36,635	44,309	Most of the decrease stems from a decline in the balance of Value Added Tax (VAT), in the amount of about NIS 20 million and a decline in derivative financial instruments due to forward transactions that were closed during the period, in the amount of about NIS 3 million. On the other hand, the decrease was mostly offset by an increase in the balances receivable from Israel Electric Company, in the amount of about NIS 11 million, an increase in the prepaid expenses, in the amount of about NIS 2 million, and an increase in the advances to suppliers, in the amount of about NIS 2 million.
Total current assets	**759,690**	**705,993**	

Explanations of the Board of Directors regarding the State of the Group's Affairs (Cont.)

2. Financial Position as at September 30, 2018 (in thousands of NIS) (Cont.)

Category	9/30/2018	12/31/2017	Analysis
Non-Current Assets			
Long-term deposits and restricted cash	260,781	264,564	Most of the decrease stems from a decrease in the pledged deposits securing bank guarantees of the Company, in the amount of about NIS 36 million, and a decrease in the debt service reserve in Rotem in accordance with Rotem's financing agreement, in the amount of about NIS 6 million. This decrease was partly offset by additional deposits, in the amount of about NIS 25 million, in the debt service fund for the debentures (Series A), additional deposits in respect of guarantees of Rotem, in the amount of about NIS 9 million, and an increase of the restricted cash in Rotem, in the amount of about NIS 4 million, mainly as a result of changes in the exchange rate of the dollar.
Long-term loans and prepaid expenses	117,846	100,356	Most of the increase is due to construction of infrastructures in Hadera in the amount of NIS 24 million, which are classified as long-term prepaid expenses. On the other hand, the balance as at December 31, 2017 included an intercompany amount in connection with Zomet that was offset due to the initial consolidation of Zomet in March 2018. In addition, the balance as at September 30, 2018 is after current amortization of deferred expenses in Rotem, in the amount of NIS 3 million.
Deferred tax assets, net	1,968	751	
Property, plant and equipment	2,318,849	2,184,405	Most of the increase stems from an investment in the construction of the Hadera Power Plant, in the amount of NIS 145 million, the first-time consolidation of Zomet, in the amount of about NIS 26 million, additions to the property, plant and equipment in Rotem and Zomet, in the amounts of about NIS 23 million and about NIS 13 million, respectively. An additional increase stemmed from investment in leasehold improvements due to a move to new offices in the amount of NIS 8 million. The increase was partly offset by depreciation on the property, plant and equipment in Rotem and Hadera (the energy center), in the aggregate amount of about NIS 79 million.
Intangible assets	5,651	5,689	
Total non-current assets	**2,705,095**	**2,555,765**	
Total assets	**3,464,785**	**3,261,758**	

Explanations of the Board of Directors regarding the State of the Group's Affairs (Cont.)

2. Financial Position as at September 30, 2018 (in thousands of NIS) (Cont.)

Category	9/30/2018	12/31/2017	Analysis
Current Liabilities			
Current maturities of loans from banks and others	84,311	104,978	Most of the decrease stems from repayment of the senior debt in Rotem, in the amount of about NIS 60 million, and repayment of the Company's debentures (Series A), in the amount of about NIS 11 million. This decrease was offset mainly by update of the current maturities of Rotem in accordance with the repayment schedule, in the amount of about NIS 42 million, and update of the current maturities of the debentures (Series A), in the amount of about NIS 7 million, also in accordance with the repayment schedule.
Trade payables	232,487	202,705	Most of the increase derives from an increase in the balance of the Rotem maintenance contractor, in the amount of about NIS 9 million, amounts payable to the Zomet construction contractor, in the amount of about NIS 8 million, suppliers relating to the construction in Hadera, in the amount of about NIS 7 million, and an increase the price of gas due to devaluation of the shekel against the dollar, in the amount of about NIS 6 million.
Payables and other credit balances, including derivative financial instruments	34,447	35,343	Most of the decrease derives from a decline in the interest payable, in the amount of about NIS 6 million, a decrease in the liabilities to employees in respect of salaries and other payables, in the amount of about NIS 2 million, and a decline in the fair value of the derivative financial instruments, in the amount of about NIS 1 million. The decrease was partly offset by an increase in the accrued expenses, in the amount of about NIS 5 million, and an increase in the VAT payable, in the amount of about NIS 3 million.
Current taxes payable	4,206	1,640	Most of the increase is attributable to the income in the period of the report from the Hadera energy center.
Total current liabilities	**355,451**	**344,666**	

Explanations of the Board of Directors regarding the State of the Group's Affairs (Cont.)

2. Financial Position as at September 30, 2018 (in thousands of NIS) (Cont.)

Category	9/30/2018	12/31/2017	Analysis
Non-Current Liabilities			
Long-term loans from banks and financial institutions	1,836,538	1,744,739	Most of the increase stems from granting loans as part of the senior debt of Hadera, in the amount of about NIS 102 million, interest and CPI linkage differences in respect of the balances of the senior debt of Hadera that were accrued to the principal, in the amount of about NIS 19 million, and linkage of the senior debt of Rotem, in the amount of about NIS 14 million. On the other hand, this increase was offset due to an increase of the current maturities of Rotem, in the amount of about NIS 42 million.
Debentures	286,872	293,954	The decrease stems from update of the current maturities of the debentures (Series A), in the amount of about NIS 7 million.
Capital notes to related parties	1,138	1,803	
Employee benefits	280	280	
Deferred taxes, net	227,329	191,777	Most of the increase stems from update of the deferred taxes as a result of the income for the period.
Total non-current liabilities	**2,352,157**	**2,232,553**	
Total liabilities	**2,707,608**	**2,577,219**	

3. Results of operations for the nine - month and three - month periods ended September 30, 2018 (in thousands of NIS)

The Group's activities are subject to seasonal fluctuations as a result of changes in the official Time of Use of Electricity Tariff (hereinafter – "the TAOZ"), which is regulated and published by the Electricity Authority. The year is broken down into 3 seasons: "summer" (July and August), "winter" (December, January and February) and "transition" (March through June and September through November). In general, the electricity tariffs are higher in the summer and the winter than the tariffs in the transition periods.

Explanations of the Board of Directors regarding the State of the Group's Affairs (Cont.)

3. Results of operations for the nine - month and three - month periods ended September 30, 2018 (in thousands of NIS) (Cont.)

Category	For the Nine Months Ended 9/30/2018	9/30/2017	Analysis
Sales	992,677	996,035	For detail regarding the change in the sales – see Section 6, below.
Cost of sales (less depreciation and amortization)	669,335	726,129	For detail regarding the change in the cost of sales – see Section 7, below.
Depreciation and amortization	81,738	85,767	The higher depreciation expenses in the first nine months of 2017 stems mainly from advancing the planned maintenance in 2017 (for additional details – see Note 27(D)(3) to the Consolidated Reports).
Gross profit	**241,604**	**184,139**	
Administrative and general expenses	37,264	27,346	Most of the increase derives from the increase in the expenses for professional services and legal fees, in the amount of about NIS 7 million, an increase in the salaries and wages, in the amount of about NIS 1 million, and an increase in office maintenance costs, in the amount of about NIS 1 million.
Other income (expenses), net	3,044	(7)	In 2018, the income derives mainly from an update of Hadera's estimates in connection with the derivative with respect to sale of the gas.
Operating income	**207,384**	**156,786**	
Financing expenses, net	73,102	94,353	Most of the decrease in the net financing expenses stems from an early repayment fee in respect of repayment of the interim loan, in the amount of about NIS 23 million in 2017, the impact of changes in the exchange rate of the dollar, in the amount of about NIS 10 million, a decline in the interest payments, in the amount of about NIS 3 million, as a result of repayments of Rotem's senior debt and interest in connection with capital notes repaid during 2017, in the amount of about NIS 2 million. The decrease was partly offset by changes in the CPI, in the amount of about NIS 12 million, in respect of Rotem's senior debt and interest payments in respect of the debentures (Series A), in the amount of about NIS 5 million.
Income before taxes on income	**134,282**	**62,433**	
Taxes on income	36,141	23,654	Most of the increase derives from the higher income in the first nine months of 2018, which was partly offset by the impact of the reduction in the Companies Tax rate in 2018 compared with 2017.
Income for the period	**98,141**	**38,779**	

Explanations of the Board of Directors regarding the State of the Group's Affairs (Cont.)

3. Results of operations for the nine- month and three- month periods ended September 30, 2018 (in thousands of NIS) (Cont.)

Category	For the Three Months Ended 9/30/2018	9/30/2017	Analysis
Sales	341,876	347,727	For detail regarding the change in the sales – see Section 6, below.
Cost of sales (less depreciation and amortization)	223,082	246,946	For detail regarding the change in the cost of sales – see Section 7, below.
Depreciation and amortization	28,788	26,926	The higher depreciation expenses in the third quarter of 2018 stems mainly from a change in the estimate of the date for concluding depreciation and amortization of some of the Company's assets.
Gross profit	**90,006**	**73,855**	
Administrative and general expenses	13,185	11,593	Most of the increase derives from the increase in the expenses for professional services and legal fees, in the amount of about NIS 1 million, along with contributions and social responsibility expenses during the third quarter of 2018, in the amount of about NIS 1 million.
Other income (expenses), net	962	(396)	In 2018, the income derives mainly from an update of Hadera's estimates in connection with the derivative with respect to sale of the gas.
Operating income	**77,783**	**61,866**	
Financing expenses, net	24,985	14,321	Most of the increase stems from the changes in the Consumer Price Index (CPI), in the amount of about NIS 9 million, in respect of Rotem's senior debt, and the impact of changes in the exchange rate of the dollar, in the amount of about NIS 3 million. The increase was partly offset by interest in respect of capital notes paid during 2017, in the amount of about NIS 1 million, and interest payments, in the amount of about NIS 1 million, as a result of repayments of Rotem's senior debt.
Income before taxes on income	**52,798**	**47,545**	
Taxes on income	13,574	13,142	Most of the increase derives from the higher income in 2018, which was partly offset by the impact of the reduction in the Companies Tax rate in 2018 compared with 2017.
Income for the period	**39,224**	**34,403**	

Explanations of the Board of Directors regarding the State of the Group's Affairs (Cont.)

