
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

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

October 27, 2019

Commission File Number 001-36761

Kenon Holdings Ltd.

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

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

Form 20-F ☒ Form 40-F ☐

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

Yes ☐ No ☒

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

EXHIBIT 99.2 TO THIS REPORT ON FORM 6-K IS 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.

CONTENTS

Periodic Report of OPC Energy Ltd. for the Nine Months and Three Months Ended September 30, 2019

On October 27, 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 September 30, 2019 (“**OPC’s Periodic Report**”). English convenience translations of the (i) Report of the Board of Directors regarding the Company’s Matters for the Nine-Month and Three-Month Periods ended September 30, 2019 and (ii) Condensed Consolidated Interim Financial Statements at September 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 that OPC expects to comply with the project preconditions and statements with respect to expected financing for the project and the payment of the remaining consideration), OPC's business strategy, including OPC's plans with respect to development projects, including timing for completion, expected COD dates, timing of completion of test-running and impact of delays, including expected impact on the total cost of the projects, its plans and expectations regarding regulatory clearances and approvals for its projects, and the technologies intended to be used thereto, statements relating to disputes and/or regulatory proceedings, 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 or other approvals for its projects, OPC may fail to develop or complete its projects or any other planned transactions, including dispositions or acquisitions, as planned or at all, risks relating to disputes and regulatory risks and risks relating to regulatory proceedings, changes to the EA tariffs and their effect on OPC's results and business strategy, and other risks and factors, including those risks set forth under the heading “Risk Factors” in Kenon's Annual Report on Form 20-F filed with the SEC and other filings. Except as required by law, Kenon undertakes no obligation to update these forward-looking statements, whether as a result of new information, future events, or otherwise.

Exhibits

- 99.1 OPC Energy Ltd. – Periodic Report for the three months ended September 30, 2019— Report of the Board of Directors regarding the Company’s Matters for the Nine-Month and Three-Month Periods ended September 30, 2019, as published on October 27, 2019 with the Israeli Securities Authority and Tel Aviv Stock Exchange*
- 99.2 OPC Energy Ltd. – Periodic Report for the three months ended September 30, 2019— Condensed Consolidated Interim Financial Statements at September 30, 2019, as published on October 27, 2019 with the Israeli Securities Authority and Tel Aviv Stock Exchange*

*English convenience translation from Hebrew original document.

SIGNATURES

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

KENON HOLDINGS LTD.

Date: October 27, 2019

By: /s/ Robert L. Rosen

Name: Robert L. Rosen

Title: Chief Executive Officer

OPC ENERGY LTD.

Report of the Board of Directors regarding the Company's Matters for the Nine-Month and Three-Month Periods Ended September 30, 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 together – “the Group”), as at September 30, 2019 and for the nine-month and three-month periods then ended, in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970 (hereinafter – “the Reporting Regulations”).

The nine-month period ended September 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 September 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 September 30, 2019 (hereinafter – “the Interim Statements”) and Update of the Description of the Company's Business as at September 30, 2019, and on the assumption that this report is read together with all sections of the said reports, which are included herein by means of reference. 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 Reporting Regulations.

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.

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 trading 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. 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, 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, its areas of activity development of its business

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”) (ownership of 80%) and an additional shareholder (ownership of 20%)¹, 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 in the test-run stages 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. 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).

¹ 20% of the share capital of Rotem is held by Veridis Power Plants Ltd. For details regarding contacts regarding a transaction with respect to the holdings of Veridis in Rotem, including an update provided by the Company in September 2019 – see Section 2 of the Description of the Company's Business as at September 30, 2019.

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.)

As at September 30, 2019, the investment in the power plant being constructed by Hadera ("the Hadera Power Plant"), the Energy Center and Hadera's infrastructures, amounted to about NIS 853 million. As at the date of the report, construction of the Hadera Power Plant has been completed and it is currently in the test-run stage, which is expected to continue during the fourth quarter of 2019 and up to the end of January 2020 – this taking into account the delays that occurred due to defective components discovered and the actions required in order to complete the test-run stage². In light of that stated, the Company estimates that the commercial operation date of the Hadera Power Plant is expected to take place during the first quarter of 2020³. 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 Regulations⁴, and it was agreed with the lenders in the Hadera Loan Agreement (as this term is defined in the Periodic Report) to extend the final 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 delivery (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^{5 6}. For additional details – see Note 5L to the interim financial statements.

² See Sections 3, 8.2.4, 8.5.1.2, 8.14, 8.18 and 19.3.10 of Part A of the Periodic Report for 2018 for details regarding delays that occurred during the construction period of the Hadera Power Plant, and that stated in Section 4 of the Company's report for the second quarter of 2019 as published on August 14, 2019 (Reference No.: 2019-01-069849). 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 defective components were replaced and the required treatments and actions are being carried out.

³ For details regarding the arrangements provided in the agreements of Hadera with its customers in connection with delays in the operation date as provided in the said agreements, including provision of a discount by the Company during the delay period – see Section 8.1.5.2 of Part A to the Periodic Report for 2018.

⁴ 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.

⁵ See the sections referred to in footnote 2 above of the Periodic Report for 2018.

⁶ It is hereby emphasized that that stated above, including regarding the Company's estimates with respect to 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, 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 first quarter of 2020 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 test-run 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 of 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 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 conventional technology in an open cycle ("the Pikrit Station") having a capacity of about 396 megawatts located proximate to the Plugot intersection. In January 2019, the Company signed an agreement with the private shareholders of Zomet, for which 5% of the shares are held ("the Sellers")⁷, 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.

Further to that stated in Section 2.3.1 of the Periodic Report for 2018, 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.

For details in connection with the said economy-wide arrangement – see Section 7.8.4 of the Periodic Report for 2018. In April 2019, the 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 below a conditional license was issued to Zomet for construction of the power plant.

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 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.

The Zomet Project, which Zomet is advancing in the framework of Regulation 914, is subject to fulfillment of various conditions, including assurance of the ability to output electricity from the project site and maintaining a position in the network on the date required for execution of the project (hereinafter – "a Connection Study"), receipt of building permits for the project and completion of the land issuance processes (see Sections 11 and 12 to the Update of the Description of the Company's Business as at September 30, 2019) and completion of a financial closing by the date required for purposes of Regulation 914, namely, up to January 1, 2020 (see Sections 2.3.1 and 8.2.1 of the Periodic Report for 2018).

⁷ 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.)

In September 2019, Zomet received the results of a connection study performed by the System Administrator. The connection study includes a limitation on output of the power station's full capacity to the network beyond a limited number of hours per year, up to completion of system projects, the completion of which is expected to take place at the end of 2023. In the Company's estimate, the connection study received, as stated, despite the limitation provided therein, permits compliance with the condition with respect to the connection study and execution of a financial closing for purposes of Regulation 914. Nonetheless, a decision regarding the significance of the study, including for purposes of compliance with the condition of Regulation 914, is to be made by the Electricity Authority, and as at the date of the report such decision had not yet been received. Regarding the option agreement for lease of land and approval of an addition to the amount of the investment required in order to advance the Zomet project to a point that will enable a financial closing – see Sections 11 and 12 to the Update of the Description of the Company's Business as at September 30, 2019.

In addition, for further details – see Note 5A to the interim financial statements.

As at the date of this report, in the Company's estimation it is expected that the Company will comply with the conditions required for completion of the financial closing of the Zomet project, including compliance with the connection study and receipt of the building permits for the Zomet project by January 1, 2020 in order to comply with the conditions of Regulation 914. Nonetheless, since some of the conditions for completion of a financial closing for the project, which have not yet been fulfilled, are dependent on factors that are not under the Company's control, uncertainty exists as to whether the Zomet project will ultimately 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, Sections 1 and 11 to the Update of the Description of the Company's Business as at September 30, 2019, Note 24A.6 to the Consolidated Financial Statements and Note 5A to the interim financial statements.

