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**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 6-K**

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

November 18, 2020

Commission File Number 001-36761

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**Kenon Holdings Ltd.**

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

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

Form 20-F ☒      Form 40-F ☐

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

Yes ☐      No ☒

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

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.

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## CONTENTS

### *Periodic Report of OPC Energy Ltd. for the Nine Months and Three Months Ended September 30, 2020*

On November 18, 2020, 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 nine months and three months ended September 30, 2020 ("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, 2020 and (ii) Condensed Consolidated Interim Financial Statements at September 30, 2020 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 the agreement to acquire Competitive Power Ventures group ("CPV") including the expected terms of the agreement, including the expected timing and benefits of the acquisition, potential sources of acquisition financing, including the investment commitments under the partnership agreement, expected consideration, insurance and other potential agreements, OPC's intention to advance CPV development projects following the acquisition and expected additional investment in CPV projects, expectations relating to incentive and tax benefit policies for renewable energy, statements with respect to CPV projects under construction, including the information regarding the projected year of commercial operation and the expected construction cost, statements with respect to CPV projects under development, expected pipeline and growth of renewable energy assets, and U.S. market renewable energy opportunity, statements with respect to the loan facility agreement with Harel Insurance Investments & Financial Services Ltd. ("Harel"), including the terms of the loan facility, OPC's ability to draw funds under the facility and expected use of proceeds, OPC's business strategy and plans with respect to the Zomet project, including expected commercial operation date ("COD") and expected construction completion date, plans and expectations regarding regulatory clearances and approvals, and the technologies intended to be used thereto, statements with respect to the expected effects of planned renovation work on the OPC-Hadera power plant and expected compensation and insurance reimbursement for previous delays in OPC-Hadera's COD, statements with respect to the expected COD of the Karish reservoir, statements with respect to the potential construction, operation and maintenance of the new 99MW power plant, including with respect to electricity sales, statements with respect to the expected effects of Covid-19, the Electricity Authority ("EA") tariffs and their expected effects on OPC, including announced changes effective for 2020, and the expected interpretation and impact of regulations and accounting standards on OPC and its subsidiaries. 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, with respect to the expected acquisition of CPV, risks relating to the proposed acquisition, related acquisition financing and other agreements not being carried out as described or at all, including that an acquisition agreement is not entered into under the proposed terms or at all, that the benefits of the acquisition do not materialize as expected or at all, expected approvals and clearances not received within the expected timing or at all, changes in OPC's plans in connection to its advancement of and investment in CPV's projects, changes in federal and state policies and regulations connected to incentive and tax benefit policies, with respect to CPV's projects under construction, delays in receiving required permits, a change in the construction costs, delays in the construction, changes in the provisions of law, an increase in the financing expenses, and unforeseen expenses or other unforeseen risk, with respect to CPV's projects under development, delays in or an inability relating to the completion of the development processes, signing agreements, assurance of financing and receipt of various approvals and permits, and changes in the US renewable energy market and expectations, the risk that the acquisition of CPV may not be completed as described or at all, OPC may fail to obtain any required approvals for its projects or meet the required conditions and milestones for continuation of its projects, risks relating to the loan facility agreement with Harel and the actual use of proceeds, OPC may be unable to complete the development of the Zomet project on a timely basis, within the expected budget, or at all, including as a result of, among others the Covid-19 outbreak, delays in CODs and costs resulting from such delays, IDE does not sign an agreement with the State of Israel and that OPC does not construct, operate or maintain the power plant or effect electricity sales as described or at all, OPC may become subject to new regulations and accounting standards or existing regulation and accounting standards may have different interpretations or impacts than expected, there may be changes to the EA tariffs with different effects on OPC's results, and other risks and factors, including the impact of the Covid-19 outbreak, including those risks set forth under the heading "Risk Factors" in Kenon's Annual Report on Form 20-F filed with the SEC and other filings. Except as required by law, Kenon undertakes no obligation to update these forward-looking statements, whether as a result of new information, future events, or otherwise.*