4. EBITDA

The Company defines EBITDA as earnings (losses) before depreciation and amortization, net financing expenses or income and taxes on income. EBITDA is not recognized under IFRS or under any other generally accepted accounting standards as an indicator for the measurement of financial performance and should not be considered a substitute for profit or loss, cash flows from operating activities or other terms of operational performance or liquidity prescribed under IFRS.

EBITDA is not intended to represent monies that are available for distribution of dividends or other uses, since such monies may be used for servicing debt, capital expenditures, working capital and other liabilities. EBITDA is characterized by limitations that impair its use as an indicator of the Company's profitability, since it does not take into account certain costs and expenses deriving from the Company's business, which could materially affect its net income, such as financing expenses, taxes on income, depreciation, capital expenditures and other accompanying expenses.

The Company believes that the EBITDA data provides transparent information that is useful to investors in examining the Company's operating performances and in comparing them against the operating performance of other companies in the same sector or in other sectors with different capital structures, debt levels and/or income tax rates. This data item is also used by Company management when examining the Company's performance.

Set forth below is a calculation of the EBITDA data item for the periods presented. Other companies may calculate the EBITDA differently. Therefore, the EBITDA presentation herein may differ from those of other companies.

Calculation of the EBITDA (in thousands of NIS):

	For the Nine Months Ended September 30		For the Three Months Ended September 30	
	2018	**2017**	**2018**	**2017**
Sales	992,677	996,035	341,876	347,727
Cost of sales (less depreciation and amortization)	(669,335)	(726,129)	(223,082)	(246,946)
Administrative and general expenses (less depreciation and amortization)	(36,482)	(27,146)	(12,895)	(11,523)
Other income (expenses)	3,044	(7)	962	(396)
EBITDA	**289,904**	**242,753**	**106,861**	**88,862**

Explanations of the Board of Directors regarding the State of the Group's Affairs (Cont.)

5. Energy

Set forth below are details of the sales, generation and purchases of electricity of the Rotem power plant and the Hadera energy center (in millions KW hours):

	For the Nine Months Ended September 30		For the Three Months Ended September 30	
	2018	**2017**	**2018**	**2017**
Sales to private customers	2,915	2,907	942	975
Sales to the System Administrator	70	73	23	11
Total sales	**2,985**	**2,980**	**965**	**986**

	For the Nine Months Ended September 30		For the Three Months Ended September 30	
	2018	**2017**	**2018**	**2017**
Generation of electricity	2,808	2,692	878	902
Purchase of electricity from the System Administrator	177	288	87	84
Total sales	**2,985**	**2,980**	**965**	**986**

	For the Nine Months Ended September 30			
	2018		**2017**	
	Electricity availability (%)	**Net generation (KW hours)**	**Electricity availability (%)**	**Net generation (KW hours)**
Rotem	98%	2,746	93%	2,632
Hadera	97%	62	92%	61

	For the Three Months Ended September 30			
	2018		**2017**	
	Electricity availability (%)	**Net generation (KW hours)**	**Electricity availability (%)**	**Net generation (KW hours)**
Rotem	93%	858	99%	887
Hadera	99%	20	84%	16

<u>Explanations of the Board of Directors regarding the State of the Group's Affairs</u> (Cont.)

6. Revenues

Set forth below is detail of the Company's revenues (in NIS thousands):

	For the Nine Months Ended September 30		For the Three Months Ended September 30	
	2018	**2017**	**2018**	**2017**
Revenues from sale of energy generated to private customers (1)	672,003	627,044	224,605	223,707
Revenues from sale of energy purchased to private customers (2)	46,998	62,309	24,723	19,934
Revenues from private customers in respect of infrastructures services (3)	222,876	258,526	75,791	90,856
Revenues from sale of energy to the System Administrator (4)	8,095	8,611	2,756	1,268
Revenues from sale of steam (5)	42,705	39,545	14,001	11,962
Total revenues	**992,677**	**996,035**	**341,876**	**347,727**

The Company's net revenues from the sale of electricity to its private customers stem from electricity sold at the generation component tariffs, as published by the Electricity Authority, with some discount. The weighted-average generation component tariff for 2018, as published by the Electricity Authority, is NIS 0.2816 per KW hour. This weighted-average is attributed to the mix of consumption in the market, which differs from that of the customers of Rotem and Hadera. In 2017, the weighted-average of the generation component tariff was NIS 0.264 per KW hour. In addition, the Company's revenues from sale of steam are linked partly to the price of gas and partly to the Consumer Price Index.

<u>For the nine-month periods ended September 30, 2018 and 2017</u>:

(1) During the period, there was an increase of about NIS 45 million in the revenues from sale of energy generated to private customers, deriving mainly from: (a) an increase in the energy generated and sold to private customers, in the amount of about NIS 15 million, due to higher availability in 2018 (as a result of a higher number of planned maintenance days in 2017 compared with 2018 at the Rotem power plant); and (b) an increase in the generation component tariff, in the amount of about NIS 34 million. On the other hand, the results in the first nine months of 2017 included non-recurring income from a settlement relating to prior periods with private customers, in the amount of about NIS 5 million.

(2) Most of the decrease in the total revenues from sale of energy purchased from IEC for private customers, in the amount of about NIS 15 million, stems from higher availability in 2018, mainly as a result of a higher number of planned maintenance days in 2017 compared with 2018 at the Rotem power plant.

(3) Most of the decrease in the revenues from private customers for infrastructure services stems from a decline in the infrastructure tariffs in 2018, in the amount of about NIS 29 million. In addition, revenues from private customers for infrastructure services in the first nine months of 2017 included revenues from a settlement relating to prior periods, in the amount of about NIS 4 million. Furthermore, as a result of a change in the customer mix (voltage level), there was a decrease in the total revenues from private customers for infrastructure services, in the amount of about NIS 3 million.

(4) Most of the decrease in the revenues from sale of energy to the System Administrator in the first nine months of 2018, in the amount of about NIS 0.5 million, compared with the corresponding period last year, is a result of the higher consumption by private customers.

Explanations of the Board of Directors regarding the State of the Group's Affairs (Cont.)

6. Revenues (Cont.)

For the nine-month periods ended September 30, 2018 and 2017: (Cont.)

(5) The increase in the revenues from sale of steam, in the amount of about NIS 3 million, stems from: (a) a change in the basis for calculating the estimated price of the steam, in the amount of about NIS 2 million; and (b) higher consumption of steam in 2018, in the amount of about NIS 1 million.

For the three-month periods ended September 30, 2018 and 2017:

(1) In the third quarter of 2018, there was an increase of about NIS 1 million in the revenues from sale of energy generated to private customers, deriving mainly from an increase in the generation component tariff, in the amount of about NIS 11 million. On the other hand, there was a decrease in the energy generated and sold to private customers, in the amount of about NIS 5 million, due to lower availability in 2018 (as a result of planned maintenance work that started in September in 2018 at the Rotem power plant), and a different mix of private electricity customers compared with the corresponding quarter last year, in the amount of about NIS 4 million.

(2) Most of the increase in the total revenues from sale of energy purchased from IEC to private customers, in the amount of about NIS 5 million, stems from lower availability in 2018, mainly as a result of planned maintenance work that started in September 2018 at the Rotem power plant.

(3) Most of the decrease in the revenues from private customers for infrastructure services stems from a decline in the infrastructure tariffs in 2018, in the amount of about NIS 11 million. In addition, in the third quarter of 2018 there was a decrease in the revenues from private customers for infrastructure services, in the amount of about NIS 4 million, as a result of a different mix of private electricity customers in the third quarter of 2018.

(4) Most of the increase in the revenues from sale of energy to the System Administrator in the third quarter of 2018, in the amount of about NIS 2 million, compared with the corresponding quarter last year, is a result of the lower consumption by private customers.

(5) The increase in the revenues from sale of steam, in the amount of about NIS 2 million, stems from: (a) a change in the basis for calculating the estimated price of the steam, in the amount of about NIS 1 million; and (b) higher consumption of steam in the third quarter of 2018, in the amount of about NIS 1 million.

Explanations of the Board of Directors regarding the State of the Group's Affairs (Cont.)

7. Cost of sales (less depreciation and amortization)

Set forth below is detail of the Company's cost of sales (less depreciation and amortization) broken down into the following components (in NIS thousands):

	For the Nine Months Ended September 30		For the Three Months Ended September 30	
	2018	2017	2018	2017
Gas and diesel oil (1)	343,992	346,292	105,744	115,656
Expenses to IEC for infrastructure services and purchase of electricity (2)	268,683	320,835	99,323	110,790
Gas transmission costs	20,543	19,733	6,827	6,418
Operating expenses (3)	36,117	39,269	11,188	14,082
Total cost of sales (less depreciation and amortization)	**669,335**	**726,129**	**223,082**	**246,946**

	For the Nine Months Ended September 30		For the Three Months Ended September 30	
	2018	2017	2018	2017
Gas consumption (MMBTU)	20,464,779	19,369,002	6,523,658	6,227,040
Average gas price (in dollars)	4.705	4.700	4.702	4.700

For the nine - month periods ended September 30, 2018 and 2017:

(1) Most of the decrease in the gas and diesel oil costs is a result of a decrease in the diesel oil consumption costs, in the amount of about NIS 17 million, due to: (a) a reimbursement from Israel Electric Company for costs of diesel oil in prior years, in the amount of about NIS 8 million; and (b) a decrease in the consumption of diesel oil in 2018 compared with the corresponding period last year, in the amount of about NIS 9 million, as a result of increased production of diesel oil at Rotem's power plant in September 2017 due to a technical failure found as part of the maintenance of the gas production raft in the Tamar reservoir. In addition, there was an upward revaluation of the exchange rate of the shekel against the dollar, in the amount of about NIS 7 million. The said decrease was partly offset, in the amount of about NIS 21 million, as a result of higher consumption of gas stemming from higher availability of Rotem's power plant and no gas shortages in the first nine months of 2018, compared with the corresponding period last year.