That stated in this report regarding the Company's estimate that it is expected that it will comply with the conditions required for completion of the Zomet project, including, the financial closing for purposes of Regulation 914, and the Company's estimate that the connection study received will permit compliance with the conditions required for purposes of a financial closing, as stated above, includes "forward-looking" information as defined in the Securities Law, which is based on the Company's estimates as at the date of the report, taking into account, among other things, the contacts being carried on with the relevant parties, and regarding which there is no certainty it will be realized. Ultimately, the Company's estimates may not be realized, due to, among other things, non-receipt of building permits, non-completion of issuance of the land, a determination by the Electricity Authority that the connection study does not comply with the conditions for purposes of Regulation 914, non-compliance with any of the other conditions required for a financial closing for purposes of Regulation 914, full utilization of the quota provided by Regulation 914 by other parties or non-completion of a financial closing by the date required for purposes of Regulation 914. Non-completion of the Zomet project, as stated, could have an unfavorable impact on the Company's activities and results.

In June 2019, a wholly-owned (100%) special purpose company (SPC) of the Company, OPC Alon Tabur Ltd., submitted a purchase bid as part of the tender for sale of the Alon Tabur Power Plant, which was published by Israel Electric Company (hereinafter – "the Tender"). In July 2019, the Company was informed that it was declared "Second Qualifier" pursuant to the Tender documents. For additional details – see Section 8 to the Update of the Description of the Company's Business as at September 30, 2019 and Note 5P to the interim financial statements. 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.

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

OPC Energy Ltd.
Report of the Board of Directors

1. General (Cont.)

Further to 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), from March 2019 as stated in Section 2.3.2 to the Periodic Report for 2018. 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 total 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 statements⁸. 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 September 30, 2019.

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. For additional details – see Note 5N to the interim financial statements.

In September 2019, the Company issued an additional 5,849,093 of the Company's ordinary shares of NIS 0.01 par value each (hereinafter – “the Additional Allotted Shares”) to four institutional entities. The price of the Additional Allotted Shares for each of the offerees was NIS 26.5 per share (the share price was determined by means of negotiations between the Company and the offerees). The proceeds received from the issuance (gross) amounted to about NIS 155 million. For additional details – see Note 5N to the interim financial statements.

In July 2019, 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 in accordance with its determination the Tamar Group paid Rotem expenses in connection with the above-mentioned and arbitration and Rotem received the amount it deposited in trust in respect of the dispute that is the subject of the above-mentioned arbitration. For details – see Note 5Q to the interim financial statements.

For details regarding a proposed decision for hearing – Variances from Consumption Plans – Amendment to Standards 1, 57, 58, 59 and 91, published by the Electricity Authority on August 7, 2019 – see Section of the Description of the Company's Business as at September 30, 2019.

For details regarding commercial agreements the Company reached with a number of electricity consumers (hereinafter in the this paragraph – “the Customers”), who submitted offers in the aggregate amount of 65 megawatts in a tender of the Electricity Authority for construction of small power plants generating electricity through natural gas and that are connected to the distribution network – see Section 5 to the Update of the Description of the Company's Business as at September 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.

⁸ It is emphasized that the total maximum consideration expected for the Company from the transaction described and the expected profit from the said 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 September 30, 2019 (in thousands of NIS)

Category	9/30/2019	12/31/2018	Analysis
Current Assets			
Cash and cash equivalents	625,448	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 412 million, the net proceeds from issuance of the Company's shares, in the amount of about NIS 272 million, and release of restricted cash as part of the decision in the Tamar arbitration, in the amount of about NIS 81 million (including interest).</p> <p>This increase was partly offset by short-term deposits made, in the amount of about NIS 144 million, deposits in long-term restricted cash, net, in the amount of about NIS 67 million (mainly in respect of the debt service fund and the "owners' guarantee reserve" in Rotem and provision of collateral for index transactions), current debt payments in Rotem, in the amount of about NIS 90 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 44 million, investments in property, plant and equipment in Rotem, in the amount of about NIS 30 million, repayment of debentures (Series A) (including interest), in the amount of about NIS 14 million, investments in the Zomet project, in the amount of about NIS 15 million, and payments in respect of CPI transactions, in the amount of about NIS 6 million).</p> <p>For further information – see the Company's condensed consolidated statements of cash flows for the nine-month period ended September 30, 2019 included in the Interim Reports.</p>
Short-term deposits and restricted cash	248,998	186,954	<p>Most of the increase stems from short-term deposits made, in the amount of about NIS 144 million. This increase was partly offset by release of a restricted deposit as part of the decision in the Tamar arbitration, in the amount of about NIS 77 million, and a decrease resulting from exchange rate differences relating to dollar deposits, in the amount of about NIS 6 million.</p>
Trade receivables and accrued income	119,316	132,273	<p>Most of the decline stems from the seasonal factor with respect to the sales, in the amount of about NIS 22 million. This decline was partly offset by an increase in the balances due from Israel Electric Company, in the amount of about NIS 9 million.</p>
Receivables and debit balances	58,112	38,522	<p>Most of the increase stems from a balance due from the Hadera construction contractor, in the amount of about NIS 35 million, and from a balance receivable from Israel Natural Gas Lines Ltd., in the amount of about NIS 2 million. This increase was partly offset by a decline in the balance of Value Added Tax (VAT) receivable, in the amount of about NIS 18 million.</p>
Short-term derivative financial instruments	–	2,721	<p>As at December 31, 2018, includes mainly forward transactions that were paid during the period of the report.</p>
Total current assets	1,051,874	690,420	

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 September 30, 2019 (in thousands of NIS) (Cont.)

Category	9/30/2019	12/31/2018	Analysis
Non-Current Assets			
Long-term deposits and restricted cash	248,963	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 28 million, an additional deposit in "owners' guarantee reserve" in Rotem, in the amount of about NIS 14 million, provision of collaterals in respect of hedging transactions, 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	90,025	88,351	The increase stems from investments in infrastructures in Hadera, in the amount of NIS 5 million, which are classified as "long-term prepaid expenses". This increase was offset by current amortization of long-term prepaid expenses of Rotem, in the amount of NIS 3 million.
Deferred tax assets, net	4,116	2,369	The increase stems from timing differences relating to amortization of the Energy Center and revaluation of a financial derivative in Hadera.
Long-term derivative financial instruments	8,683	–	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	2,388,593	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 81 million, and use of diesel oil in Rotem, in the amount of about NIS 3 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 29 million, an investment in the Zomet project, in the amount of about NIS 15 million and additions to the property, plant and equipment in Rotem, in the amount of about NIS 5 million.
Usage right asset	18,595	–	The increase derives from the first-time application of IFRS 16, commencing from January 1, 2019. For additional details – see Note 3B to the interim financial statements.
Intangible assets	4,430	4,894	
Total non-current assets	2,763,405	2,700,313	
Total assets	3,815,279	3,390,733	

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 September 30, 2019 (in thousands of NIS) (Cont.)

