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**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 6-K**

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

**August 14, 2019**

**Commission File Number 001-36761**

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**Kenon Holdings Ltd.**

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

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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):

EXHIBITS 99.1 AND 99.2 TO THIS REPORT ON FORM 6-K ARE INCORPORATED BY REFERENCE IN THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-201716) OF KENON HOLDINGS LTD. AND IN THE PROSPECTUSES RELATING TO SUCH REGISTRATION STATEMENT.

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## CONTENTS

### *Periodic Report of OPC Energy Ltd. for the Three Months Ended June 30, 2019*

On August 14, 2019, 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 June 30, 2019 ("OPC's Periodic Report"). English convenience translations of the (i) Report of the Board of Directors for the Six-Month and Three-Month Periods ended June 30, 2019 and (ii) Condensed Consolidated Interim Financial Statements at June 30, 2019 as published in 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 Tzomet Energy (including OPC's agreement to acquire the remaining 5% of Tzomet and OPC's strategy with respect to the Tzomet project, statements and expectations with respect to approvals and fulfillment of preconditions for the development of the project, including statements relating to receipt of a connection study and building permits, expected financing for the project and the payment of the remaining consideration and the option agreement with Kibbutz Netiv HLH for lease of land in the Plugot region), the proposed transaction between OPC and Veridis, OPC's business strategy, including OPC's plans with respect to development projects, including timing for completion, expected COD dates and impact of delays, its plans and expectations regarding 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, including the OPC-Rotem arbitration decision, 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 and OPC's control, which could cause the actual results to differ materially from those indicated in such forward-looking statements. Such risks include the risk that OPC may fail to obtain regulatory approvals for its projects, OPC may fail to develop or complete its projects or complete any planned transactions, including dispositions or acquisitions, as planned or at all, risks relating to disputes and regulatory risks and risks relating regulatory proceedings, the risk that the new accounting standards could have an unexpected effect on OPC's results, changes to the EA tariffs and their effect on OPC's results, 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.*

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## **Exhibits**

- [99.1 OPC Energy Ltd. – Periodic Report for the three months ended June 30, 2019—Report of the Board of Directors for the Six-Month and Three-Month Periods Ended June 30, 2019, as published on August 14, 2019 with the Israeli Securities Authority and Tel Aviv Stock Exchange\\*](#)
- [99.2 OPC Energy Ltd. – Periodic Report for the three months ended June 30, 2019—Condensed Consolidated Interim Financial Statements at June 30, 2019, as published on August 14, 2019 with the Israeli Securities Authority and Tel Aviv Stock Exchange\\*](#)

\*English convenience translation from Hebrew original document.

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## 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: August 14, 2019

By: /s/ Robert L. Rosen

Name: Robert L. Rosen

Title: Chief Executive Officer

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**OPC ENERGY LTD.**

**Report of the Board of Directors regarding the Company's Matters  
for the Six-Month and Three-Month Periods Ended June 30, 2019**

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 June 30, 2019 and for the six-month and three-month periods then ended, in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970 (hereinafter – “the Reporting Regulations”).

The six-month period ended June 30, 2019 will be referred to hereinafter as – “the Period of the Report”.

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, 2018, which were attached to the Company's Periodic Report for 2018 which was published on March 28, 2019 (Reference No.: 2019-01-026541), (hereinafter – “the Consolidated Financial Statements” and “the Periodic Report for 2018”, respectively). The information included in the Periodic Report and the Consolidated Financial Statements is included herein by reference.

It is noted that, as at June 30, 2019, 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 June 30, 2019 (hereinafter – “the Interim Statements”) and Update of the Description of the Company's Business as at June 30, 2019. 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) and in accordance with the provisions of Part D of the Securities Regulations (Periodic and Immediate Reports), 1970.

**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.**

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**OPC Energy Ltd.**  
**Report of the Board of Directors**

**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”).

As at the date of the report, Kenon Holdings Inc. (hereinafter – “Kenon”) is the Company’s controlling shareholder for the purposes of the Securities Law and the Companies Law. 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 reportable segment – generation and supply of electricity. In the framework of this area of activities, the Company is engaged in initiation, development, construction and operation of power plants and facilities for generation of electricity, and supply thereof to consumers. The Company’s electricity generation and supply activities concentrate on generation of electricity using conventional and cogeneration technologies. The Company owns two power plants: the Rotem Power Plant, is owned by OPC Rotem Ltd. (“Rotem”) (at the rate of 80%) and an additional shareholder (at the rate of 20%)<sup>1</sup>, which utilizes conventional generation technology and has an installed capacity of about 466 megawatts, as is shown in Rotem’s generation license; and the Hadera Power Plant, which is wholly owned by OPC Hadera Ltd. (“Hadera”), which is currently under construction and is planned to operate using cogeneration technology, with an installed capacity of about 148.5 megawatts, as is shown in Hadera’s conditional license.

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<sup>1</sup> For details regarding negotiations with the other shareholder (Veridis – Power Plants Ltd.) for execution of a transaction, among other things, for acquisition of its holdings in Rotem – see Section 2 of the Update of the Periodic Report for 2018 with reference to the Description of the Company’s Business.

**OPC Energy Ltd.**  
**Report of the Board of Directors**

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

**1. General (Cont.)**

Hadera also owns the Energy Center, which has an installed capacity of about 17.9 megawatts and which up to the date of the commercial operation date of the Hadera Power Plant supplies all of the steam consumption and part of the electricity consumption of Hadera Paper Mills Ltd. (hereinafter – “Hadera Paper”) (the balance of the electricity needs of Hadera Paper is supplied by Rotem). As at June 30, 2019, the investments in the Hadera Power Plant and its infrastructures amounted to about NIS 846 million. Pursuant to the notification delivered by the construction contractor of the power plant being constructed by Hadera (hereinafter – “the Hadera Power Plant”), the completion date of the construction of the Hadera Power Plant is expected to be delayed beyond the third quarter of 2019. This estimate is based on the timetables provided in connection with replacement of an additional defective component found as part of the operation tests<sup>2</sup>. In light of that stated above, the Company's management estimates that the commercial operation date will be in the fourth quarter of 2019<sup>3</sup>. In July 2019, the Minister of National Infrastructures, Energy and Water (hereinafter – “the Minister of Energy”) approved, further to the decision of the Electricity Authority in June 2019, postponement of the milestone date for the commercial operation stated in Hadera's conditional license to March 2020, in accordance with the Cogeneration Regulations<sup>4</sup>, and it was agreed with the lenders in the Hadera Loan Agreement (as this term is defined in the Periodic Report) to extend the commercial operation date provided in the Hadera Loan Agreement up to the end of March 2020. As at the date of this Report, the Company estimates that most of the costs deriving from the said delay, including lost profits, are expected to be covered by Hadera's insurance policy. In addition, Hadera is entitled to compensation from the construction contractor pursuant to the construction agreement in respect of delay of the operation date. Considering that stated, in the Company's estimation the said delay is not expected to trigger a variance from the Company's estimate with reference to the construction cost of the Hadera Power Plant<sup>5 6</sup>. For additional details – see Note 5K to the interim financial statements.

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<sup>2</sup> See Sections 3, 8.2.4, 8.5.1.2, 8.14, 8.18 and 19.3.10 of the Periodic Report for 2018 for details regarding delays that occurred during the construction period of the Hadera Power Plant, including a prior component with the same defect. Based on the information provided by the construction contractor, as at the date of the report the source of the defect had been found, the said defects were replaced and the required treatments and actions are being carried out as part of the construction work.

<sup>3</sup> For details regarding the arrangements provided as part of Hadera's arrangements with its customers in connection with delays in the operation date stated in the agreements with them, including provision of a discount by the Company in the delay period – see Section 8.5.1.2 of Part A to the Periodic Report for 2018.

<sup>4</sup> The Cogeneration Regulations in the Electricity Sector (Cogeneration), 2004. Postponement of the commercial operation date in the conditional license was approved, as stated, without foreclosure of the guarantee. For details – see that stated in Section 8.2.4 of Part A to the Periodic Report for 2018.

<sup>5</sup> See the above-mentioned sections in the Periodic Report for 2018.

<sup>6</sup> It is hereby clarified that that stated above, including regarding the updated expected date of commercial operation of the Hadera Power Plant, coverage of the costs deriving from the delay in the commercial operation of the Hadera Power Plant (including lost profits) and receipt of compensation and/or regarding the estimate that no significant variance is expected compared to the Company's estimate regarding the construction cost of the power plant, includes “forward-looking” information, as defined in the Securities Law, 1968, which is based on the Company's estimates as at the date of this report, and regarding which there is no certainty of its actual realization. As a practical matter, the date of commercial operation of the Hadera Power Plant could be delayed even beyond the fourth quarter of 2019 and the actual construction cost might be higher than the estimate – this being as a result of, among other things, delays in completion of the construction work and the operation of the power plant and/or due to additional breakdowns and technical failures and/or owing to occurrence of any of the risk factors involved with the construction of the power plant or in the Company's activities. In addition, if compensation is not received for the full amount of the costs and/or damages (direct and/or indirect) in connection with the delay in completion of the construction and the commercial operation, this could have an adverse impact of the Company's results and activities. For additional details regarding the risk factors involved with construction projects, including Hadera – see Section 19.3 to Part A of the Periodic Report for 2018.

**OPC Energy Ltd.**  
**Report of the Board of Directors**

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

**1. General (Cont.)**

In addition, in April 2017, the Company signed a set of agreements for acquisition of 95% of the issued and paid-up share capital of Zomet Energy Ltd. ("Zomet"), which is taking action to construct a power station running on natural gas using cogeneration technology in an open cycle ("the Pikrit Station") having a capacity of about 396 megawatts located proximate to the Plugot intersection ("the Zomet Project"). In January 2019, the Company signed an agreement with the private shareholders of Zomet, for which 5% of the shares are held ("the Sellers")<sup>7</sup>, whereby the Sellers will sell their shares in Zomet to the Company, in increments, on a number of dates and subject to fulfillment of milestones provided in the sale agreement. In April 2019, the conditional license for construction of the power plant for a period of 66 months was delivered to Zomet, this being further to the notification of the Electricity Authority and receipt of the approval of the Minister of Energy and after Zomet deposited a guarantee as required. The conditional license entered into effect on April 11, 2019 (the date it was signed by the Minister), and it is conditional on compliance with milestones as provided in the license, including reaching commercial operation within 66 months, as well as additional conditions that are customary in licenses of this type. It is emphasized that as at the date of this report, the Zomet project is subject to fulfillment of various conditions and actions that have not yet been fulfilled, including among others, assurance of the ability to output electricity from the site, receipt of a connection study, obtaining building permits and completion of a financial closing by the required date. Furthermore, completion of the Zomet project is subject to completion of a financial closing at the time required, among other things, under Arrangement 914, as stated in Section 8.17.1 to Part A (Description of the Company's Business) to the Periodic Report for 2018, which as at the date of this report is January 1, 2020.