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**Exhibits**

- [99.1](#) [OPC Energy Ltd. – Periodic Report for the nine months and three months ended September 30, 2020— Report of the Board of Directors regarding the Company’s Matters for the Nine-Month and Three-Month Periods ended September 30, 2020, as published on November 18, 2020 with the Israeli Securities Authority and Tel Aviv Stock Exchange\\*](#)
- [99.2](#) [OPC Energy Ltd. – Periodic Report for the nine months and three months ended September 30, 2020— Condensed Consolidated Interim Financial Statements at September 30, 2020, as published on November 18, 2020 with the Israeli Securities Authority and Tel Aviv Stock Exchange\\*](#)

\*English convenience translation from Hebrew original document.

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**SIGNATURES**

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

KENON HOLDINGS LTD.

Date: November 18, 2020

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

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**OPC ENERGY LTD.****Report of the Board of Directors regarding the Company's Matters  
for the Nine-Month and Three-Month Periods Ended September 30, 2020**

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 (together – “the Group”), as at September 30, 2020 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, 2020 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, 2019, which were attached to the Company's Periodic Report for 2019 which was published on February 27, 2020 (Reference No.: 2020-01-016870), (hereinafter – “the Consolidated Financial Statements” and “the Periodic Report for 2019”, respectively)<sup>1</sup>. The information included in the Periodic Report and the Consolidated Financial Statements is included herein by means of reference.

Presented together with this report are the consolidated interim financial statements as at September 30, 2020 (hereinafter – “the Interim Statements”) and on the assumption that this Report is read together with all the said report parts, which are presented 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 Securities Regulations (Periodic and Immediate Reports), 1970.

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

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

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<sup>1</sup> It is noted that in some of the cases an additional description was provided in order to present a more comprehensive picture of the matter being addressed. References to Immediate Reports in this Report include the information included in the said Immediate Reports by means of reference.

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

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

**1. General**

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

As at the date of the Report, the Company is engaged, by itself and through a number of subsidiaries, in one reportable business segment – the generation and supply of electricity. As part of this area of activities, the Company is engaged in generation of electricity and supply thereof to private customers and to Israel Electric Company (hereinafter – “the Electric Company” or “IEC”), including in initiation, development, construction and operation of power plants and facilities for generation of energy.

**Brief description of the Group, its business environment and its areas of activity in the period of the report and thereafter**

1. As at the date of the report, the Company's activities with respect to generation and supply of electricity concentrate on generation of electricity using conventional and cogeneration technologies, and the Company is also endeavoring to construct an open-cycle power plant using conventional technology (a “Peaker” plant). For details regarding an agreement for acquisition of the CPV Group (as defined in Footnote 13 to this Report below), which is engaged in generation of electricity in the United States (including by means of renewable energy), which was signed in October 2020 – see Paragraphs 12 and 13 below and Notes 7E and 7F to the Interim Statements. As stated below, completion of the transaction for acquisition of the CPV Group is contingent on conditions some of which have not full been fulfilled and, accordingly, as at the date of the report there is no certainty that it will ultimately be completed.
2. As at the date of the report the Company owns two power plants: the Rotem Power Plant, which is owned by OPC Rotem Ltd. (“Rotem”), which is held by the Company (80%) and by an additional shareholder (20%), which utilizes conventional generation technology and has an installed capacity of about 466 megawatts; and the Hadera Power Plant, which is owned by OPC Hadera Ltd. (“Hadera”) (which held entirely by the Company), which uses cogeneration technology with an installed capacity of about 144 megawatts, and which on July 1, 2020 reached commercial operation (“the Commercial Operation Date”) – this being after receipt of a permanent electricity generation license and a supply license (“Hadera Power Plant”). In addition, the Company wholly owns Zomet Energy Ltd. (“Zomet”), which is in the construction stages of a power plant running through use of natural gas with conventional technology in an open cycle (a “Peaker” plant), having a capacity of about 396 megawatts located proximate to the Plugot intersection, in the area of Kiryat Gat, under Regulation 914 of the Electricity Authority. In addition, the Company is taking action with respect to construction and operation of facilities for generation of energy on the customers' premises, as stated in Paragraph 7 below.