Category	9/30/2019	12/31/2018	Analysis
Current Liabilities			
Current maturities of loans from banks and others	139,182	86,576	<p>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 102 million.</p> <p>The increase was partly offset by repayment of the senior debt in Rotem, in the amount of about NIS 43 million, and repayment of debentures (Series A) of the Company, in the amount of about NIS 7 million.</p>
Trade payables	214,052	177,268	<p>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 53 million, mostly due to the payment date being subsequent to the date of the report.</p> <p>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 6 million.</p>
Dividend payable	30,000	–	The amount represents the share of the holders of the non-controlling interests in the dividend declared by Rotem in September 2019 and paid in October 2019. For additional details – see Note 5I to the interim financial statements.
Payables and other credit balances	52,144	24,049	Most of the increase derives from an increase in the amount payable to the Value Added Tax (VAT) Authority, in the amount of about NIS 14 million, an increase in accrued expenses, in the amount of about NIS 5 million, the balance payable relating to acquisition of shares of Zomet, in the amount of about NIS 5 million, and the balance of the interest payable, in the amount of about NIS 4 million.
Derivative financial instruments	22,845	–	This category represents the fair value of a financial hedging instrument. For additional details – see Note 5P to the interim financial statements.
Current maturities of long-term liabilities in respect of a lease	2,389	–	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.
Total current liabilities	460,612	291,562	

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 September 30, 2019 (in thousands of NIS) (Cont.)

Category	9/30/2019	12/31/2018	Analysis
Non-Current Liabilities			
Long-term loans from banks and others	1,770,601	1,829,287	Most of the decrease stems from update of the current maturities of the loans, in the amount of about NIS 87 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 23 million, which were accrued to the principal, and linkage differences of the senior debt of Rotem, in the amount of about NIS 6 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	16,237	–	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.
Employee benefits	177	177	
Liabilities for deferred taxes, net	268,450	228,540	The increase stems from update of the deferred taxes as a result of the income for the period.
Total non-current liabilities	2,323,058	2,340,887	
Total liabilities	2,783,670	2,632,449	

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

Category	For the Nine Months Ended		Analysis
	9/30/2019	9/30/2018	
Sales	1,017,919	992,677	For detail regarding the change in the sales – see Section 6, below.
Cost of sales (net of depreciation and amortization)	697,566	669,335	For detail regarding the change in the cost of sales – see Section 7, below.
Depreciation and amortization	82,047	81,738	
Gross profit	238,306	241,604	
Administrative and general expenses	44,134	37,264	Most of the increase derives from an increase in business development expenses, in the amount of about NIS 3 million, an increase in the costs of salaries and wages, in the amount of about NIS 3 million, and an increase in computer services, in the amount of about NIS 1 million.
Other income, net	20,598	3,044	The other income in 2019 stems from reimbursement of legal expenses stemming from the decision in the Tamar arbitration, in the amount of about NIS 14 million (for additional details see Note 5Q to the interim statements), income from the sale of gas, in the net amount of about NIS 5 million and gain on sale of a subsidiary, in the amount of about NIS 2 million (for additional details see Note 5F to the interim statements). In 2018, the other income represents income from the sale of gas, net, in the amount of about NIS 3 million.
Operating income	214,770	207,384	
Financing expenses, net	72,063	73,102	Most of the decrease stems from higher interest income on deposits, in the amount of about NIS 5 million, mainly due to indemnification of the Company for lost interest income as part of the decision in the Tamar arbitration – for additional details see Note 5Q to the interim statements. In addition, there was a decrease deriving from linkage of the senior debt in Rotem to the CPI, in the amount of about NIS 4 million (including the results of the hedge in respect of linkage), and 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. On the other hand, there was an increase stemming 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 dollar deposits and financial derivatives.
Income before taxes on income	142,707	134,282	
Taxes on income	39,267	36,141	The increase derives from higher income in the first nine months of 2019 compared with the corresponding period last year.
Income for the period	103,440	98,141	

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 nine-month and three-month periods ended September 30, 2019 (in thousands of NIS) (Cont.)

Category	For the Three Months Ended		Analysis
	9/30/2019	9/30/2018	
Sales	359,305	341,876	For detail regarding the change in the sales – see Section 6, below.
Cost of sales (net of depreciation and amortization)	243,334	223,082	For detail regarding the change in the cost of sales – see Section 7, below.
Depreciation and amortization	27,806	28,788	
Gross profit	88,165	90,006	
Administrative and general expenses	12,606	13,185	Most of the decrease derives from lower expenses for legal and professional services, in the amount of about NIS 2 million, and a decrease in contributions, in the amount of about NIS 1 million, which were paid in the third quarter of 2018 as opposed to in the second quarter of 2019. The decrease was partly offset by an increase in business development expenses, in the amount of about NIS 2 million.
Other income, net	16,115	962	The other income in the third quarter of 2019 stems from reimbursement of legal expenses stemming from the decision in the Tamar arbitration, in the amount of about NIS 14 million (for additional details see Note 5Q to the interim statements), and income from the sale of gas, in the net amount of about NIS 2 million. In the third quarter of 2018, the other income represents income from the sale of gas, net, in the amount of about NIS 1 million.
Operating income	91,674	77,783	
Financing expenses, net	18,786	24,985	Most of the decrease stems from higher interest income on deposits, in the amount of about NIS 5 million, mainly due to indemnification of the Company for lost interest income as part of the decision in the Tamar arbitration – for additional details see Note 5Q 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.
Income before taxes on income	72,888	52,798	
Taxes on income	21,207	13,574	The increase derives from higher income in the third quarter of 2019 compared with the corresponding quarter last year.
Income for the period	51,681	39,224	

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 and depreciation.

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

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

Calculation of the EBITDA (in thousands of NIS):

	For the		For the	
	Nine Months Ended		Three Months Ended	
	September 30		September 30	
	2019	2018	2019	2018
Sales	1,017,919	992,677	359,305	341,876
Cost of sales (less depreciation and amortization)	(697,566)	(669,335)	(243,334)	(223,082)
Administrative and general expenses (less depreciation and amortization)	(42,258)	(36,482)	(11,689)	(12,895)
Other income	20,598	3,044	16,115	962
EBITDA	298,693	289,904	120,397	106,861
Less non-recurring income ⁹	(14,237)	(11,661)	(14,237)	(11,661)
EBITDA less non-recurring income	284,456	278,243	106,160	95,200

⁹ The non-recurring income in the nine-month and three-month periods ended September 30, 2019 and 2018 constitutes reimbursement of legal expenses as part of the decision in the Tamar arbitration (for additional details – see Note 5Q to the interim statements) and reimbursements for Israel Electric Company (for additional details – see Note 25C to the Periodic Report), respectively.

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 Nine Months Ended September 30		For the Three Months Ended September 30	
	2019	2018	2019	2018
Sales to private customers	2,982	2,915	991	942
Sales to the System Administrator	<u>54</u>	<u>70</u>	<u>6</u>	<u>23</u>
Total sales	<u>3,036</u>	<u>2,985</u>	<u>997</u>	<u>965</u>

	For the Nine Months Ended September 30		For the Three Months Ended September 30	
	2019	2018	2019	2018
Generation of electricity	2,829	2,808	897	878
Purchase of electricity from the System Administrator	<u>207</u>	<u>177</u>	<u>100</u>	<u>87</u>
Total generation of electricity and purchases from the System Administrator	<u>3,036</u>	<u>2,985</u>	<u>997</u>	<u>965</u>

	For the Nine Months Ended September 30			
	2019		2018	
	Electricity availability (%)	Net generation (KW hours)	Electricity availability (%)	Net generation (KW hours)
Rotem	98.0%	2,766	98.0%	2,746
Hadera	94.4%	63	97.0%	62

	For the Three Months Ended September 30			
	2019		2018	
	Electricity availability (%)	Net generation (KW hours)	Electricity availability (%)	Net generation (KW hours)
Rotem	94.8%	876	93.0%	858
Hadera	99.0%	21	99.0%	20