Regarding approval of an addition to the amount of the required investment in order to bring Zomet to a position that will permit a financial closing – see Sections 8 and 9 to the update of the Description of the Company's Business as at June 30, 2019.

In January 2019, an outline was determined for expansion of the activities of the Group to which the Company belongs ("the Idan Ofer Group" as defined in the outline) in the area of generation of electricity from an economy-wide business concentration perspective ("the Business Concentration Outline"). The Business Concentration Outline is intended to allow the Business Concentration Committee to revise its opinion regarding provision of a conditional license for generation of electricity to Zomet, and to notify the Electricity Authority that it does not see a preclusion for reasons of economy-wide business concentration to granting the requested license to Zomet, however this being only after compliance with the conditions provided in the Business Concentration Outline, and to permit the Business Concentration Committee to notify the Electricity Authority that it does not see a preclusion for reasons of economy-wide business concentration to allowing the Idan Ofer Group to receive additional licenses in the area of electricity generation up to the scope provided in the sector arrangement.

In April 2019, sale of the shares of "the Idan Ofer Group" (as defined in the Business Concentration Outline) in Reshet Media Ltd. was completed, which was provided as a condition in the Business Concentration Outline, and as stated above a conditional license was issued to Zomet for construction of the power plant.

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<sup>7</sup> The shares of the Sellers in Zomet are held for them by a trustee.



**OPC Energy Ltd.**  
**Report of the Board of Directors**

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

**1. General (Cont.)**

The Company expects to meet the conditions required for the completion of the Zomet project, including completion of the financial closing. However, as some of the conditions are dependent on factors outside the Company's control, there is no certainty that the Zomet project will be completed. For additional details – see Section 2.3.1 to Part A (Description of the Company's Business) in the Periodic Report for 2018, and Note 24A.6 to the Consolidated Financial Statements.

In June 2019, a wholly-owned (100%) special purpose company (SPC) of the Company, OPC Alon Tavor Ltd., submitted a purchase bid as part of the tender for sale of the Alon Tavor Power Plant, which was published by Israel Electric Company (hereinafter – “the Tender”). Subsequent to the period of the report, the Company was informed that it was declared “Second Qualifier” pursuant to the Tender documents. For additional details – see Section 6 to the Update of the Description of the Company's Business as at June 30, 2019. For details regarding the reform in the electricity sector and the outline for selling the generation sites of Israel Electric Company (IEC) – see Sections 7.8.3 and 7.8.4 to Part A (Description of the Company's Business) in the Periodic Report for 2018.

In March 2019, a binding memorandum of understanding was signed for sale of the holdings of OPC Solar in Greenday (through which the Company operated with respect to initiation of projects in the area of generation of electricity using photovoltaic technology). In May 2019 the transaction was completed in accordance with the memorandum of understanding – this being, among other things, after receipt of approval of Supervisor of Economic Competition. On the completion date of the transaction, OPC Solar received part of the consideration, in the amount of NIS 1.5 million, and in June 2019 it received an additional part of the consideration, in the amount of NIS 1.25 million. As stated in the Periodic Report for 2018, subject to fulfillment of conditions provided in the memorandum of understanding, OPC Solar may be entitled to additional consideration in respect of success, as defined in the memorandum of understanding. For details regarding the gain expected from the transaction – see Note 5F to the interim financial statements<sup>8</sup>. Upon completion of the transaction, the Company's activities in the area of electricity generation activities using photovoltaic technology were sold. For additional details – see Section 3 to the Update regarding Description of the Company's Business as at June 30, 2019.

In addition, the Company is advancing projects in the preliminary development stages. For details – see Section 8.2.6 of Part A (Description of the Company's Business) in the Periodic Report for 2018.

In June 2019, the Company issued 5,179,147 of the Company's ordinary shares of NIS 0.01 par value each (hereinafter – “the Allotted Shares”) to three institutional entities. The price of the Allotted Shares for each of the offerees was NIS 23.17 per share (the share price on the Stock Exchange at the end of the trading day preceding the issuance). The proceeds received from the issuance (gross) amounted to about NIS 120 million.

Subsequent to the date of the report, the Company received the arbitration decision, which rejected all of the contentions of Tamar Group against Rotem. The arbitration tribunal agreed with Rotem's position and ruled that Tamar Group is to pay Rotem the amount of \$4.16 million for Rotem's expenses in connection with the arbitration. It is noted that in light of that stated, Rotem is entitled to receive the amount it deposited in trust in respect of the dispute that is the subject of the above-mentioned arbitration, in the amount of \$21.75 million, plus interest from May 25, 2017 up to the date of payment to Rotem. For details – see Section 7 to Update of the Description of the Company's Business as at June 30, 2019.

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<sup>8</sup> It is emphasized that the total maximum consideration expected for the Company from the transaction described and the expected profit from the transaction constitute “forward-looking” information, as defined in the Securities Law, regarding which there is no certainty it will actually be realized, and that stated depends on, among other things, factors not under the Company's control.

OPC Energy Ltd.  
Report of the Board of Directors

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

2. Financial Position as at June 30, 2019 (in thousands of NIS)

Category	6/30/2019	12/31/2018	Analysis
<b>Current Assets</b>			
Cash and cash equivalents	378,885	329,950	<p>Most of the increase stems from an increase in the cash balances as a result of the Company's current operating activities, in the amount of about NIS 265 million and the net proceeds from issuance of the Company's shares, in the amount of about NIS 119 million.</p> <p>This increase was partly offset by short-term deposits made, in the amount of about NIS 95 million, deposits in long-term restricted cash, in the amount of about NIS 54 million, current debt payments in Rotem, in the amount of about NIS 52 million, dividend payments, in the amount of about NIS 54 million, additional investments in construction of the Hadera power plant, in the amount of about NIS 29 million, investments in property, plant and equipment in Rotem, in the amount of about NIS 24 million, repayment of debentures (Series A) (including interest), in the amount of about NIS 14 million, and investments in the Zomet project, in the amount of about NIS 13 million.</p> <p>For further information – see the Company's condensed consolidated statements of cash flows for the six-month period ended June 30, 2019 included in the Interim Reports.</p>
Short-term deposits and restricted cash	277,583	186,954	<p>Most of the increase stems from short-term deposits made, in the amount of about NIS 95 million. On the other hand, there was a decline due to exchange rate differences in respect of dollar deposits, in the amount of about NIS 5 million.</p>
Trade receivables and accrued income	111,530	132,273	<p>Most of the decline stems from the seasonal factor with respect to the sales, in the amount of about NIS 13 million, and from a decline in the balance due from Israel Electric Company, in the amount of about NIS 7 million.</p>
Receivables and debit balances, including derivative financial instruments	54,221	41,243	<p>Most of the increase stems from a balance due from the Hadera construction contractor, in the amount of about NIS 22 million, a balance due from Israel Electric Company, in the amount of about NIS 5 million, conditional consideration from sale of a subsidiary, in the amount of about NIS 2 million, and an increase in the prepaid expenses, in the amount of about NIS 2 million.</p> <p>On the other hand, the increase was offset mainly by a decline in the balance of Value Added Tax (VAT) receivable, in the amount of about NIS 15 million, and a decrease in financial derivatives, in the amount of about NIS 3 million.</p>
<b>Total current assets</b>	<b>822,219</b>	<b>690,420</b>	

OPC Energy Ltd.  
Report of the Board of Directors

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

2. Financial Position as at June 30, 2019 (in thousands of NIS) (Cont.)

Category	6/30/2019	12/31/2018	Analysis
<b>Non-Current Assets</b>			
Long-term deposits and restricted cash	234,423	181,739	Most of the increase stems from a deposit in a debt service fund in accordance with the financing agreement for Rotem, in the amount of about NIS 27 million, an additional deposit in "owners' guarantee reserve" in Rotem, in the amount of about NIS 14 million, a deposit in a debt service fund for the debentures (Series A), in the amount of about NIS 8 million, and a deposit in restricted cash relating to a guarantee provided in favor of the generation license in Zomet, in the amount of about NIS 5 million.
Long-term loans and prepaid expenses	88,025	88,351	The decrease stems from current amortization of deferred expenses of Rotem, in the amount of NIS 2 million.  On the other hand, there was an increase deriving from investments in infrastructures in Hadera, in the amount of NIS 1 million, which are classified as "long-term prepaid expenses".
Deferred tax assets, net	3,547	2,369	
Long-term derivative financial instruments	15,740	–	This category represents the fair value of a financial hedging instrument. For additional details – see Note 5O to the interim financial statements.
Property, plant and equipment	2,408,873	2,422,960	Most of the decrease stems from depreciation on the property, plant and equipment in Rotem and Hadera (the Energy Center), in the aggregate amount of about NIS 54 million, and use of diesel oil in Rotem, in the amount of about NIS 22 million, pursuant to the instruction of the System Administrator.  The decrease was partly offset by an investment in construction of the Hadera Power Plant, in the amount of NIS 22 million, additions to the property, plant and equipment in Rotem, in the amount of about NIS 26 million, and an investment in the Zomet project, in the amount of about NIS 14 million.
Usage right asset	18,955	–	The increase derives from the first-time application of IFRS 16. For additional details – see Note 3B to the interim financial statements.
Intangible assets	4,098	4,894	
<b>Total non-current assets</b>	<b>2,773,661</b>	<b>2,700,313</b>	
<b>Total assets</b>	<b>3,595,880</b>	<b>3,390,733</b>	