(2) In the period of the report, there was a decrease of about NIS 52, million in the expenses to IEC in respect of infrastructure services and purchase of electricity, deriving mainly from: (a) higher generation stemming from higher availability (mainly due to a higher number of planned maintenance days in 2017 at the Rotem power station), in the amount of about NIS 15 million; (b) a decrease in the tariffs for infrastructure services in 2018, which contributed to a decrease in the amount of about NIS 29 million; (c) expenses for infrastructure services following a settlement relating to prior periods made by the Company with its private customers in 2017, in the amount of about NIS 4 million; and (d) change in the mix of the customers (voltage level), in the amount of about NIS 3 million.

(3) Most of the decrease stems from a reimbursement in connection with an insurance premium with respect to prior years, in the amount of about NIS 3 million, in 2018.

Explanations of the Board of Directors regarding the State of the Group's Affairs (Cont.)

7. Cost of sales (less depreciation and amortization) (Cont.)

For the three-month periods ended September 30, 2018 and 2017:

(1) Most of the decrease in the gas and diesel oil costs is a result of a decrease in the diesel oil consumption costs, in the amount of about NIS 17 million, due to: (a) a reimbursement from Israel Electric Company for costs of diesel oil in prior years, in the amount of about NIS 8 million; and (b) a decrease in the consumption of diesel oil in the third quarter of 2018 compared with the corresponding quarter last year, in the amount of about NIS 9 million, as a result of increased production of diesel oil at Rotem's power plant in September 2017 due to a technical failure found as part of the maintenance of the gas production raft in the Tamar reservoir. The said decrease was partly offset by (a) no shortages of gas in the third quarter of 2018 compared with the corresponding quarter last year, coming to about NIS 4 million and (b) a devaluation of the exchange rate of the shekel against the dollar, in the amount of about NIS 2 million.

(2) In the third quarter of 2018, there was a decrease of about NIS 11, million in the expenses to IEC in respect of infrastructure services and purchase of electricity, deriving mainly from a decrease in the tariffs for infrastructure services and lower consumption of private customers in 2018, which contributed to a decrease in the amount of about NIS 16 million. On the other hand, due to lower availability as a result of planned maintenance at Rotem's power plant that started in September 2018, there was an increase of the total purchases of electricity, in the amount of about NIS 5 million.

(3) Most of the decrease stems from a reimbursement in connection with an insurance premium in respect of prior years, in the amount of about NIS 3 million, in 2018.

<u>Explanations of the Board of Directors regarding the State of the Group's Affairs</u> (Cont.)

8. Liquidity and sources of financing (in NIS thousands)

Category	For the Nine Months Ended 9/30/2018	9/30/2017	Analysis
Cash flows provided by operating activities	307,259	254,040	Most of the increase stems from an increase in the working capital, in the amount of about NIS 57 million (mainly as a result of the high balance of trade receivables, as at September 30, 2017). On the other hand, there was a decrease in the current operating activities, in the amount of about NIS 4 million. For further information – see the Company's condensed consolidated interim statements of cash flows for the nine months ended September 30, 2018.
Cash flows used in investing activities	(264,804)	(322,208)	Most of the decrease in the cash flows used in investing activities derives from a deposit in a trust account as part of the arbitration with Tamar, in the amount of about NIS 79 million, in 2017, higher investments in Rotem, in the amount of about NIS 29 million, and in Hadera, in the amount of about NIS 41 million, in 2017, deposits in restricted cash and debt-service funds, in 2017, in the amount of about NIS 23 million, and payments in respect of derivatives in 2017, in the amount of about NIS 5 million. In addition, in 2018 a withdrawal was made from restricted cash and debt-service funds in 2018, in the amount of about NIS 8 million. This decrease was offset by deposits in short-term deposits in 2018, in the amount of about NIS 100 million, withdrawals from short-term deposits in 2017, in the amount of about NIS 16 million, and acquisition of and investments in Zomet in 2018, in the amount of about NIS 14 million.
Cash flows provided by (used in) financing activities	(83,209)	618,306	Most of the increase in the cash flows used in financing activities stems from the proceeds from issuance of shares, in the amount of about NIS 365 million, in 2017, the proceeds from issuance of the debentures (Series A), in the amount of about NIS 316 million, in 2017, lower withdrawals from the financing agreement framework in the Hadera project: about NIS 415 million in 2017 versus about NIS 102 million in 2018. In addition, in 2018, a dividend was paid to the holders of the non-controlling interests, in the amount of NIS 29 million. On the other hand, the above-mentioned decrease was offset by debt payments, including, repayment of the interim loans, current debt payments, an early repayment fee and settlement of balances of I.C. Power Asia Development, in the net aggregate amount of about NIS 478 million in 2017, compared with a total of about NIS 156 million in 2018.

Explanations of the Board of Directors regarding the State of the Group's Affairs (Cont.)

8. Liquidity and sources of financing (in NIS thousands)

Category	For the Three Months Ended 9/30/2018	For the Three Months Ended 9/30/2017	Analysis
Cash flows provided by operating activities	74,547	63,626	Most of the increase stems from an increase in the working capital, in the amount of about NIS 42 million (mainly as a result of the high balance of trade receivables, as at September 30, 2017). On the other hand, there was a decrease in the current operating activities, in the amount of about NIS 31 million. For further information – see the Company's condensed consolidated interim statements of cash flows for the three months ended September 30, 2018.
Cash flows used in investing activities	(126,341)	(94,006)	Most of the increase in the cash flows used in investing activities derives from deposits in short-term deposits in 2018, in the amount of about NIS 100 million. This increase was partly offset by higher investments in 2017 in Hadera and in Rotem, in the amounts of about NIS 38 million and about NIS 18 million, respectively, and by withdrawals from restricted deposits relating to guarantees and debt service reserves in 2018, in the amount of about NIS 12 million.
Cash flows provided by financing activities	34,207	253,238	Most of the decrease in the cash flows provided by financing activities stems from the proceeds from issuance of shares in 2017, in the amount of about NIS 365 million. In addition, in the third quarter of 2018, a dividend was paid to the holders of the non-controlling interests, in the amount of NIS 8 million. On the other hand, the above-mentioned decrease was offset by withdrawals from the financing agreement framework in the Hadera project in the third quarter of 2018, in the amount of about NIS 80 million in 2017, debt payments, including, repayment of the interim loans, current debt payments, an early repayment fee and settlement of balances of I.C. Power Asia Development in 2017, in the net aggregate amount of about NIS 112 million, compared with a total of about NIS 38 million in 2018.

Explanations of the Board of Directors regarding the State of the Group's Affairs (Cont.)

8. Liquidity and sources of financing (in NIS thousands) (Cont.)

The following table details the debt, cash and cash equivalents, deposits and restricted cash, as at September 30, 2018 (in thousands of NIS):

	Rotem	Hadera	Solo	Zomet	Others	Consolidated
Debt (not including accrued interest	1,282,117	620,677	304,927	–	1,138	2,208,859
Cash and cash equivalents and short-term deposits	140,906	97,707	327,728	267	1,100	567,708
Restricted cash (including debt service reserves)	174,198	5,671	81,665	5	–	261,539
Debt service reserves (out of the restricted cash)	94,984	–	42,667	–	–	137,651

– During the period of the report, Rotem repaid about NIS 60 million (relating to principal only) of its loans.

– During the period of the report, the Company paid the amount of about NIS 11 million (relating to principal only) of the debentures (Series A).

– During the period of the report, Hadera withdrew NIS 102 million under its senior framework agreement.

– During the period of the report, Zomet paid about NIS 17 million of its liabilities.

Explanations of the Board of Directors regarding the State of the Group's Affairs (Cont.)

8. Liquidity and sources of financing (in NIS thousands) (Cont.)

The following table details the debt, cash and cash equivalents, deposits and restricted cash, as at December 31, 2017 (in thousands of NIS):

	Rotem	Hadera	OPC Energy	Others	Consolidated
Debt (not including accrued interest)	1,327,576	500,177	315,918	1,803	2,145,474
Cash and cash equivalents	130,373	103,111	273,033	1,664	508,181
Restricted deposits and cash (including debt service reserves)	167,430	5,459	92,427	–	265,316
Debt service reserves (out of the restricted cash)	91,759	–	17,710	–	109,469

The following table details the debt, cash and cash equivalents, deposits and restricted cash, as at September 30, 2017 (in thousands of NIS):

	Rotem	Hadera	OPC Energy	Others	Consolidated
Debt (not including accrued interest)	1,346,391	417,546	315,874	1,778	2,081,589
Cash and cash equivalents	95,812	144,620	388,643	1,658	630,733
Restricted deposits and cash (including debt service reserves)	149,931	5,536	17,710	–	173,177
Debt service reserves (out of the restricted cash)	72,993	–	17,710	–	90,703

Other Information

9. **Significant Events in the Period of the Report and Thereafter**

For details – see Part A "Update of the Company's Business" and Notes 5–6 to the consolidated interim financial statements as at September 30, 2018.