	For the Nine Months Ended September 30		For the Three Months Ended September 30	
	2019	2018	2019	2018
	In Thousands of Tons			
Generation of steam	<u>574</u>	<u>555</u>	<u>186</u>	<u>182</u>

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):

	For the Nine Months Ended September 30		For the Three Months Ended September 30	
	2019	2018	2019	2018
Revenues from sale of energy generated to private customers (1)	702,589	672,003	239,356	224,605
Revenues from sale of energy purchased to private customers (2)	56,122	46,998	31,210	24,723
Revenues from private customers in respect of infrastructures services (3)	207,285	222,876	73,250	75,791
Revenues from sale of energy to the System Administrator (4)	6,300	8,095	678	2,756
Revenues from sale of steam (5)	45,623	42,705	14,811	14,001
Total revenues	1,017,919	992,677	359,305	341,876

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 nine-month periods ended September 30, 2019 and 2018:

- (1) Most of the increase stems from an increase in the generation component tariff, in the amount of about NIS 24 million, and higher consumption by the customers, in the amount of about NIS 7 million.
- (2) Most of the increase stems from an increase stems from higher consumption by the customers, in the amount of about NIS 7 million, and an increase in the generation tariff, in the amount of about NIS 2 million.
- (3) Most of the decrease stems from a decline in the infrastructure tariffs in 2019, in the amount of about NIS 21 million, which was partly offset by an increase of about NIS 6 million as a result of higher sales of energy generated.
- (4) Most of the decrease stems from a decrease in the sales of energy to the System Administrator, in the amount of about NIS 2 million.
- (5) Most of the increase stems from an increase in the quantity of the customer consumption, in the amount of about NIS 2 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 September 30, 2019 and 2018:

- (1) Most of the increase stems from an increase in the generation component tariff, in the amount of about NIS 8 million, along with an increase in the total consumption by the customers, in the amount of about NIS 7 million.
- (2) Most of the increase stems from an increase in consumption by the customers, in the amount of about NIS 5 million, and an increase in the generation tariff, in the amount of about NIS 1 million.
- (3) Most of the decrease stems from a decrease in the infrastructure tariffs in 2019, in the amount of about NIS 6 million, which was partly offset by an increase of about NIS 4 million as a result of higher sales of energy.
- (4) Most of the decrease stems from a decrease in the sale of energy sold to the System Administrator, in the amount of about NIS 1 million.
- (5) Most of the increase stems 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 Nine Months Ended September 30		For the Three Months Ended September 30	
	2019	2018	2019	2018
Gas and diesel fuel (1)	367,827	343,992	117,078	105,744
Expenses to IEC for infrastructure services and purchase of electricity (2)	263,407	268,683	104,460	99,323
Gas transmission costs (3)	23,963	20,543	7,961	6,827
Operating expenses (4)	42,369	36,117	13,835	11,188
Total cost of sales (net of depreciation and amortization)	697,566	669,335	243,334	223,082
	For the Nine Months Ended September 30		For the Three Months Ended September 30	
	2019	2018	2019	2018
Gas consumption (MMBTU)	20,709,657	20,464,779	6,639,767	6,523,658
Average gas price (in dollars)	4.808	4.705	4.853	4.702

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 nine-month periods ended September 30, 2019 and 2018:

- (1) Most of the increase stems from an increase in the price of gas, in the amount of about NIS 9 million, mainly as a result of an increase in the generation component, a reimbursement from Israel Electric Company in 2018 for diesel oil costs relating to prior years, in the amount of about NIS 8 million, and an increase in the quantities of gas and diesel oil consumed (as a result of an increase in total amount generated), in the amount of about NIS 7 million.
- (2) Most of the decrease stems from a decrease in the infrastructure tariffs in 2019, in the amount of about NIS 21 million. This decrease was partly offset by an increase of about NIS 6 million as a result of higher sales of energy generated and an increase in the total purchases of electricity from Israel Electric Company for private customers, in the amount of about NIS 10 million.
- (3) Most of the increase 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.
- (4) Most of the increase stems from preparations and recruitment of personnel in contemplation of commercial operation of Hadera Power Plant, in the amount of about NIS 3 million, and from a refund that was received from Israel Electric Company in 2018 with respect to an insurance premium relating prior years, in the amount of about NIS 3 million.

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

- (1) Most of the increase stems from an increase in the price of gas, in the amount of about NIS 3 million, mainly due to an increase in the generation component, and a reimbursement from Israel Electric Company in the third quarter of 2018 for diesel oil costs relating to prior years, in the amount of about NIS 8 million.
- (2) Most of the increase stems from an increase in the total purchases of electricity from Israel Electric Company for private customers, in the amount of about NIS 7 million, and higher energy sales, in the amount of about NIS 4 million. On the other hand, there was 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.
- (3) Most of the increase 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.
- (4) Most of the increase stems from a refund, in the amount of about NIS 3 million, which was received from Israel Electric Company in the third quarter of 2018, with respect to an insurance premium relating prior years.

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 Nine Months Ended		Analysis
	9/30/2019	9/30/2018	
Cash flows provided by operating activities	411,655	307,259	Most of the increase stems from an increase in the working capital, in the amount of about NIS 75 million (mainly as a result of higher collections and lower gas payments in 2019 due to timing differences) and an increase in current operating activities, in the amount of about NIS 30 million.
Cash flows used in investing activities	(219,378)	(264,804)	<p>Most of the decrease derives from higher investments in Hadera, in the amount of about NIS 95 million, in 2018, and release of restricted cash due to the decision in the Tamar arbitration, in the amount of about NIS 81 million (including interest).</p> <p>The decrease was partly offset by an increase in deposits in restricted cash, in the net amount of about NIS 75 million, mainly due to update of a debt service fund and an owners' guarantee reserve in Rotem, and provision of collateral for index transactions, an increase in short-term deposits, in the amount of about NIS 44 million, and higher purchases of diesel oil in Rotem, in the amount of about NIS 11 million, owing to a higher use of diesel oil during the period, in accordance with the directive of the System Administrator.</p>
Cash flows provided by (used in) financing activities	105,604	(83,209)	<p>Most of the increase stems from the proceeds from issuance of the Company's shares, in the amount of about NIS 272 million. In addition, in 2018 repayment of the senior debt in Rotem (including interest) was about NIS 19 million higher, and repayment of the Company's debentures (Series A) (including interest) was about NIS 14 million higher, the debt of Zomet was repaid, in the amount of about NIS 17 million, and a higher dividend was distributed to the holders of the non-controlling interests, in the amount of about NIS 11 million.</p> <p>On the other hand, in 2019, no withdrawals were made from the financing agreement framework for the Hadera project, compared with withdrawals of about NIS 102 million in the corresponding period last year. In addition, during the period the Company distributed a dividend to the Company's shareholders, in the amount of about NIS 36 million, and payments were made in respect of CPI transactions, in the amount of about NIS 6 million (for additional details – see Note 5O to the interim statements).</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
	9/30/2019	9/30/2018	
Cash flows provided by operating activities	146,533	74,547	Most of the increase stems from an increase in the working capital, in the amount of about NIS 53 million (mainly due to higher collections in 2019 as a result of timing differences) and an increase in current operating activities, in the amount of about NIS 19 million.
Cash flows used in investing activities	(6,824)	(126,341)	<p>Most of the decrease derives from release of restricted cash, in the amount of about NIS 81 million (including interest), due to the decision in the Tamar arbitration and a decrease in short-term deposits, in the net amount of about NIS 50 million. In addition, there was a decrease in investments in property, plant and equipment in Hadera, in the amount of about NIS 15 million.</p> <p>The decrease was partly offset by deposits in restricted cash, in the net amount of about NIS 27 million, mainly due to update of a debt service fund and provision of collateral in respect of CPI transactions.</p>
Cash flows provided by financing activities	109,155	34,207	<p>Most of the increase stems from the proceeds from issuance of the Company's shares, in the amount of about NIS 153 million, in the third quarter of 2019. In addition, in the third quarter of 2018, a dividend was distributed to the holders of the non-controlling interests, in the amount of about NIS 8 million.</p> <p>On the other hand, during the third quarter of 2019, no withdrawals were made from the financing agreement framework for the Hadera project, compared with withdrawals of about NIS 80 million in the corresponding quarter last year. In addition, during the third quarter of 2019, the Company made payments in respect of CPI transactions, in the amount of about NIS 6 million (for additional details – see Note 5O to the interim statements).</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 September 30, 2019 (in thousands of NIS):