OPC Energy Ltd.  
Report of the Board of Directors

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

2. Financial Position as at June 30, 2019 (in thousands of NIS) (Cont.)

Category	6/30/2019	12/31/2018	Analysis
<b>Current Liabilities</b>			
Current maturities of loans from banks	128,734	86,576	Most of the increase stems from update of the current maturities of loans and debentures in accordance with the repayment schedule, in the amount of about NIS 69 million.  The increase was partly offset by repayment of the senior debt in Rotem, in the amount of about NIS 20 million, and repayment of debentures (Series A) of the Company, in the amount of about NIS 7 million.
Trade payables	214,516	177,268	Most of the increase derives from an increase in the balance of suppliers with respect to acquisition of fuels, in the amount of about NIS 55 million, mostly due to the payment date being subsequent to the date of the report.  The increase was partly offset by a decline in the balance of suppliers relating to the construction in Hadera, in the amount of about NIS 10 million, and the balance due to Israel Electric Company, in the amount of about NIS 7 million.
Payables and other credit balances	31,847	24,049	Most of the increase derives from an increase in expenses payable, in the amount of about NIS 3 million, and a payable balance relating to acquisition of shares of Zomet, in the amount of about NIS 5 million.
Derivative financial instruments	12,227	–	This category represents the fair value of a financial hedging instrument. For additional details – see Note 5O to the interim financial statements.
Current maturities of long-term liabilities in respect of a lease	2,378	–	The increase stems from the first-time application of IFRS 16 commencing from January 1, 2019. For additional details – see Note 3B to the interim financial statements.
Current taxes payable	–	3,669	The decrease is attributable to payment of the liabilities for taxes on income in Hadera.
<b>Total current liabilities</b>	<b>389,702</b>	<b>291,562</b>	

OPC Energy Ltd.  
Report of the Board of Directors

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

2. Financial Position as at June 30, 2019 (in thousands of NIS) (Cont.)

Category	6/30/2019	12/31/2018	Analysis
<b>Non-Current Liabilities</b>			
Long-term loans from banks and financial institutions	1,807,784	1,828,121	Most of the decrease stems from update of the current maturities of Rotem, in the amount of about NIS 54 million.  On the other hand, there was an increase in interest and linkage differences in respect of balances of the senior debt of Hadera, in the amount of about NIS 19 million, which were accrued to the principal, and linkage of the senior debt of Rotem, in the amount of about NIS 15 million.
Debentures	267,593	282,883	The decrease stems from update of the current maturities of the debentures (Series A), in the amount of about NIS 15 million.
Long-term lease liabilities	16,513	–	The increase stems from the first-time application of IFRS 16 commencing from January 1, 2019. For additional details – see Note 3B to the interim financial statements.
Capital notes to related party	1,222	1,166	
Employee benefits	177	177	
Liabilities for deferred taxes, net	247,283	228,540	The increase stems from update of the deferred taxes as a result of the income for the period.
<b>Total non-current liabilities</b>	<b>2,340,572</b>	<b>2,340,887</b>	
<b>Total liabilities</b>	<b>2,730,274</b>	<b>2,632,449</b>	

3. Results of operations for the six-month and three-month periods ended June 30, 2019 (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.

OPC Energy Ltd.  
Report of the Board of Directors

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

3. Results of operations for the six-month and three-month periods ended June 30, 2019 (in thousands of NIS) (Cont.)

Category	For the Six Months Ended		Analysis
	6/30/2019	6/30/2018	
Sales	658,614	650,801	For detail regarding the change in the sales – see Section 6, below.
Cost of sales (less depreciation and amortization)	454,232	446,253	For detail regarding the change in the cost of sales – see Section 7, below.
Depreciation and amortization	54,241	52,950	
<b>Gross profit</b>	<b>150,141</b>	<b>151,598</b>	
Administrative and general expenses	31,528	24,079	Most of the increase derives from an increase in the expenses for professional services and legal fees, in the amount of about NIS 2 million, costs relating to the equity remuneration plan, in the amount of about NIS 2 million, an increase in the costs of salaries and wages, in the amount of about NIS 2 million. In addition, the increase stems from contributions, in the amount of about NIS 1 million, which were paid in the second quarter of 2019, compared with third quarter of 2018. Regarding reimbursement of expenses in respect of the Tamar arbitration – see Note 6 to the interim financial statements.
Other income, net	4,483	2,082	Most of the increase stems from a capital gain on sale of a subsidiary, in the amount of about NIS 2 million. For additional details – see Note 5F to the interim statements.
<b>Operating income</b>	<b>123,096</b>	<b>129,601</b>	
Financing expenses, net	53,277	48,117	Most of the increase stems from the impact of the changes in the shekel/dollar exchange rate, in the amount of about NIS 10 million, mainly as a result of revaluation of a dollar deposit and financial derivatives.  On the other hand, there was a decrease, in the amount of about NIS 2 million, due to linkage of the senior debt in Rotem to the CPI, mainly due to application of an accounting hedge to the CPI transactions the Company entered into (for additional details – see Note 5O to the interim statements). In addition, there was a decrease in the interest payments, in the amount of about NIS 2 million, mainly as a result of current repayments of the senior debt in Rotem, and an increase in interest income on deposits, in the amount of about NIS 1 million.
<b>Income before taxes on income</b>	<b>69,819</b>	<b>81,484</b>	
Taxes on income	18,060	22,567	The decrease derives from lower income in the first half of 2019 compared with the corresponding period last year.
<b>Income for the period</b>	<b>51,759</b>	<b>58,917</b>	

OPC Energy Ltd.  
Report of the Board of Directors

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

3. Results of operations for the six-month and three-month periods ended June 30, 2019 (in thousands of NIS) (Cont.)

Category	For the Three Months Ended		Analysis
	6/30/2019	6/30/2018	
Sales	304,915	301,077	For detail regarding the change in the sales – see Section 6, below.
Cost of sales (less depreciation and amortization)	230,682	226,629	For detail regarding the change in the cost of sales – see Section 7, below.
Depreciation and amortization	27,411	26,673	
<b>Gross profit</b>	<b>46,822</b>	<b>47,775</b>	
Administrative and general expenses	14,575	12,340	Most of the increase derives from costs in respect of the equity remuneration plan, in the amount of about NIS 1 million, an increase in the costs of salaries and wages, in the amount of about NIS 1 million, and an increase in payment of contributions, in the amount of about NIS 1 million, regarding which in 2018 were paid in the third quarter.  The increase was partly offset by lower legal expenses, in the amount of about NIS 1 million.
Other income, net	3,482	2,107	Most of the increase stems from a capital gain on sale of a subsidiary, in the amount of about NIS 2 million. For additional details – see Note 5G to the interim statements.
<b>Operating income</b>	<b>35,729</b>	<b>37,542</b>	
Financing expenses, net	34,414	32,866	Most of the increase in the net financing expenses stems from the impact of the changes in the shekel/dollar exchange rate, in the amount of about NIS 6 million, mainly as a result of revaluation of a dollar deposit and financial derivatives.  On the other hand, there was a decrease, in the amount of about NIS 2 million, due to linkage of the senior debt in Rotem to the CPI, mainly due to application of an accounting hedge to the CPI transactions the Company entered into (for additional details – see Note 5O to the interim statements). In addition, there was a decrease in the interest payments, in the amount of about NIS 1 million, mainly as a result of current repayments of the senior debt in Rotem.
<b>Income before taxes on income</b>	<b>1,315</b>	<b>4,676</b>	
Taxes on income	465	2,525	The decrease derives from lower income in the first half of 2019 compared with the corresponding period last year.
<b>Income for the period</b>	<b>850</b>	<b>2,151</b>	

**OPC Energy Ltd.**  
**Report of the Board of Directors**

**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):**

	<b>For the</b>		<b>For the</b>	
	<b>Six Months Ended</b>		<b>Three Months Ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Sales</b>	658,614	650,801	304,915	301,077
Cost of sales (less depreciation and amortization)	(454,232)	(446,253)	(230,682)	(226,629)
Administrative and general expenses (less depreciation and amortization)	(30,569)	(23,587)	(14,230)	(11,929)
Other income	4,483	2,082	3,482	2,107
<b>EBITDA</b>	<b>178,296</b>	<b>183,043</b>	<b>63,485</b>	<b>64,626</b>



OPC Energy Ltd.  
Report of the Board of Directors

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 Six Months Ended June 30		For the Three Months Ended June 30	
	2019	2018	2019	2018
Sales to private customers	1,991	1,973	1,022	1,000
Sales to the System Administrator	48	47	5	9
<b>Total sales</b>	<b>2,039</b>	<b>2,020</b>	<b>1,027</b>	<b>1,009</b>
	For the Six Months Ended June 30		For the Three Months Ended June 30	
	2019	2018	2019	2018
Generation of electricity	1,932	1,930	948	954
Purchase of electricity from the System Administrator	107	90	79	55
<b>Total sales</b>	<b>2,039</b>	<b>2,020</b>	<b>1,027</b>	<b>1,009</b>
	For the Six Months Ended June 30			
	2019	2018	2019	2018
	Electricity availability	Net generation	Electricity availability	Net generation
	(%)	(KW hours)	(%)	(KW hours)
Rotem	99.7%	1,890	100%	1,888
Hadera	92.1%	42	94.2%	42
	For the Three Months Ended June 30			
	2019	2018	2019	2018
	Electricity availability	Net generation	Electricity availability	Net generation
	(%)	(KW hours)	(%)	(KW hours)
Rotem	99.3%	929	100%	936
Hadera	91.6%	19	92.8%	18
	For the Six Months Ended June 30		For the Three Months Ended June 30	
	2019	2018	2019	2018
	In Thousands of Tons			
Generation of electricity	388	373	188	184

**OPC Energy Ltd.**  
**Report of the Board of Directors**

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

**6. Revenues**

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

	<b>For the Six Months Ended</b>		<b>For the Three Months Ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Revenues from sale of energy generated to private customers (1)	463,233	447,398	204,165	199,188
Revenues from sale of energy purchased for private customers (2)	24,912	22,275	18,573	14,110
Revenues from private customers in respect of infrastructures services (3)	134,035	147,085	66,656	72,561
Revenues from sale of energy to the System Administrator (4)	5,622	5,339	550	1,081
Revenues from sale of steam (5)	30,812	28,704	14,971	14,137
<b>Total revenues</b>	<b>658,614</b>	<b>650,801</b>	<b>304,915</b>	<b>301,077</b>

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 2019, as published by the Electricity Authority, is NIS 0.2909 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 2018, the weighted-average of the generation component tariff was NIS 0.2816 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.