10. **Outstanding Liabilities by Maturity Dates**

For details regarding the Company's outstanding liabilities – see the Immediate Report regarding outstanding liabilities by maturity dates that is published by the Company concurrent with publication of this report.

11. **Liability Certificates**

On June 21, 2018, the General Meeting of the holders of the Company's debentures (Series A) approved an amendment to the trust certificate of the debentures (Series A) (hereinafter – "the Amendment"), in connection with the definition of the term "the Company's cash flows", such that the reference to the cash flows used in investing activities was deleted. In addition, pursuant to the Amendment, as stated, the Company provided a debt service fund equal to 18 months' payments of principal and interest and committed to comply with financial covenants and restrictions on distributions, such that the "historical debt coverage ratio" will not fall below 1.2 and for purposes of a distribution, as defined in the trust certificate, the "historical debt coverage ratio" will not be lower than 1.4. For additional details – see the Company's Immediate Reports dated June 14, 2018 and June 25, 2018 (Reference Nos.: 2018-01-056182, 2018-01-056206, 2018-01-058066 and 2018-01-060691), which are presented herein by means of reference. As at the date of the report, the Company is in compliance with all the financial covenants in accordance with the trust certificate of the debentures (Series A).

12. **Corporate Governance**

12.1 Charitable Contributions

12.1.1 In January 2018, the Group contributed NIS 250 thousand to the Society for Advancement of the Dimona Sports Club.

12.1.2 In July 2018, the Group contributed NIS 1 million to the "Matan Society".

12.1.3 In July 2018, the Group contributed NIS 250 thousand to the Nirim Society.

12.1.4 In July 2018, the Group contributed NIS 50 thousand to the Ratzim Bishvil Latait (Running in order to Give) Society.

12.2 Internal Auditor

Commencing from March 31, 2018, Mr. Oded Berkovich, the Company's Internal Auditor, ceased to be an employee of the Company. Mr. Berkovich continues to serve as the Company's Internal Auditor, not as an employee.

Yoav Doppelt	Giora Almogy
Chairman of the Board of Directors	**CEO**

Date: November 13, 2018

Exhibit 99.2

OPC Energy Ltd.

Condensed Consolidated Interim Financial Statements

At September 30, 2018

(Unaudited)

OPC Energy Ltd.
Condensed Consolidated Interim Financial Statements
At September 30, 2018
Unaudited

Contents

Somekh Chaikin KPMG

Millennium Tower
17 Ha'arba'a St., POB 609, Tel-Aviv
6100601

03-6848000

Review Report of the Independent Auditors to the Shareholders of OPC Energy Ltd.

Introduction

We have reviewed the accompanying financial information of OPC Energy Ltd. (hereinafter – "the Company") and its subsidiaries, including the condensed consolidated interim statement of financial position as at September 30, 2018 and the condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the nine-month and three-month periods then ended. The Board of Directors and Management are responsible for the preparation and presentation of financial information for these interim periods in accordance with IAS 34 "Financial Reporting for Interim Periods", and are also responsible for the preparation of financial information for these interim periods in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on the financial information for these interim periods based on our review.

Scope of the Review

We conducted our review in accordance with Review Standard 1, "Review of Financial Information for Interim Periods Performed by the Independent Auditor of the Entity" of the Institute of Certified Public Accountants in Israel. A review of financial information for interim periods consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the above-mentioned financial information was not prepared, in all material respects, in accordance with International Accounting Standard IAS 34.

In addition to that mentioned in the previous paragraph, based on our review, nothing has come to our attention that causes us to believe that the above-mentioned financial information does not comply, in all material respects, with the disclosure requirements of Section D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Sincerely,

Somekh Chaikin
Certified Public Accountants (Isr.)

November 13, 2018

OPC Energy Ltd.
Condensed Consolidated Interim Statements of Financial Position

	At September 30		At December 31
	2018	2017	2017
	(Unaudited)		(Audited)
	In Thousands of New Israeli Shekels		
Current Assets			
Cash and cash equivalents	467,543	630,733	508,181
Short-term deposits and restricted cash	100,923	–	752
Trade receivables	154,589	208,128	152,751
Other receivables and debit balances, including derivative financial instruments	36,635	76,211	44,309
Total current assets	759,690	915,072	705,993
Non-Current Assets			
Long-term deposits and restricted cash	260,781	173,177	264,564
Long-term loans and prepaid expenses	117,846	96,863	100,356
Deferred tax assets, net	1,968	579	751
Property, plant and equipment	2,318,849	2,088,333	2,184,405
Intangible assets	5,651	5,776	5,689
Total non-current assets	2,705,095	2,364,728	2,555,765
Total assets	**3,464,785**	**3,279,800**	**3,261,758**

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

OPC Energy Ltd.
Condensed Consolidated Interim Statements of Financial Position

	At September 30		At December 31
	2018	2017	2017
	(Unaudited)		(Audited)
	In Thousands of New Israeli Shekels		
Current Liabilities			
Current maturities of loans from banks and others	84,311	90,467	104,978
Trade payables	232,487	246,822	202,705
Other payables and credit balances, including derivative financial instruments	34,447	35,231	35,343
Income taxes payable	4,206	1,063	1,640
Total current liabilities	355,451	373,583	344,666
Non- Current Liabilities			
Loans from banks and financial institutions	1,836,538	1,684,490	1,744,739
Debentures	286,872	304,854	293,954
Capital notes and loans from related parties	1,138	1,778	1,803
Derivative financial instruments	–	601	–
Employee benefits	280	280	280
Liabilities for deferred taxes, net	227,329	183,633	191,777
Total non-current liabilities	2,352,157	2,175,636	2,232,553
Total liabilities	2,707,608	2,549,219	2,577,219
Equity			
Share capital	1,319	1,319	1,319
Premium on shares	361,005	359,188	361,005
Capital reserves	83,018	78,665	80,279
Retained earnings	232,900	205,034	157,697
Total equity attributable to the Company's owners	678,242	644,206	600,300
Non- controlling interests	78,935	86,375	84,239
Total equity	757,177	730,581	684,539
Total liabilities and equity	**3,464,785**	**3,279,800**	**3,261,758**

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Yoav Doppelt	**Giora Almogy**	**Tzahi Goshen**
Chairman of the Board of Directors	**CEO**	**CFO**

Approval date of the financial statements: November 13, 2018

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

OPC Energy Ltd.
Condensed Consolidated Interim Statements of Income

	For the				
	Nine Months Ended September 30		Three Months Ended September 30		Year Ended December 31
	2018	2017	2018	2017	2017
	(Unaudited)		(Unaudited)		(Audited)
	In Thousands of New Israeli Shekels				
Sales	992,677	996,035	341,876	347,727	1,315,679
Cost of sales (net of depreciation and amortization)	669,335	726,129	223,082	246,946	958,968
Depreciation and amortization	81,738	85,767	28,788	26,926	112,210
Gross profit	241,604	184,139	90,006	73,855	244,501
Administrative and general expenses	37,264	27,346	13,185	11,593	39,576
Other income (expenses), net	3,044	(7)	962	(396)	1,252
Operating income	207,384	156,786	77,783	61,866	206,177
Financing expenses	76,499	100,931	25,376	14,463	124,751
Financing income	3,397	6,578	391	142	6,928
Financing expenses, net	73,102	94,353	24,985	14,321	117,823
Income before taxes on income	134,282	62,433	52,798	47,545	88,354
Taxes on income	36,141	23,654	13,574	13,142	31,848
Income for the period	**98,141**	**38,779**	**39,224**	**34,403**	**56,506**
Income attributable to:					
The Company's owners	75,203	22,810	30,076	25,897	35,473
Non - controlling interests	22,938	15,969	9,148	8,506	21,033
Income for the period	**98,141**	**38,779**	**39,224**	**34,403**	**56,506**
Income per share attributable to the Company's owners					
Basic income per share (in NIS)	**0.57**	**0.22**	**0.23**	**0.22**	**0.32**
Diluted income per share (in NIS)	**0.56**	**0.22**	**0.22**	**0.22**	**0.31**

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

OPC Energy Ltd.
Condensed Consolidated Interim Statements of Comprehensive Income

	For the				
	Nine Months Ended September 30		Three Months Ended September 30		Year Ended December 31
	2018	2017	2018	2017	2017
	(Unaudited)		(Unaudited)		(Audited)
	In Thousands of New Israeli Shekels				
Income for the period	98,141	38,779	39,224	34,403	56,506
Components of other comprehensive income (loss) that after the initial recognition in the statement of comprehensive income were or will be transferred to the statement of income					
Effective portion of change in the fair value of cash-flow hedges	1,458	6,304	(202)	7,185	5,894
Net change in fair value of derivative financial instruments used for hedging cash flows recorded to the cost of the hedged item	(494)	3,060	(188)	1,375	5,176
Tax benefit (taxes) in respect of items of other comprehensive income (loss)	(222)	(2,231)	89	(2,029)	(2,642)
Total other comprehensive income (loss) for the period, net of tax	742	7,133	(301)	6,531	8,428
Total comprehensive income for the period	**98,883**	**45,912**	**38,923**	**40,934**	**64,934**
Total comprehensive income attributable to:					
The Company's owners	75,945	29,943	29,775	32,428	43,901
Holders of non-controlling interests	22,938	15,969	9,148	8,506	21,033
Total comprehensive income for the period	**98,883**	**45,912**	**38,923**	**40,934**	**64,934**

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

OPC Energy Ltd.