	<u>Rotem</u>	<u>Hadera</u>	<u>Solo</u>	<u>Zomet</u>	<u>Others</u>	<u>Consolidated</u>
Debt (including accrued interest)	1,224,015	666,204	290,124	–	1,252	2,181,595
Cash and cash equivalents and short-term deposits	336,228	20,455	512,931	2,573	1,506	873,693
Restricted cash (including debt service reserves)	132,872	6,134	105,604	5,106	–	249,716
Debt service reserves (out of the restricted cash)	79,773	–	54,064	–	–	133,837

- During the period of the report, Rotem repaid about NIS 43 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):

	<u>Rotem</u>	<u>Hadera</u>	<u>Solo</u>	<u>Zomet</u>	<u>Others</u>	<u>Consolidated</u>
Debt (including accrued interest)	1,260,490	644,253	293,875	–	1,166	2,199,784
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 September 30, 2018 (in thousands of NIS):

	<u>Rotem</u>	<u>Hadera</u>	<u>Solo</u>	<u>Zomet</u>	<u>Others</u>	<u>Consolidated</u>
Debt (including accrued interest)	1,282,998	620,677	308,391	–	1,138	2,213,204
Cash and cash equivalents	140,906	97,707	327,728	267	1,100	567,708
Restricted cash (including debt service reserves)	174,198	5,671	81,665	5	–	261,539
Debt service reserves (out of the restricted cash)	94,984	–	42,667	–	–	137,651

OPC Energy Ltd.
Report of the Board of Directors

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: October 24, 2019

OPC Energy Ltd.

Condensed Consolidated Interim Financial Statements

At September 30, 2019

(Unaudited)

OPC Energy Ltd.
Condensed Consolidated Interim Financial Statements
At September 30, 2019
Unaudited

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

Introduction

We have reviewed the accompanying financial information of OPC Energy Ltd. (hereinafter – “the Company”) and its subsidiaries, including the condensed consolidated interim statement of financial position as at September 30, 2019 and the condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the nine-month and three-month periods then ended. The Board of Directors and Management are responsible for the preparation and presentation of financial information for these interim periods in accordance with IAS 34 “Financial Reporting for Interim Periods”, and are also responsible for the preparation of financial information for these interim periods in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on the financial information for these interim periods based on our review.

Scope of the Review

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

Conclusion

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

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

Sincerely,

Somekh Chaikin
Certified Public Accountants (Isr.)

October 24, 2019

OPC Energy Ltd.
Condensed Consolidated Interim Statements of Financial Position

	At September 30		At December 31
	2019	2018	2018
	(Unaudited)		(Audited)
	In Thousands of New Israeli Shekels		
Current Assets			
Cash and cash equivalents	625,448	467,543	329,950
Short-term deposits and restricted cash	248,998	100,923	186,954
Trade receivables and accrued income	119,316	154,589	132,273
Other receivables and debit balances	58,112	34,446	38,522
Short-term derivative financial instruments	—	2,189	2,721
Total current assets	1,051,874	759,690	690,420
Non-Current Assets			
Long-term deposits and restricted cash	248,963	260,781	181,739
Long-term prepaid expenses	90,025	*91,121	88,351
Deferred tax assets, net	4,116	1,968	2,369
Long-term derivative financial instruments	8,683	—	—
Property, plant and equipment	2,388,593	*2,345,574	2,422,960
Usage right assets	18,595	—	—
Intangible assets	4,430	5,651	4,894
Total non-current assets	2,763,405	2,705,095	2,700,313
Total assets	<u>3,815,279</u>	<u>3,464,785</u>	<u>3,390,733</u>

* 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 September 30		At December 31
	2019	2018	2018
	(Unaudited)		(Audited)
	In Thousands of New Israeli Shekels		
Current Liabilities			
Current maturities of loans from banks and others	139,182	84,311	86,576
Trade payables	214,052	232,487	177,268
Dividend payable	30,000	–	–
Other payables and credit balances	52,144	33,911	24,049
Short-term derivative financial instruments	22,845	536	–
Current maturities of lease liabilities	2,389	–	–
Current tax liabilities	–	4,206	3,669
Total current liabilities	460,612	355,451	291,562
Non-Current Liabilities			
Long-term loans from banks and others	1,770,601	1,837,676	1,829,287
Debentures	267,593	286,872	282,883
Long-term lease liabilities	16,237	–	–
Employee benefits	177	280	177
Liabilities for deferred taxes, net	268,450	227,329	228,540
Total non-current liabilities	2,323,058	2,352,157	2,340,887
Total liabilities	2,783,670	2,707,608	2,632,449
Equity			
Share capital	1,430	1,319	1,319
Premium on shares	634,136	361,005	361,005
Capital reserves	63,664	83,018	84,749
Retained earnings	271,974	232,900	230,731
Total equity attributable to the Company's owners	971,204	678,242	677,804
Non-controlling interests	60,405	78,935	80,480
Total equity	1,031,609	757,177	758,284
Total liabilities and equity	3,815,279	3,464,785	3,390,733

Avisar Paz
Chairman of the Board of Directors

Giora Almogy
CEO

Tzahi Goshen
CFO

Approval date of the financial statements: October 24, 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				
	Nine Months Ended September 30		Three Months Ended September 30		Year Ended December 31
	2019	2018	2019	2018	2018
	(Unaudited)		(Unaudited)		(Audited)
	In Thousands of New Israeli Shekels				
Sales	1,017,919	992,677	359,305	341,876	1,306,471
Cost of sales (net of depreciation and amortization)	697,566	669,335	243,334	223,082	929,401
Depreciation and amortization	<u>82,047</u>	<u>81,738</u>	<u>27,806</u>	<u>28,788</u>	<u>107,208</u>
Gross profit	238,306	241,604	88,165	90,006	269,862
Administrative and general expenses	44,134	37,264	12,606	13,185	51,186
Other income, net	<u>20,598</u>	<u>3,044</u>	<u>16,115</u>	<u>962</u>	<u>6,235</u>
Operating income	<u>214,770</u>	<u>207,384</u>	<u>91,674</u>	<u>77,783</u>	<u>224,911</u>
Financing expenses	78,135	76,499	22,666	25,376	97,893
Financing income	<u>6,072</u>	<u>3,397</u>	<u>3,880</u>	<u>391</u>	<u>7,302</u>
Financing expenses, net	<u>72,063</u>	<u>73,102</u>	<u>18,786</u>	<u>24,985</u>	<u>90,591</u>
Income before taxes on income	142,707	134,282	72,888	52,798	134,320
Taxes on income	<u>39,267</u>	<u>36,141</u>	<u>21,207</u>	<u>13,574</u>	<u>36,803</u>
Income for the period	<u>103,440</u>	<u>98,141</u>	<u>51,681</u>	<u>39,224</u>	<u>97,517</u>
Income attributable to:					
The Company's owners	77,243	75,203	37,408	30,076	73,034
Non-controlling interests	<u>26,197</u>	<u>22,938</u>	<u>14,273</u>	<u>9,148</u>	<u>24,483</u>
Income for the period	<u>103,440</u>	<u>98,141</u>	<u>51,681</u>	<u>39,224</u>	<u>97,517</u>
Income per share attributable to the Company's owners					
Basic income per share (in NIS)	<u>0.57</u>	<u>0.57</u>	<u>0.27</u>	<u>0.23</u>	<u>0.55</u>
Diluted income per share (in NIS)	<u>0.56</u>	<u>0.56</u>	<u>0.26</u>	<u>0.22</u>	<u>0.55</u>