**For the six-month periods ended June 30, 2019 and 2018:**

- (1) In the period of the report, there was an increase of about NIS 16 million in the revenues from sale of energy generated to private customers, deriving mainly from an increase in the generation component tariff.
- (2) An increase in the total sales of energy acquired from Israel Electric Company for private customers, in the amount of about NIS 3 million, stemming mainly from higher consumption by the customers, in the amount of about NIS 2 million, and an increase in the generation tariff, in the amount of about NIS 1 million.
- (3) Most of the decrease in the revenues from private customers for infrastructure services, in the amount of about NIS 13 million, stems from a decline in the infrastructure tariffs in 2019, in the amount of about NIS 15 million, while on the other hand there was an increase of about NIS 2 million as a result of higher sales of energy.
- (4) In the first half of 2019, there was no significant change in the sales of energy to the System Administrator compared with the corresponding period last year.
- (5) The increase in the revenues from sale of steam, in the amount of about NIS 2 million, stems mainly from an increase in the quantity of the steam consumption, in the amount of about NIS 1 million, along with an increase in the steam price, in the amount of about NIS 1 million.

**OPC Energy Ltd.**  
**Report of the Board of Directors**

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

**6. Revenues (Cont.)**

For the three-month periods ended June 30, 2019 and 2018:

- (1) In the second quarter of 2019, there was an increase of about NIS 5 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 6 million, while on the other hand there was a decrease in the total consumption by the customers, in the amount of about NIS 1 million.
- (2) An increase in the total sales of energy acquired from Israel Electric Company for private customers, in the amount of about NIS 5 million, stemming mainly from higher consumption by the customers, in the amount of about NIS 4 million, and an increase in the generation tariff, in the amount of about NIS 1 million.
- (3) Most of the decrease in the revenues from private customers for infrastructure services, in the amount of about NIS 6 million, stems from a decline in the infrastructure tariffs in 2019, in the amount of about NIS 7 million, while on the other hand there was an increase of about NIS 1 million as a result of higher sales of energy.
- (4) Most of the decrease is the result of a decrease in the total amount of energy sold to the System Administrator, in the amount of about NIS 1 million, compared with the corresponding quarter last year.
- (5) The increase in the revenues from sale of steam, in the amount of about NIS 1 million, stems mainly from an increase in the quantity of the steam consumption along with an increase in the steam price.

**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 Six Months Ended		For the Three Months Ended	
	June 30		June 30	
	2019	2018	2019	2018
Gas and diesel fuel (1)	250,749	238,248	123,910	120,490
Expenses to IEC for infrastructure services and purchase of electricity (2)	158,947	169,360	85,229	86,671
Gas transmission costs (3)	16,002	13,716	7,956	6,894
Operating expenses (4)	28,534	24,929	13,587	12,574
<b>Total cost of sales (less depreciation and amortization)</b>	<b>454,232</b>	<b>446,253</b>	<b>230,682</b>	<b>226,629</b>

  

	For the Six Months Ended		For the Three Months Ended	
	June 30		June 30	
	2019	2018	2019	2018
<b>In Thousands of Tons</b>				
Gas consumption (MMBTU)	14,069,890	13,941,121	6,933,295	6,866,133
Average gas price (in dollars)	4.787	4.706	4.797	4.701

**OPC Energy Ltd.**  
**Report of the Board of Directors**

**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 six-month periods ended June 30, 2019 and 2018:

- (1) The increase in the gas costs, in the amount of about NIS 12 million, stems mainly from an increase in the generation component and the exchange rate of the dollar.
- (2) The decrease of about NIS 10, million in the expenses to Israel Electric Company in respect of infrastructure services and purchase of electricity, derives mainly from (a) a decrease in the expenses for infrastructure services, in the amount of about NIS 13 million, due to a decrease in the infrastructure tariffs in 2019 in the amount of about NIS 15 million offset by an increase of about NIS 2 million as a result of higher energy sales; and (b) an increase in the total purchases of electricity from Israel Electric Company for private customers, in the amount of about NIS 3 million.
- (3) Most of the increase in the gas transmission costs is the result of a higher fixed payment to payment Israel Natural Gas Lines due to expansion of the connection of the new PRMS facility in Hadera in May 2018.
- (4) Most of the increase stems from preparations and recruitment of personnel in contemplation of commercial operation of Hadera Power Plant.

For the three-month periods ended June 30, 2019 and 2018:

- (1) An increase in the gas costs, in the amount of about NIS 3 million, due to: (a) an increase in the gas prices, in the amount of about NIS 4 million, owing to an increase in the exchange rate of the dollar and an increase in the generation component; and (b) offset by a decrease in the total amount generated, in the amount of about NIS 1 million.
- (2) The decrease of about NIS 1, million in the expenses to Israel Electric Company in respect of infrastructure services and purchase of electricity, derives mainly from (a) a decrease in the expenses for infrastructure services, in the amount of about NIS 6 million, due to a decrease in the infrastructure tariffs in 2019 in the amount of about NIS 7 million offset by an increase of about NIS 1 million as a result of higher energy sales; and (b) an increase in the total purchases of electricity from Israel Electric Company for private customers, in the amount of about NIS 5 million.
- (3) Most of the increase in the gas transmission costs is the result of a higher fixed payment to Israel Natural Gas Lines due to expansion of the connection of the new PRMS facility in Hadera in May 2018.
- (4) Most of the increase stems from preparations and recruitment of personnel in contemplation of commercial operation of the Hadera Power Plant.

**OPC Energy Ltd.**  
**Report of the Board of Directors**

**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 Six Months Ended		Analysis
	6/30/2019	6/30/2018	
Cash flows provided by operating activities	265,122	232,712	<p>Most of the increase stems from an increase in the working capital, in the amount of about NIS 22 million (mainly as a result of a lower number of gas payments in the first half of 2019 due to timing differences) and an increase in current operating activities, in the amount of about NIS 10 million.</p> <p>For further information – see the Company's interim statements of cash flows included in the interim reports.</p>
Cash flows used in investing activities	(212,554)	(138,463)	<p>Most of the increase derives from deposits in short-term deposits, in the amount of about NIS 95 million, and deposits in restricted cash, net, in the amount of about NIS 48 million, mainly due to update of a debt service fund and a reserve for a shareholders' guarantee in Rotem. In addition, there were higher purchases of diesel oil, in the amount of about NIS 13 million, owing to a higher use of diesel oil during the period, in accordance with the directives of the System Administrator.</p> <p>The increase was offset by higher investments in Hadera, in the amount of about NIS 81 million, in the first half of 2018.</p>
Cash flows used in financing activities	(3,551)	(117,416)	<p>Most of the decrease stems from the proceeds from issuance of the Company's shares, in the amount of about NIS 119 million, repayment of the senior debt in Rotem (including interest) was about NIS 20 million lower, and repayment of the Company's debentures (Series A) (including interest) was about NIS 14 million lower, compared with the corresponding period last year. Moreover, in the first half of 2018, the debt of Zomet was repaid, in the amount of about NIS 18 million.</p> <p>On the other hand, the Company distributed a dividend during the period, in the amount of about NIS 36 million, and lower withdrawals were made from the financing agreement framework for the Hadera project, in the amount of about NIS 22 million (in the first half of 2019 no withdrawals were made at all).</p>

**OPC Energy Ltd.**  
**Report of the Board of Directors**

**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		Analysis
	6/30/2019	6/30/2018	
Cash flows provided by operating activities	74,486	138,775	<p>Most of the decrease stems from a decrease in the working capital, in the amount of about NIS 76 million (mainly as a result of a lower number of gas payments in the second quarter of 2019 due to timing differences). On the other hand, there was an increase in the current operating activities, in the amount of about NIS 12 million</p> <p>For further information – see the Company's interim statements of cash flows for the three months ended June 30, 2019.</p>
Cash flows used in investing activities	(167,855)	(64,165)	<p>Most of the increase derives from deposits in short-term deposits, in the amount of about NIS 94 million, and deposits in restricted cash, in the amount of about NIS 39 million, mainly due to update of a debt service fund and a reserve for a shareholders' guarantee in Rotem. In addition, there were higher investments in property, plant and equipment in Rotem, in the amount of about NIS 15 million, mainly due to use of diesel oil, in accordance with the directives of the System Administrator, and higher investments in the Zomet project, in the amount of about NIS 9 million.</p> <p>The increase was partly offset by lower investments in the second quarter of 2019 in Hadera, in the amount of about NIS 50 million, along with receipt of part of the proceeds from sale of Greenday, in the amount of about NIS 3 million.</p>
Cash flows provided by (used in) financing activities	23,469	(98,160)	<p>Most of the decrease stems from the proceeds from issuance of the Company's shares, in the amount of about NIS 119 million, repayment of the senior debt in Rotem (including interest) was about NIS 10 million lower, and repayment of the Company's debentures (Series A) (including interest) was about NIS 14 million lower, compared with the corresponding quarter last year. Moreover, in the second quarter of 2018, the debt of Zomet was repaid, in the amount of about NIS 13 million, and a higher dividend was paid to the holders of non-controlling interests, in the amount of about NIS 3 million.</p> <p>This increase was partly offset by distribution of a dividend during the second quarter of 2019, in the amount of about NIS 36 million.</p>

**OPC Energy Ltd.**  
**Report of the Board of Directors**

**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 June 30, 2019 (in thousands of NIS):

	<b>Rotem</b>	<b>Hadera</b>	<b>Solo</b>	<b>Zomet</b>	<b>Others</b>	<b>Consolidated</b>
Debt (not including accrued interest)	1,254,257	663,109	286,745	–	1,222	2,205,333
Cash and cash equivalents and short-term deposits	140,865	34,017	396,048	4,256	1,764	576,950
Restricted cash (including debt service reserves)	210,964	6,256	91,616	5,105	–	313,941
Debt service reserves (out of the restricted cash)	132,198	–	54,064	–	–	186,262

- During the period of the report, Rotem repaid about NIS 20 million of its loans (the amount relates to principal only).
- During the period of the report, the Company paid the amount of about NIS 7 million of the debentures (Series A) (the amount relates to principal only).