Condensed Consolidated Interim Statements of Changes in Equity

	Share capital	Premium on shares	Capital reserve in respect of merger	Hedging reserve	Capital reserve for transactions with the former parent company	Capital reserve for share-based payments	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to the owners of the Company									
	In Thousands of New Israeli Shekels									
	(Unaudited)									
For the nine-month period ended September 30, 2018										
Balance at January 1, 2018	1,319	361,005	2,598	(797)	77,930	548	157,697	600,300	84,239	684,539
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	17	17
Share-based payment	–	–	–	–	–	1,997	–	1,997	–	1,997
Capital reserve in respect of transactions with holders of non-controlling interests	–	–	–	–	–	–	–	–	741	741
Dividends to holders of non-controlling interests	–	–	–	–	–	–	–	–	(29,000)	(29,000)
Other comprehensive income for the period, net of tax	–	–	–	742	–	–	–	742	–	742
Income for the period	–	–	–	–	–	–	75,203	75,203	22,938	98,141
Balance at September 30, 2018	**1,319**	**361,005**	**2,598**	**(55)**	**77,930**	**2,545**	**232,900**	**678,242**	**78,935**	**757,177**
For the nine-month period ended September 30, 2017										
Balance at January 1, 2017	*–	–	196,084	(9,225)	78,026	–	182,224	447,109	70,602	517,711
Capital reserve for transactions with the former parent company, net of tax	–	–	–	–	(96)	–	–	(96)	–	(96)
Issuance of shares to the parent company	1,000	–	–	–	–	–	–	1,000	–	1,000
Issuance of shares (less issuance expenses)	319	359,188	–	–	–	–	–	359,507	–	359,507
Share-based payment	–	–	–	–	–	229	–	229	–	229
Movement in capital reserve in respect of merger as part of transfer of Hadera, Greenday and AGS	–	–	(193,486)	–	–	–	–	(193,486)	(196)	(193,682)
Other comprehensive income for the period, net of tax	–	–	–	7,133	–	–	–	7,133	–	7,133
Income for the period	–	–	–	–	–	–	22,810	22,810	15,969	38,779
Balance at September 30, 2017	**1,319**	**359,188**	**2,598**	**(2,092)**	**77,930**	**229**	**205,034**	**644,206**	**86,375**	**730,581**

* Amount less than NIS 1 thousand.

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

OPC Energy Ltd.

Condensed Consolidated Interim Statements of Changes in Equity

	Attributable to the owners of the Company									
	Share capital	**Premium on shares**	**Capital reserve in respect of merger**	**Hedging reserve**	**Capital reserve for transactions with the former parent company**	**Capital reserve for share-based payments**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	In Thousands of New Israeli Shekels									
	(Unaudited)									
For the three - month period ended September 30, 2018										
Balance at July 1, 2018	1,319	361,005	2,598	246	77,930	1,288	202,824	647,210	77,787	724,997
Share-based payment	–	–	–	–	–	1,257	–	1,257	–	1,257
Dividends to holders of non-controlling interests	–	–	–	–	–	–	–	–	(8,000)	(8,000)
Other comprehensive loss for the period, net of tax	–	–	–	(301)	–	–	–	(301)	–	(301)
Income for the period	–	–	–	–	–	–	30,076	30,076	9,148	39,224
Balance at September 30, 2018	**1,319**	**361,005**	**2,598**	**(55)**	**77,930**	**2,545**	**232,900**	**678,242**	**78,935**	**757,177**
For the three - month period ended September 30, 2017										
Balance at July 1, 2017	*–	–	4,240	(8,623)	77,930	–	179,137	252,684	77,869	330,553
Issuance of shares to the parent company	1,000	–	–	–	–	–	–	1,000	–	1,000
Issuance of shares (less issuance expenses)	319	359,188	–	–	–	–	–	359,507	–	359,507
Share-based payment	–	–	–	–	–	229	–	229	–	229
Movement in capital reserve in respect of merger as part of transfer of Hadera and AGS	–	–	(1,642)	–	–	–	–	(1,642)	–	(1,642)
Other comprehensive income for the period, net of tax	–	–	–	6,531	–	–	–	6,531	–	6,531
Income for the period	–	–	–	–	–	–	25,897	25,897	8,506	34,403
Balance at September 30, 2017	**1,319**	**359,188**	**2,598**	**(2,092)**	**77,930**	**229**	**205,034**	**644,206**	**86,375**	**730,581**

* Amount less than NIS 1 thousand.

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

OPC Energy Ltd.
Condensed Consolidated Interim Statements of Changes in Equity

	Attributable to the owners of the Company									
	Share capital	Premium on shares	Capital reserve in respect of merger	Hedging reserve	Capital reserve for transactions with the former parent company	Capital reserve for share-based payments	Retained earnings	Total	Non-controlling interests	Total equity
	In Thousands of New Israeli Shekels									
	(Audited)									
For the year ended December 31, 2017										
Balance at January 1, 2017	*–	–	196,084	(9,225)	78,026	–	182,224	447,109	70,602	517,711
Capital reserve for transactions with the former parent company, net of tax	–	–	–	–	(96)	–	–	(96)	–	(96)
Issuance of shares to the parent company	1,000	–	–	–	–	–	–	1,000	–	1,000
Issuance of shares (less issuance expenses)	319	361,005	–	–	–	–	–	361,324	–	361,324
Share-based payment	–	–	–	–	–	548	–	548	–	548
Movement in capital reserve in respect of merger as part of transfer of Hadera, Greenday and AGS	–	–	(193,486)	–	–	–	–	(193,486)	(196)	(193,682)
Dividends to the Company's shareholders	–	–	–	–	–	–	(60,000)	(60,000)	–	(60,000)
Dividends to holders of non-controlling interests	–	–	–	–	–	–	–	–	(7,200)	(7,200)
Other comprehensive income for the year, net of tax	–	–	–	8,428	–	–	–	8,428	–	8,428
Income for the year	–	–	–	–	–	–	35,473	35,473	21,033	56,506
Balance at December 31, 2017	**1,319**	**361,005**	**2,598**	**(797)**	**77,930**	**548**	**157,697**	**600,300**	**84,239**	**684,539**

* Amount less than NIS 1 thousand.

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

OPC Energy Ltd.
Condensed Consolidated Interim Statements of Cash Flows

	For the				
	Nine Months Ended September 30		Three Months Ended September 30		Year Ended December 31
	2018	2017	2018	2017	2017
	(Unaudited)		(Unaudited)		(Audited)
	In Thousands of New Israeli Shekels				
Cash flows from operating activities					
Income for the period	98,141	38,779	39,224	34,403	56,506
Adjustments:					
Depreciation and amortization	85,462	139,801	29,738	78,058	168,209
Financing expenses, net	73,102	94,353	24,985	14,321	117,823
Taxes on income	36,141	23,654	13,574	13,142	31,848
Share-based payment transactions	1,997	229	1,257	229	548
Revaluation of derivative financial instruments	3,024	5,306	1,455	1,430	6,454
	297,867	302,122	110,233	141,583	381,388
Change in trade and other receivables	14,499	(117,016)	(48,850)	(135,609)	(27,046)
Change in trade and other payables	(5,107)	71,888	13,164	57,652	55,402
Change in provisions	–	(2,954)	–	–	–
	9,392	(48,082)	(35,686)	(77,957)	28,356
Net cash provided by operating activities	307,259	254,040	74,547	63,626	409,744
Cash flows from investing activities					
Interest received	415	71	59	44	205
Short-term deposits and restricted cash, net	(100,106)	16,352	(100,106)	–	16,352
Withdrawals from long-term restricted cash	52,314	1,757	11,803	1,757	–
Deposit in long-term restricted cash	(44,618)	(103,748)	(139)	–	(195,372)
Long-term prepaid expenses and loans granted	(27,301)	(12,005)	(4,146)	(12,005)	(16,470)
Acquisition of property, plant and equipment	(137,295)	(218,903)	(33,829)	(83,887)	(368,628)
Acquisition of subsidiary, net of cash acquired	(8,125)	–	–	–	–
Acquisition of intangible assets	(281)	(214)	(107)	(66)	(212)
Receipts (payments) in respect of derivative financial instruments, net	193	(5,518)	124	151	(5,839)
Net cash used in investing activities	(264,804)	(322,208)	(126,341)	(94,006)	(569,964)

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

OPC Energy Ltd.
Condensed Consolidated Interim Statements of Cash Flows

	For the				
	Nine Months Ended September 30		Three Months Ended September 30		Year Ended December 31
	2018	2017	2018	2017	2017
	(Unaudited)		(Unaudited)		(Audited)
	In Thousands of New Israeli Shekels				
Cash flows from financing activities					
Interest paid	(65,835)	(59,815)	(16,464)	(17,262)	(76,661)
Costs paid in advance in respect of taking out of loans	(2,087)	(12,325)	(549)	(2,157)	(13,068)
Dividend paid to the Company's shareholders	–	–	–	–	(60,000)
Dividends paid to holders of non-controlling interests	(29,000)	–	(8,000)	–	(7,200)
Repayment of short-term loans from the parent company and a related party, net	–	(58,352)	–	(19,027)	(58,352)
Proceeds from issuance of shares, net of issuance expenses	–	365,265	–	365,265	361,703
Proceeds from issuance of debentures, net of issuance expenses	–	315,814	–	(64)	315,818
Payment of early repayment commission	–	(22,950)	–	–	(22,950)
Receipt of long-term loans	102,000	415,000	80,000	–	494,000
Repayment of capital notes issued to the former parent company	–	(64,068)	–	(53,718)	(64,068)
Repayment of loans from banks and others	(77,087)	(260,263)	(20,780)	(19,799)	(280,422)
Repayment of debentures	(11,200)	–	–	–	–
Net cash provided by (used in) financing activities	(83,209)	618,306	34,207	253,238	588,800
Increase (decrease) in cash and cash equivalents	(40,754)	550,138	(17,587)	222,858	428,580
Cash and cash equivalents at beginning of the period	508,181	86,159	485,213	407,057	86,159
Impact of changes in the currency exchange rate on the balances of cash and cash equivalents	116	(5,564)	(83)	818	(6,558)
Cash and cash equivalents at end of the period	**467,543**	**630,733**	**467,543**	**630,733**	**508,181**

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

Note 1 – The Reporting Entity

OPC Energy Ltd. (hereinafter – "the Company") was incorporated in Israel on February 2, 2010. The Company's registered address (since May 1, 2018) is 121 Menachem Begin Blvd., Tel-Aviv, Israel. The Company is controlled by Kenon Holdings Ltd. (hereinafter – "the Parent Company"), a company incorporated in Singapore, the shares of which are "dual listed" for trading on both the New York Stock Exchange (NYSE) and the Tel-Aviv Stock Exchange Ltd. (hereinafter – "the Stock Exchange"). Up to February 15, 2018, the Company was controlled by I.C. Power Asia Development Ltd. (hereinafter – "Asia Development"), on which date Asia Development transferred its entire holdings in the Company to the Parent Company.