**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.)**

**Brief description of the Group, its business environment and its areas of activity in the period of the report and thereafter (Cont.)**

3. Due to the spread of the Coronavirus (COVID-19) ("the Coronavirus Crisis") in the period of the Report and thereafter, movement (traffic) restrictions and restrictions on business activities were imposed by the State of Israel and countries throughout the world. In addition, the said Coronavirus Crisis has caused, among other things, uncertainty and instability in the Israeli and global financial markets and economy. The operations of the Company's active power plants, Rotem Power Plant, Hadera Power Plant, as well as the construction of the Zomet power plant, are continuing in the "restrictions' period" as a result of their being "essential enterprises" while safeguarding the work teams and taking precautionary measures in order to prevent outbreak and spreading of the infection at the Company's sites. As at the date of the Report, the Coronavirus Crisis had not had a significant impact on the Company's results and activities. In light of the uncertainty regarding the duration of the Coronavirus crisis, the intensity thereof and its impacts on the markets and factors relating the Company's activities (such as, employees, significant customers, significant suppliers, lenders, etc.), as well as regarding the measures that will be taken by governments and central banks, as at the date of the report, the Company is not able to estimate the full impact of the Coronavirus Crisis on the Company. Spread of the virus and infections at the Company's power plants and other sites, continuation of the Coronavirus Crisis for an extended period, a significant impact of the Coronavirus Crisis on main suppliers (such as, suppliers of natural gas, construction and maintenance contractors, etc.) or the Group's main customers, could have an unfavorable impact on the Company's activities and results, as well as on its ability to complete construction projects on time or at all and/or on its ability to execute future projects. Furthermore, the Coronavirus Crisis could also impact the activities of the CPV Group. Regarding the impacts of the Coronavirus Crisis on the Company – see Paragraph 6 below, the Section addressing the Company's revenues (Section 6 below) and Note 1B to the Interim Statements.

**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.)**

**Brief description of the Group, its business environment and its areas of activity in the period of the report and thereafter (Cont.)**

4. On July 1, 2020, the commercial operation period of the Hadera Power Plant commenced. The total investment in construction of the power plant and infrastructures of Hadera (including the Energy Center) amounted to about NIS 0.9 billion<sup>2</sup>. In accordance with its decision published on June 30, 2020, the Electricity Authority decided to grant a permanent license for generation of electricity to Hadera Power Plant using cogeneration technology having installed capacity of 144 megawatts and to grant a supply license ("the Licenses"). The Licenses are for a period of 20 years (which may be extended by an additional 10 years)<sup>3</sup> <sup>4</sup>. It is noted that during the first year of activities, replacement or renovation work is expected to be performed with respect to certain components of the gas and steam turbines, by the Head Equipment Contractor, which are anticipated to last for a period (cumulative) of about a month, during which time Hadera Power Plant will be operated in a partial manner<sup>5</sup>. As at the date of the report, most of replacement or renovation work with respect to certain components of the gas and steam turbines had not yet been performed.

As at the date of this Report, the Company estimates that part of the costs stemming from the delay in the Commercial Operation Date of Hadera Power Plant, including lost profits, are expected to be covered by Hadera's insurance policy pursuant to the terms of the said policy. In addition, in accordance with the construction agreement, Hadera is entitled to agreed-to compensation (limited to the ceiling stipulated in the construction agreement) from the construction contractor in respect of a delay in the delivery date. As at the date of the report, returns (reimbursements), as stated, from the construction contractor and from the Company's insurance policies and/or from the construction contractor had not yet been received. For details regarding compensation for the construction contractor – see Note 25D to annual consolidated financial statements, and Note 4D(6) to the interim financial statements. There is no certainty that the Company will receive returns (reimbursements) and/or the balance of the compensation in respect the full amount of its direct and indirect damages<sup>6</sup>.