The following table details the debt, cash and cash equivalents, deposits and restricted cash, as at December 31, 2018 (in thousands of NIS):

	<b>Rotem</b>	<b>Hadera</b>	<b>Solo</b>	<b>Zomet</b>	<b>Others</b>	<b>Consolidated</b>
Debt (not including accrued interest)	1,259,452	644,253	293,875	–	1,166	2,198,746
Cash and cash equivalents	97,077	44,975	286,314	632	1,105	430,103
Restricted cash (including debt service reserves)	172,546	6,459	89,535	–	–	268,540
Debt service reserves (out of the restricted cash)	90,499	–	46,488	–	–	136,987

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

	<b>Rotem</b>	<b>Hadera</b>	<b>Solo</b>	<b>Zomet</b>	<b>Others</b>	<b>Consolidated</b>
Debt (not including accrued interest)	1,300,326	535,269	304,798	–	1,111	2,141,504
Cash and cash equivalents	140,223	42,085	300,752	230	1,923	485,213
Short-term and long-term deposits and restricted cash (including debt service reserves)	186,256	5,699	81,662	–	–	273,617
Debt service reserves (out of the restricted cash)	106,552	–	42,664	–	–	149,216

**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 and 6 to the interim financial statements.

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. **Corporate Governance**

**Contributions**

As part of the Company’s policies with respect to contributions, in the period of the report the following contributions were approved:

- The amount of NIS 1,000 thousand to “Password for Every Student”. “Password for Every Student” receives contributions also from parties related to indirect interested parties in the Company (for details – see Sections 2.3.1 and 7.3 to the Description of the Company’s Business in the Periodic Report for 2018). The Company’s CFO is a representative of the project’s Steering Committee without compensation.
- The amount of NIS 150 thousand – to the “Nirim” Society.
- The amount of NIS 150 thousand – to the “Rakhashay Lev” Society.
- The amount of NIS 150 thousand – to the “Technoda Hadera Givat Olga” Society.
- The amount of NIS 200 thousand – to the Society for Advancement of the Dimona Sport Club and Advancement of the Youth.
- The amount of NIS 50 thousand – to the “Running to Give” Society. For the sake of good order, it is noted that a relative of the Company’s CEO serves as the Society’s CEO without remuneration.

Avisar Paz  
Chairman of the Board of Directors

Giora Almogy  
CEO

Date: August 13, 2019



**OPC Energy Ltd.**

**Condensed Consolidated Interim Financial Statements**

**At June 30, 2019**

(Unaudited)

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**OPC Energy Ltd.**  
**Condensed Consolidated Interim Financial Statements**  
**At June 30, 2019**  
**Unaudited**  
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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 June 30, 2019 and the condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six-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.)**

**August 13, 2019**

<sup>1</sup>Somekh Chaikin, an Israeli partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

**OPC Energy Ltd.**  
**Condensed Consolidated Interim Statements of Financial Position**

	At June 30		At December 31
	2019	2018	2018
	(Unaudited)		(Audited)
	In Thousands of New Israeli Shekels		
<b>Current Assets</b>			
Cash and cash equivalents	378,885	485,213	329,950
Short-term deposits and restricted cash	277,583	753	186,954
Trade receivables and accrued income	111,530	113,562	132,273
Other receivables and debit balances, including derivative financial instruments	54,221	30,465	41,243
<b>Total current assets</b>	<b>822,219</b>	<b>629,993</b>	<b>690,420</b>
<b>Non-Current Assets</b>			
Long-term deposits and restricted cash	234,423	272,864	181,739
Long-term loans and prepaid expenses	88,025	*89,174	88,351
Deferred tax assets, net	3,547	1,280	2,369
Long-term derivative financial instruments	15,740	–	–
Property, plant and equipment	2,408,873	*2,290,142	2,422,960
Usage right assets	18,955	–	–
Intangible assets	4,098	5,656	4,894
<b>Total non-current assets</b>	<b>2,773,661</b>	<b>2,659,116</b>	<b>2,700,313</b>
<b>Total assets</b>	<b>3,595,880</b>	<b>3,289,109</b>	<b>3,390,733</b>

\* Reclassified.

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 June 30		At December 31
	2019	2018	2018
	(Unaudited)		(Audited)
	In Thousands of New Israeli Shekels		
<b>Current Liabilities</b>			
Current maturities of loans from banks and others	128,734	82,648	86,576
Trade payables	214,516	177,198	177,268
Other payables and credit balances	31,847	27,779	24,049
Derivative financial instruments	12,227	–	–
Current maturities of lease liabilities	2,378	–	–
Current tax liabilities	–	3,860	3,669
<b>Total current liabilities</b>	<b>389,702</b>	<b>291,485</b>	<b>291,562</b>
<b>Non-Current Liabilities</b>			
Long-term loans from banks and financial institutions	1,807,784	1,771,002	1,828,121
Debentures	267,593	286,743	282,883
Long-term lease liabilities	16,513	–	–
Short-term capital notes	1,222	1,111	1,166
Employee benefits	177	280	177
Liabilities for deferred taxes, net	247,283	213,491	228,540
<b>Total non-current liabilities</b>	<b>2,340,572</b>	<b>2,272,627</b>	<b>2,340,887</b>
<b>Total liabilities</b>	<b>2,730,274</b>	<b>2,564,112</b>	<b>2,632,449</b>
<b>Equity</b>			
Share capital	1,371	1,319	1,319
Premium on shares	479,398	361,005	361,005
Capital reserves	74,379	82,062	84,749
Retained earnings	234,566	202,824	230,731
<b>Total equity attributable to the Company's owners</b>	<b>789,714</b>	<b>647,210</b>	<b>677,804</b>
<b>Non-controlling interests</b>	<b>75,892</b>	<b>77,787</b>	<b>80,480</b>
<b>Total equity</b>	<b>865,606</b>	<b>724,997</b>	<b>758,284</b>
<b>Total liabilities and equity</b>	<b>3,595,880</b>	<b>3,289,109</b>	<b>3,390,733</b>

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**Avisar Paz**  
Chairman of the Board of Directors

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**Giora Almogy**  
CEO

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**Tzahi Goshen**  
CFO

Approval date of the financial statements: August 13, 2019

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				
	Six Months Ended		Three Months Ended		Year Ended
	June 30		June 30		December 31
	2019	2018	2019	2018	2018
	(Unaudited)		(Unaudited)		(Audited)
	In Thousands of New Israeli Shekels				
Sales	658,614	650,801	304,915	301,077	1,306,471
Cost of sales (net of depreciation and amortization)	454,232	446,253	230,682	226,629	929,401
Depreciation and amortization	54,241	52,950	27,411	26,673	107,208
Gross profit	150,141	151,598	46,822	47,775	269,862
Administrative and general expenses	31,528	24,079	14,575	12,340	51,186
Other income, net	4,483	2,082	3,482	2,107	6,235
Operating income	123,096	129,601	35,729	37,542	224,911
Financing expenses	55,469	52,939	35,852	35,983	97,893
Financing income	2,192	4,822	1,438	3,117	7,302
Financing expenses, net	53,277	48,117	34,414	32,866	90,591
Income before taxes on income	69,819	81,484	1,315	4,676	134,320
Taxes on income	18,060	22,567	465	2,525	36,803
Income for the period	51,759	58,917	850	2,151	97,517
Income attributable to:					
The Company's owners	39,835	45,127	224	834	73,034
Non-controlling interests	11,924	13,790	626	1,317	24,483
Income for the period	51,759	58,917	850	2,151	97,517
Income per share attributable to the Company's owners					
Basic income per share (in NIS)	0.30	0.342	0.02	0.006	0.53
Diluted income per share (in NIS)	0.30	0.339	0.02	0.006	0.47

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				
	Six Months Ended		Three Months Ended		Year Ended
	June 30		June 30		December 31
	2019	2018	2019	2018	2018
	(Unaudited)		(Unaudited)		(Audited)
	In Thousands of New Israeli Shekels				
Income for the period	51,759	58,917	850	2,151	97,517
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 the change in the fair value of cash-flow hedges	512	1,660	2,113	(839)	2,211
Net change in fair value of derivative financial instruments used for hedging cash flows recorded to the cost of the hedged item	(2,322)	(306)	(2,251)	(186)	(590)
Net change in fair value of derivative financial instruments used to hedge cash flows transferred to the statement of income	(5,330)	–	(5,330)	–	–
Taxes in respect of items of other comprehensive income	412	(311)	28	236	(373)
Total other comprehensive income (loss) for the period, net of tax	(6,728)	1,043	(5,440)	(789)	1,248
Total comprehensive income (loss) for the period	45,031	59,960	(4,590)	1,362	98,765
Total comprehensive income (loss) attributable to:					
The Company's owners	33,107	46,170	(5,216)	45	74,282
Holders of non-controlling interests	11,924	13,790	626	1,317	24,483
Total comprehensive income (loss) for the period	45,031	59,960	(4,590)	1,362	98,765

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								Non-controlling interests	Total equity
	Share capital	Premium on shares	Capital reserve for transactions with non-controlling interests and in respect of merger	Hedging reserve	Capital reserve for transactions with shareholders	Capital reserve for share-based payments	Retained earnings	Total		
In Thousands of New Israeli Shekels										
For the six-month period ended June 30, 2019										
Balance at January 1, 2019	1,319	361,005	2,598	451	77,930	3,770	230,731	677,804	80,480	758,284
Issuance of shares (less) issuance expenses)	52	118,393	–	–	–	–	–	118,445	–	118,445
Acquisition of non-controlling interests	–	–	(6,005)	–	–	–	–	(6,005)	5	(6,000)
Share-based payment	–	–	–	–	–	2,363	–	2,363	–	2,363
Dividends to the Company's shareholders	–	–	–	–	–	–	(36,000)	(36,000)	–	(36,000)
Dividends to holders of non-controlling interests	–	–	–	–	–	–	–	–	(17,600)	(17,600)
Elimination of non-controlling interests due to sale of subsidiary	–	–	–	–	–	–	–	–	1,083	1,083
Other comprehensive loss for the period, net of tax	–	–	–	(6,728)	–	–	–	(6,728)	–	(6,728)
Income for the period	–	–	–	–	–	–	39,835	39,835	11,924	51,759
Balance at June 30, 2019	1,371	479,398	(3,407)	(6,277)	77,930	6,133	234,566	789,714	75,892	865,606
For the six-month period ended June 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	–	–	–	–	–	740	–	740	–	740
Capital reserve in respect of transactions with holders of non-controlling interests	–	–	–	–	–	–	–	–	741	741
Dividends to holders of non-controlling interests	–	–	–	–	–	–	–	–	(21,000)	(21,000)
Other comprehensive income for the period, net of tax	–	–	–	1,043	–	–	–	1,043	–	1,043
Income for the period	–	–	–	–	–	–	45,127	45,127	13,790	58,917
Balance at June 30, 2018	1,319	361,005	2,598	246	77,930	1,288	202,824	647,210	77,787	724,997