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

OPC Energy Ltd.
Condensed Consolidated Interim Statements of Comprehensive Income

	For the				
	Nine Months Ended September 30		Three Months Ended September 30		Year Ended December 31
	2019	2018	2019	2018	2018
	(Unaudited)		(Unaudited)		(Audited)
	In Thousands of New Israeli Shekels				
Income for the period	103,440	98,141	51,681	39,224	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	(23,271)	1,458	(23,783)	(202)	2,211
Net change in fair value of derivative financial instruments used for hedging cash flows recorded to the cost of the hedged item	1,886	(494)	4,208	(188)	(590)
Net change in fair value of derivative financial instruments used to hedge cash flows transferred to the statement of income	4,419	—	9,749	—	—
Taxes in respect of items of other comprehensive income (loss)	856	(222)	444	89	(373)
Total other comprehensive income (loss) for the period, net of tax	(16,110)	742	(9,382)	(301)	1,248
Total comprehensive income for the period	87,330	98,883	42,299	38,923	98,765
Total comprehensive income attributable to:					
The Company's owners	61,133	75,945	28,026	29,775	74,282
Holders of non-controlling interests	26,197	22,938	14,273	9,148	24,483
Total comprehensive income for the period	87,330	98,883	42,299	38,923	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		
(Unaudited)										
In Thousands of New Israeli Shekels										
For the nine-month period ended September 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)	110	271,485	—	—	—	—	—	271,595	—	271,595
Acquisition of non-controlling interests	—	—	(6,005)	—	—	—	—	(6,005)	5	(6,000)
Share-based payment	—	—	—	—	—	2,677	—	2,677	—	2,677
Exercise of options and RSUs	1	1,646	—	—	—	(1,647)	—	—	—	—
Issuance of capital notes to holders of non-controlling interests	—	—	—	—	—	—	—	—	240	240
Dividend to the Company's shareholders	—	—	—	—	—	—	(36,000)	(36,000)	—	(36,000)
Dividend to holders of non-controlling interests	—	—	—	—	—	—	—	—	(47,600)	(47,600)
Elimination of non-controlling interests due to sale of subsidiary	—	—	—	—	—	—	—	—	1,083	1,083
Other comprehensive loss for the period, net of tax	—	—	—	(16,110)	—	—	—	(16,110)	—	(16,110)
Income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>77,243</u>	<u>77,243</u>	<u>26,197</u>	<u>103,440</u>
Balance at September 30, 2019	<u>1,430</u>	<u>634,136</u>	<u>(3,407)</u>	<u>(15,659)</u>	<u>77,930</u>	<u>4,800</u>	<u>271,974</u>	<u>971,204</u>	<u>60,405</u>	<u>1,031,609</u>
For the nine-month period ended September 30, 2018										
Balance at January 1, 2018	1,319	361,005	2,598	(797)	77,930	548	157,697	600,300	84,239	684,539
Acquisition of non-controlling interests	—	—	—	—	—	—	—	—	17	17
Share-based payment	—	—	—	—	—	1,997	—	1,997	—	1,997
Capital reserve in respect of transactions with holders of non-controlling interests	—	—	—	—	—	—	—	—	741	741
Dividends to holders of non-controlling interests	—	—	—	—	—	—	—	—	(29,000)	(29,000)
Other comprehensive income for the period, net of tax	—	—	—	742	—	—	—	742	—	742
Income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>75,203</u>	<u>75,203</u>	<u>22,938</u>	<u>98,141</u>
Balance at September 30, 2018	<u>1,319</u>	<u>361,005</u>	<u>2,598</u>	<u>(55)</u>	<u>77,930</u>	<u>2,545</u>	<u>232,900</u>	<u>678,242</u>	<u>78,935</u>	<u>757,177</u>

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										
For the three-month period ended September 30, 2019										
Balance at July 1, 2019	1,371	479,398	(3,407)	(6,277)	77,930	6,133	234,566	789,714	75,892	865,606
Issuance of shares (less) issuance expenses)	58	153,092	—	—	—	—	—	153,150	—	153,150
Share-based payment	—	—	—	—	—	314	—	314	—	314
Exercise of options and RSUs	1	1,646	—	—	—	(1,647)	—	—	—	—
Issuance of capital notes to holders of non-controlling interests	—	—	—	—	—	—	—	—	240	240
Dividends to holders of non-controlling interests	—	—	—	—	—	—	—	—	(30,000)	(30,000)
Other comprehensive loss for the period, net of tax	—	—	—	(9,382)	—	—	—	(9,382)	—	(9,382)
Income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>37,408</u>	<u>37,408</u>	<u>14,273</u>	<u>51,681</u>
Balance at September 30, 2019	<u>1,430</u>	<u>634,136</u>	<u>(3,407)</u>	<u>(15,659)</u>	<u>77,930</u>	<u>4,800</u>	<u>271,974</u>	<u>971,204</u>	<u>60,405</u>	<u>1,031,609</u>
For the three-month period ended September 30, 2018										
Balance at July 1, 2018	1,319	361,005	2,598	246	77,930	1,288	202,824	647,210	77,787	724,997
Share-based payment	—	—	—	—	—	1,257	—	1,257	—	1,257
Dividends to holders of non-controlling interests	—	—	—	—	—	—	—	—	(8,000)	(8,000)
Other comprehensive loss for the period, net of tax	—	—	—	(301)	—	—	—	(301)	—	(301)
Income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>30,076</u>	<u>30,076</u>	<u>9,148</u>	<u>39,224</u>
Balance at September 30, 2018	<u>1,319</u>	<u>361,005</u>	<u>2,598</u>	<u>(55)</u>	<u>77,930</u>	<u>2,545</u>	<u>232,900</u>	<u>678,242</u>	<u>78,935</u>	<u>757,177</u>