The Company is a public company the securities of which are listed for trading on the Stock Exchange. The Company and its subsidiaries, the financial statements of which are consolidated with those of the Company (hereinafter – "the Group"), operate in Israel in the area of generation of electricity, including initiation, development, construction and operation of power plants, and the generation and supply of electricity to private customers and to Israel Electric Company (hereinafter – "IEC").

The subsidiary, OPC Rotem Ltd. (hereinafter – "Rotem"), won a tender for construction of a private power plant located in the Rotem Plain having a capacity pursuant to the generation license of about 466 megawatts (MW) and signed an agreement for sale of the electricity (hereinafter – "the PPA") with IEC. In addition, as a result of its win in the above-mentioned tender, Rotem was issued a license to produce and sell electricity for a period of 30 years. On July 6, 2013, Rotem commenced commercial operation of the power plant.

The subsidiary, OPC Hadera Ltd. (hereinafter – "Hadera"), is currently constructing a power plant that uses cogeneration technology (generation of electricity and steam). Hadera holds a conditional license for construction of a power plant adjacent to Hadera Paper Mills, having an installed capacity of up to 148.5 MW.

The Group's activities are subject to regulation, including, among other things, the provisions of the Electricity Sector Law, 1996, and the regulations promulgated thereunder, resolutions of the Electricity Authority, the provisions of the Law for Promotion of Competition and Reduction of Concentration, 2013, and regulation in connection with licensing of businesses, planning and construction, and environmental quality. The Electricity Authority is authorized to issue licenses under the Electricity Sector Law (licenses for facilities having a generation capacity in excess of 100 MW also require approval of the Minister of National Infrastructures, Energy and Water), supervise the license holders, determine tariffs and provide benchmarks for the level, nature and quality of the services that are required from an "Essential Service Provider" that holds a generation license or a transmission and distribution license, is a producer of electricity and/or is a private electricity producer. Accordingly, the Electricity Authority supervises both IEC and private electricity producers.

The Group's activities are subject to seasonal fluctuations as a result of changes in the official Time of Use of Electricity Tariff (hereinafter – "the TAOZ"), which is regulated and published by the Electricity Authority. The year is broken down into 3 seasons: "summer" (July and August), "winter" (December, January and February) and "transition" (March through June and September through November). For each season a different tariff is set. The Company's results are based on the generation component, which is part of the TAOZ, and as a result there is a seasonal effect.

Note 2 – Basis of Preparation of the Financial Statements

A. Declaration of compliance with International Financial Reporting Standards (IFRS)

The condensed consolidated interim financial statements were prepared in accordance with International Accounting Standard 34 (hereinafter – "IAS 34"), "Financial Reporting for Interim Periods" and do not include all of the information required in complete, annual financial statements. These statements should be read together with the financial statements for the year ended December 31, 2017 (hereinafter – "the Annual Financial Statements"). In addition, these financial statements were prepared in accordance with the provisions of Section D of the Securities Regulations (Periodic and Immediate Reports) 1970.

The condensed, consolidated, interim financial statements were approved for publication by the Company's Board of Directors on November 13, 2018.

B. Functional and presentation currency

The New Israeli Shekel (NIS) is the currency that represents the principal economic environment in which the Group operates. Accordingly, the NIS is the functional currency of the Group. The NIS also serves as the presentation currency in these financial statements. Currencies other than the NIS constitute foreign currency.

C. Use of estimates and judgment

In preparation of the condensed consolidated interim financial statements in accordance with IFRS, Company management is required to use judgment when making estimates, assessments and assumptions that affect implementation of the policies and the amounts of assets, liabilities, income and expenses. It is clarified that the actual results are likely to be different than these estimates.

Management's judgment, at the time of implementing the Group's accounting policies and the main assumptions used in the estimates involving uncertainty, are consistent with those used in the Annual Financial Statements, except for that stated in Note 3.

Note 3 – Significant Accounting Policies

A. The Group's accounting policies in these condensed consolidated interim financial statements are the same as the policies applied in the Annual Financial Statements, except as detailed below.

B. First-time application of new accounting standards, amendments and interpretations

Commencing from January 1, 2018, the Group applies the new accounting standards and amendments to standards described below:

(1) IFRS 9 (2014), Financial Instruments

Commencing from the first quarter of 2018, the Group applies IFRS 9 (2014), Financial Instruments (in this section – "the Standard" or "IFRS 9"), which supersedes IAS 39, Financial Instruments: Recognition and Measurement (in this section – "IAS 39"). The Group elected to apply the Standard as from January 1, 2018, without adjustment of the comparative figures. The first-time application of the Standard did not have a material effect on the statement of financial position as at January 1, 2018.

All the financial instruments that under IAS 39 had been allocated to the "loans and receivables" measurement group were reallocated under IFRS 9 to the "amortized cost" measurement group. The first-time application of IFRS 9 did not have a material effect on the opening balance of retained earnings and other the equity components.

Set forth below are the main changes in the accounting policies as a result of application of the Standard commencing from January 1, 2018:

Initial recognition and measurement

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

Financial assets – classification and subsequent measurement

The Group has balances of trade and other receivables that are held under a business model the objective of which is collection of the contractual cash flows. The contractual cash flows in respect of such financial assets comprise solely payments of principal and interest that reflects consideration for the time-value of the money and the credit risk. Accordingly, such financial assets are measured at amortized cost.

Note 3 – Significant Accounting Policies (Cont.)

B. First-time application of new accounting standards, amendments and interpretations (Cont.)

(1) IFRS 9 (2014), Financial Instruments (Cont.)

Measurement of expected credit losses

Expected credit losses represent a probability-weighted estimate of credit losses. Credit losses are measured at the present value of the difference between the cash flows to which the Group is entitled under the contract and the cash flows that the Group expects to receive. Expected credit losses are discounted at the effective interest rate of the financial asset.

Financial assets impaired due to credit risk

At each reporting date, the Group assesses whether financial assets that are measured at amortized cost and debt instruments that are measured at fair value through other comprehensive income have become impaired by credit risk. A financial asset is impaired due to credit risk when one or more of the events have occurred that adversely affect the future cash flows estimated for such financial asset.

Hedge accounting

The Group elected to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9.

(2) IFRS 15, Revenues from Contracts with Customers

Commencing from January 1, 2018, the Group is applying for the first time International Financial Reporting Standard No. 15 (in this section – “IFRS 15” or “the Standard”), which provides guidelines for recognition of revenue. The Group has elected to apply the Standard using the “catch-up” approach, by means of adjusting the balance of the retained earnings as at January 1, 2018, and without restatement of the comparative figures. The first-time application of the Standard did not have a material effect on the financial statements as at January 1, 2018.

The Standard presents a new five-step model for recognition of revenue from contracts with customers: (1) Identification of the contract with the customer; (2) Identification of separate performance obligations in the contract; (3) Determination of the transaction price; (4) Allocation of the transaction price to the separate performance obligations; and (5) Recognition of revenue when the performance obligations are fulfilled.

Set forth below are the highlights of the new accounting policies in connection with recognition of revenue that were applied commencing from January 1, 2018 as a result of application of the Standard:

Note 3 – Significant Accounting Policies (Cont.)

B. First-time application of new accounting standards, amendments and interpretations (Cont.)

(2) IFRS 15, Revenues from Contracts with Customers (Cont.)

Revenue

The Group recognizes revenue when the customer attains control of the promised goods or services. Revenue is measured based on the amount of the consideration to which the Group expects to be entitled in consideration for transfer of the goods and services promised to the customer, excluding amounts collected on behalf of third parties.

Determination of the transaction price

The transaction price is the amount of the consideration to which the Group expects to be entitled in consideration for transfer of the goods and services promised to the customer, excluding amounts collected on behalf of third parties. When determining the transaction price, the Group considers the effects of all of the following: variable consideration, the existence of a significant financing component in the contract, non-cash consideration and consideration payable to the customer.

(3) Interpretation IFRIC 22, Foreign Currency Transactions and Advance Deposits in Foreign Currency

The Interpretation provides that the transaction date for purposes of determining the exchange rate to be used for recording a transaction in foreign currency that includes advance deposits is the date on which the Group initially recognizes a non-monetary asset/liability in respect of the said advance deposits. Where there are multiple advance payments or receipts, the Group will determine the transaction date for each payment/receipt separately.

The Interpretation is being applied prospectively.