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									Non-controlling interests	Total equity
Share capital	Premium on shares	Capital reserve for transactions with non-controlling interests and in respect of merger	Hedging reserve	Capital reserve for transactions with shareholders	Capital reserve for share-based payments	Retained earnings	Total			
(Unaudited)										
In Thousands of New Israeli Shekels										
<b>For the three-month period ended June 30, 2019</b>										
<b>Balance at April 1, 2019</b>	1,319	361,005	1,097	(837)	77,930	4,969	234,342	679,825	74,179	754,004
Issuance of shares (less) issuance expenses)	52	118,393	–	–	–	–	–	118,445	–	118,445
Acquisition of non-controlling interests	–	–	(4,504)	–	–	–	–	(4,504)	4	(4,500)
Share-based payment	–	–	–	–	–	1,164	–	1,164	–	1,164
Elimination of non-controlling interests due to sale of subsidiary	–	–	–	–	–	–	–	–	1,083	1,083
Other comprehensive loss for the period, net of tax	–	–	–	(5,440)	–	–	–	(5,440)	–	(5,440)
Income for the period	–	–	–	–	–	–	224	224	626	850
<b>Balance at June 30, 2019</b>	<b>1,371</b>	<b>479,398</b>	<b>(3,407)</b>	<b>(6,277)</b>	<b>77,930</b>	<b>6,133</b>	<b>234,566</b>	<b>789,714</b>	<b>75,892</b>	<b>865,606</b>
<b>For the three-month period ended June 30, 2018</b>										
<b>Balance at April 1, 2018</b>	1,319	361,005	2,598	1,035	77,930	860	201,990	646,737	96,729	743,466
Share-based payment	–	–	–	–	–	428	–	428	–	428
Dividends to holders of non-controlling interests	–	–	–	–	–	–	–	–	(21,000)	(21,000)
Capital reserve in respect of transactions with holders of non-controlling interests	–	–	–	–	–	–	–	–	741	741
Other comprehensive loss for the period, net of tax	–	–	–	(789)	–	–	–	(789)	–	(789)
Income for the period	–	–	–	–	–	–	834	834	1,317	2,151
<b>Balance at June 30, 2018</b>	<b>1,319</b>	<b>361,005</b>	<b>2,598</b>	<b>246</b>	<b>77,930</b>	<b>1,288</b>	<b>202,824</b>	<b>647,210</b>	<b>77,787</b>	<b>724,997</b>

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								Non-controlling interests	Total equity
	Share capital	Premium on shares	Capital reserve in respect of merger	Hedging reserve	Capital reserve for transactions with shareholders	Capital reserve for share-based payments	Retained earnings	Total		
(Audited)										
In Thousands of New Israeli Shekels										
For the year ended December 31, 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	–	–	–	–	–	3,222	–	3,222	–	3,222
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 year, net of tax	–	–	–	1,248	–	–	–	1,248	–	1,248
Income for the year	–	–	–	–	–	–	73,034	73,034	24,483	97,517
Balance at December 31, 2018	1,319	361,005	2,598	451	77,930	3,770	230,731	677,804	80,480	758,284

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				
	Six Months Ended June 30		Three Months Ended June 30		Year Ended December 31
	2019	2018	2019	2018	2018
	(Unaudited)		(Unaudited)		(Audited)
	In Thousands of New Israeli Shekels				
<b>Cash flows from operating activities</b>					
Income for the period	51,759	58,917	850	2,151	97,517
<b>Adjustments:</b>					
Depreciation and amortization	77,490	55,724	42,282	27,957	118,922
Financing expenses, net	53,277	48,117	34,414	32,866	90,591
Taxes on income	18,060	22,567	465	2,525	36,803
Gain on sale of subsidiary	(1,777)	–	(1,777)	–	–
Share-based payment transactions	2,363	740	1,164	428	3,222
Revaluation of derivatives	1,080	1,569	–	(306)	4,018
	202,252	187,634	77,398	65,621	351,073
Change in trade and other receivables	21,180	63,349	(2,310)	23,089	35,306
Change in trade and other payables	45,792	(18,271)	(542)	50,065	(75,537)
Change in employee benefits	–	–	–	–	(103)
	66,972	45,078	(2,852)	73,154	(40,334)
Taxes paid	(4,102)	–	(60)	–	–
<b>Net cash provided by operating activities</b>	265,122	232,712	74,486	138,775	310,736
<b>Cash flows from investing activities</b>					
Interest received	1,308	356	271	86	837
Short-term deposits and restricted cash, net	(94,844)	–	(93,952)	66	(104,101)
Withdrawals from long-term restricted cash	1,943	40,511	429	40,511	66,450
Deposits in long-term restricted cash	(54,214)	(44,479)	(37,978)	(39,303)	(58,913)
Proceeds from sale of subsidiary less cash sold	2,731	–	2,731	–	–
Long-term prepaid expenses and loans granted	–	*(8,362)	–	*(486)	(14,834)
Acquisition of property, plant and equipment	(66,218)	*(118,259)	(37,528)	*(64,846)	(249,197)
Acquisition of subsidiary, net of cash acquired	–	(8,125)	–	–	(8,125)
Acquisition of non-controlling interests	(1,500)	–	(1,500)	–	–
Acquisition of intangible assets	(433)	(174)	(151)	(174)	(473)
Receipts (payments) in respect of derivatives, net	(1,327)	69	(177)	(19)	114
<b>Net cash used in investing activities</b>	(212,554)	(138,463)	(167,855)	(64,165)	(368,242)

\* Reclassified.

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				
	Six Months Ended June 30		Three Months Ended June 30		Year Ended December 31
	2019	2018	2019	2018	2018
	(Unaudited)		(Unaudited)		(Audited)
	In Thousands of New Israeli Shekels				
<b>Cash flows from financing activities</b>					
Interest paid	(38,214)	(49,371)	(22,690)	(33,008)	(88,748)
Costs paid in advance in respect of taking out of loans	(1,170)	(1,538)	(186)	(552)	(2,328)
Dividends paid to the Company's shareholders	(36,000)	–	(36,000)	–	–
Dividends paid to holders of non-controlling interests	(17,600)	(21,000)	(17,600)	(21,000)	(29,000)
Proceeds from issuance of shares, less issuance expenses	118,562	–	118,562	–	–
Receipt of long-term loans	–	22,000	–	–	122,000
Repayment of loans from banks and others	(20,148)	(56,307)	(10,219)	(32,400)	(101,015)
Repayment of debentures	(7,360)	(11,200)	(7,360)	(11,200)	(22,400)
Payment in respect of derivative financial instruments, net	(714)	–	(714)	–	–
Repayment of principal of lease liabilities	(907)	–	(324)	–	–
<b>Net cash provided by (used in) financing activities</b>	<b>(3,551)</b>	<b>(117,416)</b>	<b>23,469</b>	<b>(98,160)</b>	<b>(121,491)</b>
<b>Increase (decrease) in cash and cash equivalents</b>					
	49,017	(23,167)	(69,900)	(23,550)	(178,994)
Cash and cash equivalents at beginning of the period	329,950	508,181	448,687	508,625	508,181
Impact of changes in the currency exchange rate on the balances of cash and cash equivalents	(82)	199	98	138	763
<b>Cash and cash equivalents at end of the period</b>	<b>378,885</b>	<b>485,213</b>	<b>378,885</b>	<b>485,213</b>	<b>329,950</b>

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

**OPC Energy Ltd.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**At June 30, 2019**

**Note 1 – The Reporting Entity**

OPC Energy Ltd. (hereinafter – “the Company”) was incorporated in Israel on February 2, 2010. The Company’s registered address 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 supply of the electricity generated to customers.

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 (power purchase agreement) (hereinafter – “the PPA”) with Israel Electric Company (hereinafter – “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 (a power plant that generates electricity and steam). Hadera holds a conditional license for construction of a power plant adjacent to Hadera Paper Mills Ltd. (hereinafter – “Hadera Paper Mills”), having an installed capacity of up to 148.5 MW. In the Company’s estimation, commercial operation of the Hadera power plant is expected to take place in the fourth quarter of 2019 – this taking into account the delays that occurred in connection completion of the construction and the actions necessary in order to finish the said construction.

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 (transmission, distribution, supply and generation of electricity and, thereafter, also system management), determine tariffs and provide benchmarks for the level, nature and quality of the services that are required from a holder of a “Essential Service Provider” license. 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) and 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.

**OPC Energy Ltd.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**At June 30, 2019**

**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 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 as at and for the year ended December 31, 2018 (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 August 13, 2019.

**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.

**D. Reclassification**

In the statement of financial position as at June 30, 2018, the Company made a reclassification of costs relating to a PRMS (petroleum resources management system) in Hadera from the "long-term prepaid expenses" category to "property, plant and equipment", in the amount of about NIS 27 million, and accordingly it made a corresponding reclassification of the change in those categories in the statement of cash flows for the periods ended on those dates. The impact on the net cash used in investing activities was in the amount of about NIS 15 million.

**OPC Energy Ltd.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**At June 30, 2019**

**Note 3 – Significant Accounting Policies**

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.

**A. Transactions with holders of non-controlling interests**

Transactions with holders of non-controlling interests in subsidiaries while retaining control are accounted for as capital transactions. In these transactions, the difference between any consideration paid and the change to the non-controlling interests is charged directly to the share of the equity attributable to the owners of the Company in a capital reserve from transactions with holders of non-controlling interests.

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

**IFRS 16, Leases**

Commencing from the first quarter of 2019, the Group applies IFRS 16, Leases (hereinafter – “the Standard”), which supersedes International Accounting Standard (IAS) 17 “Leases” 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 Group elected to apply the transitional provision whereby on the initial 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 at the same time it will recognize a “lease usage right” asset in the same amount as the liability, 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 did not have a material impact on the Group's equity on the initial application date.

In addition, as part of application of the Standard, the Group elected to apply the following leniencies:

- (1) To use a single discount rate for a portfolio of leases with similar characteristics.
- (2) Not to include initial direct costs in measurement of the usage right asset on the initial application date.