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				
	Nine Months Ended September 30		Three Months Ended September 30		Year Ended December 31
	2019	2018	2019	2018	2018
	(Unaudited)		(Unaudited)		(Audited)
	In Thousands of New Israeli Shekels				
Cash flows from operating activities					
Income for the period	103,440	98,141	51,681	39,224	97,517
<u>Adjustments:</u>					
Depreciation, amortization and consumption of diesel oil	115,207	85,462	37,717	29,738	118,922
Financing expenses, net	72,063	73,102	18,786	24,985	90,591
Taxes on income	39,267	36,141	21,207	13,574	36,803
Gain on sale of subsidiary	(1,777)	—	—	—	—
Share-based payment transactions	2,677	1,997	314	1,257	3,222
Revaluation of derivatives	1,080	3,024	—	1,455	4,018
	<u>331,957</u>	<u>297,867</u>	<u>129,705</u>	<u>110,233</u>	<u>351,073</u>
Change in trade and other receivables	26,209	14,499	5,029	(48,850)	35,306
Change in trade and other payables	57,627	(5,107)	11,835	13,164	(75,537)
Change in employee benefits	—	—	—	—	(103)
	<u>83,836</u>	<u>9,392</u>	<u>16,864</u>	<u>(35,686)</u>	<u>(40,334)</u>
Taxes paid	(4,138)	—	(36)	—	—
	<u>411,655</u>	<u>307,259</u>	<u>146,533</u>	<u>74,547</u>	<u>310,736</u>
Net cash provided by operating activities					
Cash flows from investing activities					
Interest received	5,975	415	4,667	59	837
Short-term deposits and restricted cash, net	(67,477)	(100,106)	27,367	(100,106)	(104,101)
Withdrawals from long-term restricted cash	2,061	52,314	118	11,803	66,450
Deposits in long-term restricted cash	(69,079)	(44,618)	(14,865)	(139)	(58,913)
Proceeds from sale of subsidiary less cash sold	2,731	—	—	—	—
Long-term prepaid expenses	(2,913)	*(12,508)	(2,913)	(4,146)	(14,834)
Acquisition of property, plant and equipment	(85,172)	*(152,088)	(18,954)	(33,829)	(249,197)
Acquisition of subsidiary, net of cash acquired	—	(8,125)	—	—	(8,125)
Acquisition of non-controlling interests	(1,500)	—	—	—	—
Acquisition of intangible assets	(929)	(281)	(496)	(107)	(473)
Receipts (payments) in respect of derivative financial instruments, net	<u>(3,075)</u>	<u>193</u>	<u>(1,748)</u>	<u>124</u>	<u>114</u>
Net cash used in investing activities	<u>(219,378)</u>	<u>(264,804)</u>	<u>(6,824)</u>	<u>(126,341)</u>	<u>(368,242)</u>

* 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				
	Nine Months Ended September 30		Three Months Ended September 30		Year Ended December 31
	2019	2018	2019	2018	2018
	(Unaudited)		(Unaudited)		(Audited)
	In Thousands of New Israeli Shekels				
Cash flows from financing activities					
Interest paid	(54,041)	(65,835)	(15,827)	(16,464)	(88,748)
Costs paid in advance in respect of taking out of loans	(1,348)	(2,087)	(178)	(549)	(2,328)
Dividends paid to the Company's shareholders	(36,000)	—	—	—	—
Dividends paid to holders of non-controlling interests	(17,600)	(29,000)	—	(8,000)	(29,000)
Investments by holders of non-controlling interests in capital of the subsidiary	240	—	240	—	—
Proceeds from issuance of shares, less issuance expenses	271,630	—	153,068	—	—
Receipt of long-term loans from banks and others	—	102,000	—	80,000	122,000
Repayment of loans from banks and others	(42,597)	(77,087)	(22,449)	(20,780)	(101,015)
Repayment of debentures	(7,360)	(11,200)	—	—	(22,400)
Payment in respect of derivative financial instruments, net	(6,087)	—	(5,373)	—	—
Repayment of principal of lease liabilities	(1,233)	—	(326)	—	—
Net cash provided by (used in) financing activities	<u>105,604</u>	<u>(83,209)</u>	<u>109,155</u>	<u>34,207</u>	<u>(121,491)</u>
Increase (decrease) in cash and cash equivalents	297,881	(40,754)	248,864	(17,587)	(178,994)
Cash and cash equivalents at beginning of the period	329,950	508,181	378,885	485,213	508,181
Impact of changes in the currency exchange rate on the balances of cash and cash equivalents	(2,383)	116	(2,301)	(83)	763
Cash and cash equivalents at end of the period	<u>625,448</u>	<u>467,543</u>	<u>625,448</u>	<u>467,543</u>	<u>329,950</u>

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 September 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”).

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 together – “the Group”), operate 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 Company operates mainly through the subsidiary (80%), OPC Rotem Ltd. (hereinafter – “Rotem”), which constructed and operates commencing from July 6, 2013, a private power plant, as a result of its win in a tender for construction of a power plant having generation capacity of about 466 megawatts (MW) pursuant to the generation license. 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. The Rotem power plant operates using conventional technology in an open cycle.

In addition, the Company holds a subsidiary (100%), OPC Hadera Ltd. (hereinafter – “Hadera”), which is currently in the test-run stage with respect to a power plant that uses cogeneration technology (a power plant that generates electricity and steam), having an installed capacity of up to 148.5 MW. For additional details – see Note 5B.

Furthermore, the Company is advancing, through the subsidiary Zomet Energy Ltd. (hereinafter – “Zomet”) a project for construction of a power plant operating using conventional technology in an open cycle, having a capacity of about 396 MW (hereinafter – “the Zomet Project”) (for additional details – see Note 5A).

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.

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

Note 1 – The Reporting Entity (Cont.)

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.

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 October 24, 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 September 30, 2018, the Company made a reclassification of costs relating to 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
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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 are accounted for as transactions with shareholders. In these transactions, the difference between the fair value of any consideration paid and the amount at which the non-controlling interests are adjusted in order to reflect the changes in their relative rights in the subsidiary, is recognized directly in the equity attributable to the owners of the Company and it is classified in a capital reserve for transaction 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 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:

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
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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.

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
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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 September 30, 2019

Note 3 – Significant Accounting Policies (Cont.)

C. Accounting standards not yet adopted

Amendment to IFRS 3 “Business Combinations”

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, through use of a “Level 2” valuation method, of the other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

Fair value

	<u>At September 30, 2019</u>	
	<u>Book</u>	<u>Fair</u>
	<u>Value*</u>	<u>Value</u>
	<u>In Thousands of NIS</u>	
Loans from banks and others	<u>1,891,471</u>	<u>2,246,404</u>
Debentures	<u>290,124</u>	<u>335,575</u>
	<u>At September 30, 2018</u>	
	<u>Book</u>	<u>Fair</u>
	<u>Value*</u>	<u>Value</u>
	<u>In Thousands of NIS</u>	
Loans from banks and others	<u>1,904,813</u>	<u>2,166,423</u>
Debentures	<u>308,391</u>	<u>326,000</u>

* Includes current maturities and interest payable.

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

Note 4 – Financial Instruments (Cont.)

	At December 31, 2018	
	Book Value*	Fair Value
	In Thousands of NIS	
Loans from banks and financial others	<u>1,905,909</u>	<u>2,083,441</u>
Debentures	<u>293,875</u>	<u>303,582</u>

* Includes current maturities and interest payable.

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
September 30, 2019	101.0	3.482	3.805
September 30, 2018	100.4	3.627	4.216
December 31, 2018	100.5	3.748	4.292
<u>Change during the nine months ended:</u>			
September 30, 2019	0.5%	(7.1%)	(11.3%)
September 30, 2018	1.1%	4.6%	1.5%
<u>Change during the three months ended:</u>			
September 30, 2019	(0.7%)	(2.4%)	(6.3%)
September 30, 2018	0.2%	(0.6%)	(0.9%)
<u>Change during the year ended:</u>			
December 31, 2018	1.2%	8.1%	3.3%

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Note 5 – Additional Information

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

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.

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, 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, and as stated below Zomet was granted a conditional license for construction of the power plant.

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

A. (Cont.)

In April 2019, a 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.

The Zomet Project, which Zomet is advancing in the framework of Regulation 914, is subject to fulfillment of various conditions, which as at the date of this report had not yet been fulfilled including assurance of the ability to transmit electricity from the project site and maintaining a position in the network on the date required for execution of the project (hereinafter – “a Connection Study”), receipt of building permits for the project, completion of the land issuance processes and completion of a financial closing by the date required for purposes Regulation 914, namely, up to January 1, 2020.