C. Accounting standards not yet adopted

IFRS 16, Leases

IFRS 16 supersedes International Accounting Standard 17 “Leases” (hereinafter – “IAS 17”) and the related Interpretations. The provisions of the Standard cancel the existing requirement that lessees classify the lease as an operating or a financing lease. Instead, as for lessees, the new Standard presents a uniform model for the accounting treatment of all leases, pursuant to which the lessee is to recognize an asset and a liability in respect of the lease in its financial statements. The Standard also sets out new disclosure requirements that are more extensive than the presently existing requirements. The Standard is effective for annual periods commencing on January 1, 2019. Early adoption is permitted, provided that the Company also applies IFRS 15 “Revenue from Contracts with Customers”. The Group intends to adopt the Standard commencing from January 1, 2019, using the “catch-up” approach, while adjusting the balance of retained earnings as at January 1, 2019.

Note 3 – Significant Accounting Policies (Cont.)

C. Accounting standards not yet adopted (Cont.)

IFRS 16, Leases (Cont.)

The Group intends to elect to apply the transitional provision whereby on the application date it will recognize a lease liability based on the present value of the balance of the future lease payments, discounted based on the lessee's incremental interest rate on that date, and a parallel "lease usage right" asset in the same amount, adjusted for the lease payments made in advance or accrued that were recognized as an asset or a liability prior to the initial application date. As a result, the Standard is not expected to have a material impact on the retained earnings on the application date.

Note 4 – Financial Instruments

The carrying amounts in the books of certain financial assets and liabilities, including short-term and long-term deposits, cash and cash equivalents, restricted cash, trade receivables, other receivables, derivative financial instruments, trade payables and other payables are the same as or approximate their fair values.

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

Fair value

	At September 30, 2018	
	Book Value*	Fair Value
	In Thousands of NIS	
Loans from banks and financial institutions	1,903,675	2,165,285
Debentures	308,391	326,000

	At September 30, 2017	
	Book Value*	Fair Value
	In Thousands of NIS	
Loans from banks and financial institutions	1,763,937	2,152,698
Debentures	315,874	355,392

	At December 31, 2017	
	Book Value*	Fair Value
	In Thousands of NIS	
Loans from banks and financial institutions	1,827,753	2,221,979
Debentures	315,918	365,728

* Includes current maturities.

Note 4 – Financial Instruments (Cont.)

Derivative financial instruments are measured at fair value, using the Level 2 valuation method. The fair value is measured using the discounted future cash flows method, on the basis of observable data.

In addition, the Company enters into transactions in derivative financial instruments in order to hedge foreign currency risks. Derivative financial instruments are recorded based on their fair value. The fair value of the derivative financial instruments is based on prices, rates and interest rates that are received from banks, brokers and through customary trading software. The fair value of the derivative financial instruments is estimated on the basis of the data received, using valuation and pricing techniques that are characteristic of the various instruments in the different markets. The fair value measurement of long-term derivative financial instruments is estimated by discounting the cash flows deriving from them, based on the terms and maturity of each instrument and using market interest rates for similar instruments as at the measurement date. Changes in the economic assumptions and the valuation techniques could materially affect the fair value of the instruments.

Set forth below is data regarding the representative rates of exchange and the Consumer Price Index (CPI):

	CPI (in points)	Exchange rate of the dollar against shekel	Exchange rate of the euro against shekel
September 30, 2018	107.6	3.627	4.216
September 30, 2017	106.3	3.529	4.157
December 31, 2017	106.4	3.467	4.153
Change during the nine months ended:			
September 30, 2018	1.1%	4.6%	1.5%
September 30, 2017	0.2%	(8.2)%	2.8%
Change during the three months ended:			
September 30, 2018	0.2%	(0.6)%	(0.9)%
September 30, 2017	(0.5)%	0.9%	4.3%
Change during the year ended:			
December 31, 2017	0.3%	(9.8%)	2.7%

Note 5 – Acquisition of Zomet

Zomet Energy Ltd. (hereinafter – "Zomet") is advancing a project for construction of a power plant running on natural gas, using open-cycle conventional technology and having an output of about 396 megawatts, which is located proximate to the Plugot Intersection.

Pursuant to that stated in Note 27(M) to the Annual Financial Statements, on February 26, 2018, the Company's Board of Directors approved completion of the Zomet transaction, along with waiver of the precondition for receipt of a new license by Zomet. Accordingly, on March 7, 2018 the transaction was completed and the control of Zomet was transferred to the Company (hereinafter – "the Transaction Completion Date"). Furthermore, the Board of Directors approved an update of the milestones with respect to the fixed payment dates provided in the original agreements, in such a manner that does not change the total amount of the consideration compared with the original milestones. As a result, on the Transaction Completion Date the Company paid the amount of U.S.$3,650 thousand (U.S.$3,550 thousand in respect of repayment of a shareholders' loan in Zomet and U.S.$100 thousand for acquisition of the shares of Zomet) in respect of fulfillment of the first milestone. Following receipt in March 2018 of the decision in the administrative petition rejecting the petition, the Company paid an additional U.S.$3,650 thousand, in respect of fulfillment of the second milestone. The remaining consideration, in the amount of about U.S.$15,800 thousand, is to be paid on the date of the financial closing of the Zomet transaction.

In addition, further to that stated in Note 27(M) to the annual financial statements, in May 2018, the City of Kiryat Gat filed an appeal with the Supreme Court of the decision on the administrative petition issued by the District Court for Administrative Matters in Be'er Sheva to reject the administrative petition filed regarding the leniency allowed with respect to National Infrastructures Plan (NIP) 55. A decision in the appeal has not yet been issued, except for determination of dates for submission of summaries on behalf of the parties and a date for hearing the appeal, which was set for the end of November 2018. At this stage, prior to hearing of the appeal's substantive claims, the Company and its legal advisors are unable to estimate the chances that the claim will ultimately be accepted but, nevertheless, they believe that the appeal is more likely to be rejected than accepted and, accordingly, no provision has been included in the financial statements in respect thereof.

The Company is continuing to take action in order to see to fulfillment of the preconditions for completion of the Zomet project, which at the present time have not yet been fulfilled and which include, mainly, approval of the Electricity Authority of the grant of a license (taking into account the position of the Business Concentration Committee from August 2017), ensuring the capability to transmit electricity from the project site and maintenance of a position in the network on the required date, as well as execution of additional activities – this being for the purpose of advancing the Zomet project toward a financial closing. Nonetheless, there is no certainty that the Zomet project will ultimately be completed and that stated is dependent on, among other things, factors that are not under the Company's control.

Note 6 – Additional Information

A. Further to that stated in Note 27(G) to the Annual Financial Statements, in January 2018, the Electricity Authority published a resolution, regarding tariff updates for 2018, wherein the generation component was raised by 6.7% – from NIS 264 per MWh to NIS 281.6 per MWh.

B. Further to that stated in Note 27(G) to the Annual Financial Statements, in February 2018, Tamar Partners filed a detailed statement of claim wherein they repeat the contentions that are described in the Note and also raised an alternative argument, pursuant to which NIS 361.5 per MWh should be declared as the relevant tariff for the period in dispute (constituting the average of the four tariffs published by the Electricity Authority in 2013). In June 2018, Rotem filed a detailed statement of defense wherein it rejected the contentions. Subsequent to the date of the report, in October 2018, a response was filed by Tamar Partners. Rotem believes that it is more likely than not that its position will be accepted. Accordingly, no provision was included in the financial statements in respect of said claim.

C. On January 10, 2018, a request was filed with the District Court in Tel‑Aviv–Jaffa for certification of a derivative claim (hereinafter in this Section – "the Request") by a shareholder in Oil Refineries Ltd. (hereinafter – "ORL") against former and current directors of ORL, Israel Chemicals Ltd., Israel Corporation Ltd., Mr. Idan Ofer, Mr. Ehud Angel, and against the Company, Rotem and Hadera (hereinafter – "the OPC Group"). The subject matter of the Request involves gas purchase transactions of ORL, Israel Chemicals Ltd. and the OPC Group (hereinafter – "the Companies"), including the inter‑company aspects thereof, including: (1) a transaction of the Companies for purchase of natural gas from Tamar Partners (for additional information see Note 27(G) to the Annual Financial Statements); and (2) transactions of the Companies for purchase of natural gas from Energean (for additional information see Note 27(G) to the Annual Financial Statements). Regarding a transaction with Energean, in brief, the plaintiff claims that, in addition to the transaction of the Companies with Energean, a transaction is required among the Companies themselves for allocation of the economic benefits achieved in the joint negotiations in a manner that properly reflects the purchasing power and the negotiating strength of each of them. The plaintiff argues that the alleged absence of such an inter‑company transaction (or the alleged absence of a proper proceeding for allocation of the benefit) adversely impacts ORL (is not at arm's length regarding the inter‑company aspect), and ORL does not receive its share of the economic benefit in light of its significant purchasing power and its contribution to the negotiations with Energean (among other things, in light of the fact that the transaction was executed at similar prices to the Group Companies). The principal remedies sought by the plaintiff in the Request with respect to the Energean transaction are several declaratory and monetary measures, including, among other things, implementation of an inter-company proceeding.

Regarding the Tamar transaction, the plaintiff argues that engagement in the Tamar transaction was not properly approved by ORL and raises other allegations in relation to this transaction, including whether the transaction is beneficial to ORL and at arm's length; in relation to the Tamar transaction, declaratory remedies and compensation remedies are sought and/or refunding of the benefit amounts allegedly received by the Company and the other parties to the transaction at the expense of ORL, with the addition of the claimed coefficient.

In August 2018, OPC Group submitted its response to the Request. OPC Group rejected the contentions appearing in the Request and requested summary dismissal of the Request.

Note 6 – Additional Information (Cont.)

C. (Cont.)

In the Company's estimation, based on its legal advisors, it is more reasonable than not that the Request will not be accepted by the Court and, accordingly, no provision was included in the financial statements in respect of the Request.