**Impact of application of the Standard in the period of the report**

As a result of application of the Standard in connection with leases classified as operating leases pursuant to IAS 17, the Group recognized usage right assets and lease liabilities as at January 1, 2019, in the amount of NIS 19,797 thousand. The impact of application of the Standard on the Group's results is not material.

Set forth below are the highlights of the changes in the accounting policies as a result of application of the Standard commencing from January 1, 2019:

**Note 3 – Significant Accounting Policies (Cont.)**

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

**IFRS 16, Leases (Cont.)**

**Impact of application of the Standard in the period of the report (Cont.)**

**1. Determination whether an arrangement includes a lease**

On the date of entering into a lease, the Group determines whether the arrangement is a lease or includes a lease, while examining if the arrangement transfers a right to control use of an identified asset for a period of time in exchange for a payment. When making the evaluation if an arrangement transfers a right to control use of an identified asset, the Group examines whether over the period of the lease it has the following two rights:

- (a) The right to obtain essentially all the economic benefits from use of the identified asset; and
- (b) The right to direct the use of the identified asset.

For lease contracts that include components that are not lease components, such as services or maintenance, which relate to the lease component, the Group elected to treat the contract as separate lease components.

**2. Leased assets and liabilities in respect of a lease**

Contracts that convey to the Group control over use of a lease asset during a period in exchange for consideration are treated as leases. Upon the initial recognition, the Group recognizes a liability in an amount equal to the present value of the future lease payments (these payments do not include certain variable lease payments), and at the same time the Group recognizes a usage right asset in an amount equal to the lease liability, adjusted for lease payments made in advance or accrued, and with the addition of direct expenses incurred in the lease.

Since the interest rate embedded in the Group's leases cannot be easily determined, the Group uses the lessee's incremental interest rate.

Subsequent to the initial recognition, the usage right asset is accounted for using the cost model, and is amortized over the period of the lease or the useful life of the asset – whichever is shorter.

The Group elected to apply the practical leniency whereby short-term leases of up to one year or leases wherein the base asset has a low value, are accounted for in such a manner that the lease fees (the rent) are recorded in the statement of income using the "straight-line" method over the period of the lease, without recognizing a lease asset and/or a lease liability in the statement of financial position.



**Note 3 – Significant Accounting Policies (Cont.)**

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

**IFRS 16, Leases (Cont.)**

Impact of application of the Standard in the period of the report (Cont.)

3. Period of the lease

The period of the lease is determined as the period in which the lease may not be cancelled, together with periods covered by an option to extend or cancel the lease where it is reasonably certain that the lessee will exercise or not exercise the option, respectively.

4. Variable lease payments

Variable lease payments that depend on the CPI are initially measured by use of the CPI existing on the commencement date of the lease and are included in measurement of the lease liability. Where there is a change in the cash flows from the future lease payments deriving from the change in the CPI or exchange rate, the balance of the liability is updated against the usage right asset.

Other variable lease payments that are not included in measurement of the lease liability are recorded in the statement of income on the date the conditions for these payments are fulfilled.

5. Amortization of usage right asset

Subsequent to the commencement date of the lease, a usage right asset is measured using the cost method, less accumulated amortization and accrued losses from decline in value and is adjusted in respect of re-measurements of the liability in respect of the lease. The amortization is calculated on the “straight-line” basis over the useful life or the contractual lease period – whichever is shorter.

- Land – 25 years.
- Offices – 9 years.

**OPC Energy Ltd.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**At June 30, 2019**

**Note 3 – Significant Accounting Policies (Cont.)**

**C. New Standards and Amendments to Standards Not Yet Adopted**

**Amendment to IFRS 3 “Business Combinations” (hereinafter: the “Amendment”)**

The Amendment clarifies whether a transaction to acquire activities is the acquisition of a “business” or an asset. For purposes of this examination, the Amendment added the possibility of utilizing the concentration test so that if substantially all of the fair value of the acquired assets is concentrated in a single identifiable asset or a group of similar identifiable assets, the acquisition will be of an asset. In addition, the minimum requirements for definition as a business have been clarified, such as for example the requirement that the acquired processes be substantive so that in order for it to be a business, the operation shall include at least one input element and one substantive process, which together significantly contribute to the ability to create outputs. Furthermore, the Amendment narrows the reference to the outputs element required in order to meet the definition of a business and examples were added illustrating the aforesaid examination. The Amendment is effective for transactions to acquire an asset or business for which the acquisition date is in annual periods beginning on or after January 1, 2020, with earlier application being permitted. The Group has not yet commenced examining the impacts of application of the Amendment on the financial statements.

**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**

	<b>At June 30, 2019</b>	
	<b>Book Value*</b>	<b>Fair Value</b>
	<b>In Thousands of NIS</b>	
Loans from banks and financial institutions	1,918,227	2,284,207
Debentures	286,745	320,164
	<b>At June 30, 2018</b>	
	<b>Book Value*</b>	<b>Fair Value</b>
	<b>In Thousands of NIS</b>	
Loans from banks and financial institutions	1,836,488	2,090,310
Debentures	304,798	326,216

\* Includes current maturities.

**OPC Energy Ltd.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**At June 30, 2019**

**Note 4 – Financial Instruments (Cont.)**

	At December 31, 2018	
	Book Value*	Fair Value
	In Thousands of NIS	
Loans from banks and financial institutions	1,904,743	2,082,275
Debentures	293,875	303,582

\* Includes current maturities.

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 and risks of changes in the CPI. The 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
June 30, 2019	101.7	3.566	4.062
June 30, 2018	100.2	3.650	4.255
December 31, 2018	100.5	3.748	4.292
<u>Change during the six months ended:</u>			
June 30, 2019	1.2%	(4.9)%	(5.4)%
June 30, 2018	0.9%	5.3%	2.5%
<u>Change during the three months ended:</u>			
June 30, 2019	1.5%	(1.8)%	(0.4)%
June 30, 2018	1.2%	3.9%	(1.7)%
<u>Change during the year ended:</u>			
December 31, 2018	1.2%	8.1%	3.3%

**OPC Energy Ltd.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
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**Note 5 – Additional Information**

- A. Further to that stated in Note 24(A)(6) to the Annual Financial Statements, in January 2019, an outline was determined for expansion of the activities of the Group to which the Company belongs (“the Idan Ofer Group” as defined in the outline) in the area of generation of electricity from an economy-wide business concentration perspective (hereinafter – “the Business Concentration Outline”). The Business Concentration Outline is intended to allow the Business Concentration Committee to revise its opinion regarding provision of a conditional license for generation of electricity to Zomet Energy Ltd. (hereinafter – “Zomet”), and to notify the Electricity Authority that it does not see a preclusion for reasons of economy-wide business concentration to granting the requested license to Zomet, however this being only after compliance with the conditions provided in the Business Concentration Outline, and to permit the Business Concentration Committee to notify the Electricity Authority that it does not see a preclusion for reasons of economy-wide business concentration to allowing the Idan Ofer Group to receive additional licenses in the area of electricity generation up to the scope provided in the sector arrangement. In April 2019, sale of the shares of the Idan Ofer Group (as defined in the Business Concentration Outline) in Media Network Ltd. was completed, which was stipulated as a condition in the Business Concentration Outline.

In April 2019, the conditional license for construction of the power plant for a period of 66 months was delivered to Zomet, this being further to the notification of the Electricity Authority and receipt of the approval of the Minister of National Infrastructures, Energy and Water (hereinafter – “the Minister of Energy”) and after Zomet deposited a guarantee as required, in the amount of about NIS 5 million. The conditional license entered into effect on April 11, 2019 (the date it was signed by the Minister of Energy), and it is conditional on compliance with milestones as provided in the license, including reaching commercial operation within 66 months, as well as additional conditions that are customary in licenses of this type.

Zomet has an option agreement with Kibbutz Netiv HLH for leasing a land area near the Plugot Intersection for 25 years (with an option to extend for an additional 25 years), to be used for construction of the power plant. In order to exercise the said lease option, Kibbutz Netiv HLH is required to obtain the consent of Israel Lands Authority (hereinafter – “ILA”) for issuance of the land and to complete the lease transaction pursuant to the conditions and decisions of the Israel Lands Council with reference to lease of land for employment purposes in the framework of agricultural communities for generation of electricity. The Company was informed by ILA that it appears that there are significant difficulties with respect to the possibility of advancing and approving the employment transaction for purposes of a power plant on the land areas of Kibbutz Netiv HLH, and the Company was requested to present its position. The Company's position is that the transaction may be approved in accordance with the relevant decisions of ILA. As at the date of the report, ILA's decision regarding the matter had not yet been received. It is noted that in order to move forward issuance of building permits for the Zomet project, the signature of ILA is required.

In addition, further to that stated in Note 24(A)(6) to the Annual Financial Statements, in February 2019, the Supreme Court rejected the appeal filed by the City of Kiryat Gat in the Supreme Court.

**OPC Energy Ltd.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
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**Note 5 – Additional Information (Cont.)**

A. (Cont.)

In January 2019, the Company signed an agreement with the holders of the non-controlling interests in Zomet for which 5% of Zomet's share capital is held in trust (hereinafter – "the Sellers"), whereby the Sellers will sell their shares in Zomet to the Company (hereinafter – "the Sale Agreement" and "Shares Being Sold", respectively) in increments, on a number of dates and subject to fulfillment of milestones.

The aggregate consideration to be paid by the Company for the Shares Being Sold is NIS 27 million, and it is to be paid in installments against a proportionate transfer of the Shares Being Sold to the Company on every payment date and subject to fulfillment of the milestones provided in the Sale Agreement. Upon signing of the Sale Agreement, the Company made the first payment, in the amount of NIS 1.5 million. The balance of the consideration is to be paid in two installments (against transfer of the balance of the Shares Being Sold, as stated), subject to fulfillment of the milestones in the Zomet project, where most of the consideration, in the amount of NIS 21 million, is to be paid upon completion of the financial closing (if and when completed). As at the date of the report, the remaining two milestones had not yet been fulfilled.

However, as at the date of the report, the Company included a liability for payment in respect of the second milestone, in the amount of about NIS 4.5 million, since the Company does not have an unconditional right to refrain from transferring money in respect of this milestone. The difference between the consideration in respect of the two (2) first milestones and the decrease in the relative proportion of the non-controlling interests was recorded in a capital reserve in respect transactions with holders of non-controlling interests.