In September 2019, Zomet received the results of a connection study performed by the System Administrator. The connection study includes a limitation on transmission of the full capacity of the power plant to the network beyond a limited number of hours per year, until completion of system projects, the completion of which is expected to take place at the end of 2023. In the Company’s estimate, the connection study received, as stated, despite the limitation provided therein, permits compliance with the condition with respect to the connection study and execution of a financial closing for purposes of Regulation 914. Nonetheless, a decision regarding the significance of the study, including for purposes of compliance with the condition of Regulation 914, is to be made by the Electricity Authority, and as at the date of the report such decision had not yet been received.

Zomet has an option agreement with Kibbutz Netiv HLH for lease of a land area for 25 years (with an option to extend for an additional 25 years) located at the Plugot Intersection, for purposes of 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 submitted its position to ILA whereby the transaction may be approved in accordance with the relevant decisions of ILA. As at the publication date of this report, the Company is continuing discussions with ILA in order to advance the transaction, however the required approvals have not yet been received. It is noted that in order to advance issuance of building permits for the project, the signature of ILA is required, which as noted above has not yet been received.

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

A. (Cont.)

As at September 30, 2019, the amount of the investment in the Zomet project amounted to about NIS 58 million. As at the date of the report, in the Company's estimation, the Company is expected to comply with the conditions required for completion of the financial closing for the Zomet project, including compliance with the connection study and receipt of the building permits for the Zomet project by January 1, 2020 in order to comply with the conditions of Regulation 914. Nonetheless, since some of the conditions for completion of the project's financial closing, which have not yet been fulfilled, are dependent on factors that are not under the Company's control, there is uncertainty as to whether the Zomet project will ultimately be completed.

- B. In July 2019, the Minister of Energy approved, further to the decision of the Electricity Authority from June 2019, postponement of the milestone date for the commercial operation that is stipulated in Hadera's conditional license, up to March 2020, pursuant to the Cogeneration Regulations. Postponement of the commercial operation date in Hadera's conditional license was approved without foreclosure of a guarantee in the amount of about NIS 1.2 million. Further to that stated in Note 14C(2) to the annual financial statements, in June 2019, it was agreed with the lenders to extend the final date for commercial operation provided in the Hadera financing agreement, up to the end of March 2020 – this being in place of the final date for commercial operation that was originally set as September 2019. In the Company's estimation, the commercial operation date of Hadera Power Plant is expected to take place during the first quarter of 2020 – this taking into account delays that occurred due to the defective components discovered and the actions necessary in order to complete the test-run stage. It is noted that based on the information provided by the construction contractor, as at the date of the report the source of the defective components was found, the defective components were replaced and the required treatments and actions are being performed.

Further to that stated in Note 25D to the annual financial statements, in accordance with the agreement with the construction contractor, in the statement of financial position as at September 30, 2019, Hadera recognized an asset (amount) receivable in respect of compensation from the construction contractor due to the said delay, in the amount of about NIS 35 million – this being against a reduction of the "property, plant and equipment" category. As at September 30, 2019, the total investment in the power plant being constructed by Hadera, in the Energy Center and in Hadera's infrastructures, amounted to about NIS 853 million.

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 September 30, 2019, the compensation to customers amounted to about NIS 8 million, of which in the period of the report about NIS 1 million was paid. 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".

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

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.

Subsequent to the date of the report, in October 2019, the Company notified Hadera Paper Mills with respect to extension of the option period for 2020 and, accordingly, the Company will pay Hadera Paper Mills the amount of NIS 3 million.

- 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, plus contingent consideration for success, as defined in the memorandum of understanding.

In May 2019, after receipt of approval of the Supervisor of Economic Competition, the transaction was completed and in May and June 2019 about NIS 2.75 million was received. The Company expects to receive additional contingent consideration for success fees, estimated at about NIS 1.45 million. The Company included a gain on sale of Greenday, in the amount of NIS 1.8 million, which was recorded in the second quarter of 2019 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
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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.

In July 2019, Maalot reconfirmed a rating of A– for the Company and updated the rating outlook to from stable to positive, and reconfirmed a rating of A– for the Company's debentures (Series A).

In August 2019, a rating of A3 was reconfirmed and the rating outlook was updated to positive for the Company's debentures (Series A).

- I. In April 2019, Rotem distributed 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. In September 2019, Rotem declared distribution of a dividend in the amount of NIS 150 million. The share of the Company and of the holder of the non-controlling interests in the dividend is NIS 120 million and NIS 30 million, respectively. The dividend was paid in October 2019.
- J. In March 2019, the Company declared distribution of a dividend, in the amount of NIS 36 million, which was paid in April 2019.
- K. 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 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. (a holder of the non-controlling interests in Rotem) and the Company, in the amount of \$1 million was released. Subsequent to the date of the report, in October 2019, Rotem Operations Company completed a voluntarily liquidation process.
- L. 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. In addition, during the third quarter of 2019, the Company issued 60,281 of the Company's ordinary shares to Company employees as a result of exercise notifications of 180,076 options. The weighted-average price per share on the exercise dates of the options is NIS 27.31.

During the period of the report, 150,391 options and 31,183 RSUs expired, the vesting period of which had not yet ended, which were issued to a former officer due to conclusion of his service. Accordingly, the balance of the capital reserve, which as at December 31, 2018 amounted to about NIS 221 thousand, was recorded in the statement of income in the "administrative and general expenses" category.

In the period of the report, the salary expenses recorded in the statement of income in respect of all of the Company's equity remuneration plans, amounted to about NIS 2,677 thousand (of which about NIS 314 thousand relates to the third quarter of 2019).

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

- 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 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:

<u>Tranche No.</u>	<u>Vesting Conditions</u>	<u>Expiration Date</u>
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 to three institutional entities 5,179,147 ordinary shares of NIS 0.01 par value each, constituting about 4% of the Company's share capital, in exchange for a consideration in the amount of about NIS 120 million. The issuance expenses amounted to about NIS 1.6 million. The price of the shares allotted with respect to each of the offerees was NIS 23.17 per share (based on the share price on the Stock Exchange at the end of the trading day preceding the issuance).

In addition, in September 2019, the Company issued to four institutional entities 5,849,093 ordinary shares of NIS 0.01 par value each, constituting about 4% of the Company's share capital, in exchange for a consideration in the amount of about NIS 155 million. The issuance expenses amounted to about NIS 1.9 million. The price of the shares allotted with respect to each of the offerees was NIS 26.5 per share (the share price was determined in negotiations between the Company and the offerees).

The consideration from the issuances, as stated, net of the issuance expenses, in the amount of about NIS 271.5 million, was recorded to equity.

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Notes to the Unaudited Interim Consolidated Financial Statements
At September 30, 2019

Note 5 – Additional Information (Cont.)

- O. In June 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 at the annual rate of between 1.7% and 1.76% (hereinafter – “the CPI Transactions”). The Group chose to designate the 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 Tabur 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. In July 2019, the Company was informed that it was declared “Second Qualifier” pursuant to the Tender documents.
- Q. 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 14 million), and a payment in respect of supplementation of the interest on the deposit in trust to Libor + 2%, amounting to about \$1.1 million (about NIS 4 million). The above-mentioned receipts were received and were recorded in the statement of income for the third quarter of 2019 in the “other income” and the “financing income” categories, as applicable.

Note 6 – Events Occurring Subsequent to the Date of the Statement of Financial Position

In October 2019, the Company declared distribution of a dividend, in the amount of about NIS 200 million, which will be paid to the Company’s shareholders on November 6, 2019.