D. Further to that stated in Note 27(Q) to the Annual Financial Statements, in July 2018, Rotem filed its response to the request for certification of a derivative claim (hereinafter in this Note – "the Request"). In Rotem's estimation, based on its legal advisors, it is more likely than not that the Request will not be accepted by the Court and, accordingly, no provision has been recorded in the financial statements in respect of the Request.

E. Further to that stated in Note 16(C)(4) to the Annual Financial Statements, in the period of the report Hadera withdrew NIS 102 million from the Senior Facility Agreement in three increments. The interest rates on the amounts withdrawn during the period of the report range between 3.11% and 3.36% for the CPI-linked loans and between 4.67% and 4.97% for the unlinked loans.

F. Further to that stated in Note 27(E) to the Annual Financial Statements, in March 2018 the Company assumed the corporate guarantees that had been provided in the past by Asia Development, in the aggregate amount of about U.S.$32 million.

G. Further to that stated in Note 25(D) to the Annual Financial Statements, in February 2018, the amounts of the guarantees to IEC were updated to NIS 93 million (linked to the CPI). In May 2018, the pledged deposits in respect of the guarantees to IEC were updated to NIS 38 million.

H. In January 2018, the Rating Board of Midroog Ltd. (hereinafter – "Midroog") reconfirmed the rating of Hadera's senior debt at A3 with a stable outlook for the construction and operation period and at A2 with a stable outlook for the operation period only. In February 2018, Midroog updated the long-term rating of Rotem to Aa3 with a positive outlook and also updated the rating of Rotem's senior debt from Aa3 with a stable outlook to Aa3 with a positive outlook.

In July 2018, an issuer's rating of A– with a stable rating outlook for the Company and a rating of A– for the Company's debentures (Series A) were reconfirmed by Maalot. In addition, in August 2018, a rating of A3 with a stable rating outlook for the Company's debentures (Series A) was reconfirmed by Midroog.

I. Further to that stated in Note 27(G) to the Annual Financial Statements, as at the approval date of the financial statements, all the preconditions were fulfilled with reference to Rotem and Hadera (receipt of approval of the General Meeting of the Company's shareholders and receipt of approval of the consortium of financiers), and the precondition was also fulfilled regarding approval of the Restrictive Business Practices (Antitrust) Authority. On the other hand, the precondition stipulated in the Energean agreements had not yet been fulfilled with respect to the financial closing of Energean (hereinafter – "the Precondition"). Should the Precondition not be fulfilled by December 31, 2018, each of the parties will be permitted to bring the agreement to an end by means of an agreed advance notice, provided that the Precondition is not fulfilled during the said early notification period.

Note 6 – Additional Information (Cont.)

J. Further to that stated in Note 27(J) to the Annual Financial Statements, in April 2018, Hadera and ORL agreed with respect to early termination of the agreement for sale of gas immediately, such that terminated on April 30, 2018.

K. In April 2018, Hadera entered into an agreement with IEC for sale of surplus gas quantities supplied to it under the agreement with Tamar Partners (as described in Note 27(G) to the Annual Financial Statements) for the period from May 1, 2018 to October 31, 2018. It is noted that Hadera has additional framework agreements for sale of surplus gas quantities with unrelated third parties.

L. In May 2018, Rotem entered into a binding agreement with IEC for the sale of gas quantities. Sale of the gas was made during the course of the planned maintenance period, in September up to November 2018.

M. In April and September 2018, Rotem declared and distributed dividends to its shareholders in the amounts of NIS 105 million and NIS 40 million, respectively (the portion attributed to non-controlling interests amounted to NIS 21 million and NIS 8 million, respectively).

N. Further to that stated in Note 19(C) to the Annual Financial Statements, in May 2018, the employee stock option plan was updated in a manner that included three revisions: (1) addition of the possibility of issuing Restricted Share Units (RSUs); (2) addition of 797,168 to the number of options and/or RSUs that may be issued under the plan; and (3) revision of the adjustment mechanism in a case of change of control.

Each RSU unit will entitle its holder to receive from the Company, by way of allotment and for no consideration, one ordinary share of NIS 0.01 par value of the Company. The RSUs will not convey to the holders thereof any right conveyed to shareholders, prior to their exercise for shares of the Company, including a right to vote, except for the right to receive an amount equivalent to a dividend in a case where the Company decides to distribute a dividend.

In June 2018, the Company's Board of Directors approved a private issuance to eight managers and officers in the Group, in an aggregate quantity of 1,165,625 options exercisable for 1,165,625 ordinary shares of NIS 0.01 par value of the Company and 248,685 RSUs (hereinafter – "the Offered Securities"). The Offered Securities will be issued under the Capital Track (with a trustee), in accordance with Section 102 of the Income Tax Ordinance [New Version], 1961, in four equal tranches. The vesting conditions and expiration dates of the Offered Securities are as follows:

Tranche No.	Vesting Conditions	Expiration Dates
First tranche	At the end of 12 months from the grant date	At the end of 36 months from the vesting date
Second tranche	At the end of 24 months from the grant date	At the end of 24 months from the vesting date
Third tranche	At the end of 36 months from the grant date	At the end of 24 months from the vesting date
Fourth tranche	At the end of 48 months from the grant date	At the end of 24 months from the vesting date

The exercise price of each option is NIS 18.41 (unlinked). The exercise price is subject to certain adjustments (including in respect of distribution of dividends, issuance of rights, etc.).

Note 6 – Additional Information (Cont.)

N. (Cont.)

The average fair value of each option granted was estimate proximate to the issuance date, using the Black and Scholes model, at NIS 3.84 per option. The calculation is based on a standard deviation of 20.93%–21.41%, a risk-free interest rate of 0.88% to 1.43% and an expected life of 4 to 6 years. The fair value of the RSU Units was estimated based on the price of a Company share on June 20, 2018, which was NIS 18.52.

The cost of the benefit embedded in the Offered Securities, as stated, which is based on the fair value proximate to the date of their grant, amounted to about NIS 8,955 thousand. This amount will be recorded to the statement of income over the vesting period of each tranche.

Subsequent to the date of the report, a Company officer concluded her position with the Company prior to the end of the vesting period under the options' plan and, therefore, in accordance with the terms of the options' plan, her rights with respect to all the options and RSUs (Restricted Share Units) issued to her (98,958 options and 20,518 RSUs) expired. The expired options and RSUs, as stated, were returned to the number of shares that are covered by the employee stock option plan and they may be reissued.

O. Further to that stated in Note 17 to the Annual Financial Statements, in June 2018, the trust certificate of the debentures (Series A) was amended (hereinafter – "the Amendment"), with respect to, among other things, definition of the term "the Company's cash flows", such that the reference to "cash flows used in investing activities" will be eliminated. Furthermore, pursuant to the said amendment, the Company provided a debt service reserve, in the scope of 18 months' payments of principal and interest, and it committed to comply with financial covenants and restrictions regarding distributions such that the "historical debt coverage ratio" will not fall below 1.2, and for purposes of a distribution, as defined in the trust certificate, the "historical debt coverage ratio" will not be lower than 1.4.

P. In September 2018, Zomet signed a planning, procurement and construction agreement (hereinafter – "the Agreement") with PW Power Systems LLC (hereinafter – "the Zomet Construction Contractor"), for construction of the Zomet project. The Agreement is a "lump-sum turnkey" agreement wherein the Zomet Construction Contractor committed to construct the Zomet project in accordance with the technical and engineering specifications determined and includes various undertakings of the contractor. In addition, the Zomet Construction Contractor committed to provide certain maintenance services in connection with the power station's main equipment for a period of 20 years commencing from the start date of the commercial operation.

Pursuant to the Agreement, the Zomet Construction Contractor undertook to complete the construction work of the Zomet project, including the acceptance tests, within a period of about two and a half years from the date of receipt of the work commencement order from the Company (hereinafter – "the Work Commencement Order"), subject to certain circumstances spelled out in the Agreement. The Agreement includes a preliminary "development work" period, which will precede the date of the Work Commencement Order and will begin on the signing date of the Agreement (hereinafter – "the Preliminary Development Work"). The Preliminary Development Work includes, among other things, preliminary planning and receipt of building permits. It is noted that the Company is not required to submit a work commencement order and is permitted to conclude the Agreement in each of its stages, subject to certain circumstances stipulated in the Agreement.

Note 6 – Additional Information (Cont.)

P. (Cont.)

In the Company's estimation, based on the work specifications, the aggregate consideration that will be paid in the framework of the Agreement is about U.S.$300 million, and it will be paid based on the milestones provided therein.

Furthermore, the Agreement includes provisions that are customary in agreements of this type, including commitments for agreed compensation, limited in amount, in a case of non-compliance with the terms of the Agreement, including with respect to certain guaranteed executions and for non-compliance with the timetables set, and the like. The Agreement also provides that the Zomet Construction Contractor is to provide guarantees, including a parent company guarantee, as is customary in agreements of this type.

Q. Further to that stated in Note 27(D) to the Annual Financial Statements, regarding the LTSA agreement with Mitsubishi for maintenance of the Rotem Power Station (hereinafter – "the Power Station"), wherein, among other things, timetables are provided for performance of the maintenance work with respect to the Power Station, and in particular the timetables for performance of the first "major overhaul" work, which is to be executed once every 6 years (hereinafter – "the Maintenance Work"), on September 25, 2018, the Maintenance Work was commenced as planned.

During the Maintenance Work the Power Station's operations were halted along with the related energy generation activities. Supply of electricity to the Power Station's private customers continued as usual, this being in accordance with the standards published by the Electricity Authority and Rotem's PPA agreement with Israel Electric Company. On November 10, 2018, the Maintenance Work was completed as planned.

R. In the period of the report, Rotem recognized reimbursements from Israel Electric Company in respect of solar costs and an insurance premium it overpaid in prior years, in the amounts of about NIS 8 million and about NIS 3 million, respectively.