The Zomet project is subject to fulfillment of various conditions and taking of other actions that have not yet been fulfilled, including, among others, assurance of the ability to output electricity from the site, receipt of a connection study, obtaining building permits and completion of a financial closing by the required date. In addition, completion of the Zomet project is subject to completion of a financial closing by the date required by force of Regulation 914, which as at the date of this Report is up to January 1, 2020. The Company is continuing to take action in order to fulfill the conditions along with execution of other activities – this being for purposes of advancing the Zomet project toward a financial closing. The Company estimates that it will meet the conditions required for the completion of the Zomet project, including the completion of the financial closing. However, as some of the conditions are dependent on factors outside the Company's control, there is no certainty as to the completion of the Zomet project.

- B. Further to that stated in Note 24(A)(3) to the Annual Financial Statements, in January 2019, an amendment was signed to credit framework agreement whereby the operation and maintenance of the Rotem Power Plant will be performed by Rotem itself in place of Rotem's operations company as provided in the agreement. As part of the amendment to the agreement, Rotem committed to deposit an additional amount of NIS 4 million in the Owners' Guarantee Fund. Pursuant to the amendment, in February 2019 the corporate guarantee provided by Veridis Power Plants Ltd. (the holder of the non-controlling interests in Rotem) and the Company, in the amount of \$1 million was released. Rotem Operations Company is expected to voluntarily liquidate during 2019.

**OPC Energy Ltd.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
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**Note 5 – Additional Information (Cont.)**

- C. Further to that stated in Notes 9(A) and 25(A) to the Annual Financial Statements, in January 2019 an amendment to the set of agreements between Hadera and Hadera Paper Mills was signed providing that the period of the long-term supply agreement, whereby Hadera will supply electricity and steam exclusively to Hadera Paper Mills, will be 25 years from the date of commercial operation of the Hadera Power Plant, and the indemnity limitation, in the amount of \$2 million, which Hadera is to pay Hadera Paper Mills was removed, such that the indemnification is now unlimited as to amount.
- D. Further to that stated in Note 25(B) to the Annual Financial Statements, in December 2018, the Electricity Authority published a decision regarding update of the tariffs for 2019, whereby the rate of the generation component was raised by 3.3% from NIS 281.6 per MWh to NIS 290.9 per MWh.
- E. Further to that stated in Note 25(J) to the Annual Financial Statements, in January 2019, an amendment to the option agreement with Hadera Paper Mills was signed whereby it was agreed to extend the option period to 2019, and where the amendment provides that notwithstanding that stated in the original option agreement, the Company is to pay Hadera Paper Mills NIS 2.2 million for 2019, and if the Company exercises the option and signs a lease agreement it will pay Hadera Paper on the financial closing date with a financing party with respect to construction of the Hadera Power Plant, an additional amount of NIS 0.8 million. The amendment to the option provides that no other change applies to the option periods in respect of the years 2020–2022 and the payment in respect thereof.
- F. In March 2019, OPC Solar Limited Partnership, which is a wholly-owned limited partnership of the Company (hereinafter – “OPC Solar”) signed a binding memorandum of understanding for sale of all its shares and holdings in Greenday Renewable Energy Ltd. (hereinafter – “Greenday”), through which the Company operated with respect to initiation of projects in the area of electricity generation activities using photovoltaic technology, to Solgreen Ltd. for a consideration of about NIS 2.75 million and for another contingent consideration for success as specified in the MoU.

In May 2019, after receipt of approval of the Supervisor of Economic Competition, the transaction was completed and the amount of NIS 2.75 million was received. The Company expects to receive another consideration in respect of success fee, estimated at NIS 1.4 million.

Accordingly, the Company included a gain from sale of Greenday, in the amount of about NIS 1.8 million, which was recorded in the statement of income in the “other income” category.

- G. Further to that stated in Note 23(D) to the Annual Financial Statements, in February 2019, the amount of the guarantees to Israel Electric Company, as required as part of Rotem’s electricity purchase agreement, as described in Note 27(C) to the Annual Financial Statements, were updated to NIS 90 million (linked to the CPI).

**OPC Energy Ltd.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**At June 30, 2019**

**Note 5 – Additional Information (Cont.)**

- H. In February 2019, the Rating Committee of Midroog Ltd. updated Rotem's long-term rating to Aa2 with a stable rating outlook and updated the rating of Rotem's senior debt at Aa2 from a positive rating outlook to a stable rating outlook.
- I. In March 2019, Rotem declared distribution of a dividend in the amount of NIS 88 million. The share of the Company and of the holder of the non-controlling interests in the dividend is NIS 70.4 million and NIS 17.6 million, respectively. The dividend was paid in April 2019.
- J. In March 2019, the Company declared distribution of a dividend, in the amount of NIS 36 million. The dividend was paid in April 2019.
- K. Further to that stated in Note 25D to the annual financial statements, in accordance with the notification provided by the construction contractor of the Hadera Power Plant, the completion date of the Hadera Power Plant is expected to be delayed beyond the third quarter of 2019. In light of that stated, the Company estimates that the commercial operation date of the Hadera Power Plant is expected to take place in the fourth quarter of 2019. Accordingly, and in accordance with the agreement with the construction contractor, in the statement of financial position as at June 30, 2019, Hadera recognized an asset (amount) receivable in respect of agreed compensation from the construction contractor due to the said delay, in the amount of about NIS 22 million – this being against a reduction of the "property, plant and equipment" category.
- L. Further to that stated in Note 25A(2) to the annual financial statements, in light of the delay in the commercial operation date of the Hadera Power Plant, as stated above, the Company will be required to pay compensation to customers. As at June 30, 2019, the compensation to customers amounted to about NIS 3 million, of which an insignificant amount was paid in the period of the report. Pursuant to the provisions of IFRS 15 relating to "contingent consideration", on the date of payment of compensation to customers, the Company recognizes "long-term prepaid expenses" that are amortized over the period of the contract, commencing from the commercial operation date of the Hadera Power Plant, against a reduction of "revenues from contracts with customers".
- M. In May and June 2019, the Company's Board of Directors and the General Meeting of the Company's shareholders approved the service and employment conditions of Mr. Avisar Paz as the Chairman of the Company's Board of Directors, including, among other things, allotment of 352,424 options (hereinafter – "the Options"). On June 23, 2019, approval of the Stock Exchange was received to register 352,424 shares for trading that will derive from exercise of the Options and the Options were allotted to Mr. Paz, subsequent to the date of the report, on July 1, 2019. The Options are non-marketable and each Option is exercisable for one ordinary share of the Company, and in total 352,424 ordinary shares of the Company of NIS 0.01 par value each. The Options were granted in accordance with the Company's options' plan (for details – see Note 17B to the annual financial statements) and under the Capital Track (with a trustee) pursuant to Section 102 of the Income Tax Ordinance, in four equal tranches. The vesting conditions and expiration dates are as follows:

**OPC Energy Ltd.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**At June 30, 2019**

**Note 5 – Additional Information (Cont.)**

M. (Cont.)

Tranche No.	Vesting Conditions	Expiration Date
Tranche 1	At the end of 12 months from the grant date	At the end of 36 months from the vesting date
Tranche 2	At the end of 24 months from the grant date	At the end of 24 months from the vesting date
Tranche 3	At the end of 36 months from the grant date	At the end of 24 months from the vesting date
Tranche 4	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 granted will be NIS 22.80 (unlinked). The exercise price is subject to certain adjustments (including in respect of distribution of dividends, issuance of rights, etc.).

The average fair value of the options on the approval date of the grant by the Board of Directors, using the Black and Scholes Model is NIS 5.67 per option. The calculation is based on a monthly standard deviation of 21.0%–21.6%, a risk-free annual interest rate for the period of 1.04% to 1.44%, an expected life of 4 to 6 years, and the price of a Company share on May 12, 2019 of NIS 24.24.

The cost of the benefit embedded in the options, which is based on the fair value on the date of their grant amounted to about NIS 2 million. This amount will be recorded in the statement of income over the vesting period of each tranche, commencing from July 1, 2019.

- N. In June 2019, the Company issued 5,179,147 of the Company's ordinary shares of NIS 0.01 par value each to three institutional entities based on a price per share of NIS 23.17 per share (the share price on the Stock Exchange at the end of the trading day preceding the issuance). The proceeds of the issuance, in the amount of about NIS 120 million, less the issuance costs in the amount of about NIS 1.6 million, was recorded to equity.
- O. On June 12, 2019, the Group entered into a hedge agreement with Bank Hapoalim Ltd. for hedge of 80% of the exposure to the CPI with respect to the principal of loans from financial institutions, in exchange for payment of additional interest of between 1.70% and 1.76%. The Group chose to designate these CPI Transactions as an "accounting hedge".
- P. In June 2019, in connection with a purchase bid as part of the tender for sale of the Alon Tavor Power Plant, which was published by Israel Electric Company (hereinafter – "the Tender"), the Company provided a financial guarantee linked to the CPI that is valid up to June 2020, in the amount of about NIS 30 million. Subsequent to the date of the report, in July 2019, the Company was informed that it was declared "Second Qualifier" pursuant to the Tender documents.



**OPC Energy Ltd.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
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**Note 6 – Events Occurring Subsequent to the Date of the Statement of Financial Position**

- A. Further to that stated in Note 25(G) to the Annual Financial Statements, in July 2019, the arbitration decision was received, which rejected all the contentions of Tamar Partners against Rotem, and also ruled that Tamar Partners is to pay Rotem a reimbursement of expenses, in the amount of about £3.3 million (about NIS 15 million), and a payment in respect of supplementation of the interest on the deposit in trust to Libor + 2%, amounting to about NIS 4 million. These receipts will be recorded in the statement of income for the third quarter of 2019.
- B. In July 2019, a rating of A- was reconfirmed and the rating outlook was updated from “stable” to “positive” for the Company and a rating of A- for the Company’s debentures (Series A) by Maalot. In addition, in August 2019 a rating of A3 was reconfirmed and the rating outlook was updated to a positive rating outlook by Maalot for the debentures (Series A).
- C. Further to that stated in Note 17B to the annual financial statements, in July 2019, the Company issued 55,289 of the Company’s ordinary shares of NIS 0.01 par value each, to seven managers and officers in the Group, in light of the vesting of the first tranche of the RSUs (Restricted Share Units), which were granted to them as part of the equity remuneration plan for Company employees.