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<sup>2</sup> The total investments is presented net of compensation from the construction contractor to which the Company is entitled in accordance with Hadera's construction agreement – see Note 25D to the annual consolidated financial statements and Note 6D(4) to the interim financial statements.

<sup>3</sup> Regarding the decision of the Electricity Authority – see <https://www.gov.il/he/departments/policies/58306>.

<sup>4</sup> For details regarding Hadera Power Plant – see, among other things, Sections 8.24, 8.5 and 8.12.3 to Part A in the Periodic Report for 2019 and the Report of the Board of Directors that is included in the report for the first quarter of 2020 and that was published on May 27, 2020 (Reference No.: 2020-01-047080).

<sup>5</sup> That stated with reference to the Company's estimates regarding the length of the above-mentioned periods includes "forward-looking" information as defined in the Securities Law, 1968 ("the Securities Law"). The aforesaid information may not be realized, or may be realized in a manner different than expected, including as a result of circumstances that are not under the Company's control, such as the manner the actions are executed by the contractor or other delays, including factors that are impacted by the Coronavirus.

<sup>6</sup> It is emphasized that that stated above, including regarding the Company's estimates with respect to coverage of the costs stemming from the delay, as stated above (including lost profits) and receipt of compensation for the delay damages, 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, and regarding which there is no certainty it will be realized. That stated may not be realized or may be realized in a manner different than expected. As a practical matter, if compensation is not received for all 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 on 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 (Description of the Company's Business) in the Periodic Report for 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.)**

**Brief description of the Group, its business environment and its areas of activity in the period of the report and thereafter (Cont.)**

5. As at September 30, 2020, the total investments in the Zomet project amounted to about NIS 542 million.

In March 2020, Zomet issued a work commencement order to the construction contractor. Due to the continued movement (traffic) restrictions in Israel and worldwide and the need for arrival of equipment from overseas, due to the Coronavirus crisis, the Company estimates that the construction period of the Zomet Power Plant could continue beyond the end of 2022, and as at the date of the Report, it is expected to be completed in the first quarter of 2023<sup>7</sup>.

Further to that stated in Section 8.11.7 of Part A of the Periodic Report for 2019, in May 2020 approval of Israel Lands Authority was received for the Joint Company (Zomet Netiv Limited Partnership, which was set up by Zomet and Kibbutz Netiv HLH) will be the owner of the land, which is for purposes of construction of the Zomet Power Plant, and accordingly transfer of the rights to the Joint Company, as stated, was completed. For details regarding an administrative petition filed by Zomet against the Regional Council of Shafir in respect of the amount in dispute, as stated in Section 8.11.7 of Part A of the Periodic Report for 2019 – see Note 6C(6) to the interim consolidated financial statements.

6. In light of the restrictions on entry into the State of Israel, due to the Coronavirus crisis, the maintenance work at the Rotem Power Plant was postponed and was performed in October 2020<sup>8</sup>. The maintenance work lasted for 13 days, in accordance with that planned, during which time the activities of the Rotem Power Plant were shut down.
7. Further to that stated in Section 2.3.3 to Part A of the Periodic Report for 2019, as at the publication date of the Report the Company entered into binding agreements with customers that are connected to the electricity distribution network that include construction and operation of a facility for generation of energy on the customers' yards (premises), in the aggregate scope of about 49 megawatts, along with arrangements for sale of the energy to the customers. For additional details – see Note 6B(5) to the interim financial statements.
8. Further to that stated in Section 8.13.6 to Part A of the Periodic Report for 2019 regarding the anticipated operation date of the Karish natural gas reservoir and possible delay of the said operation date, as indicated by Energean's publications in November 2020, the commercial operation of the Karish reservoir is expected to take place in the fourth quarter of 2021<sup>9</sup>.

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<sup>7</sup> It is emphasized that that stated above regarding the construction date of the Zomet Power Plant constitutes "forward-looking" information as defined in the Securities Law, regarding which there is no certainty it will be realized. As a practical matter, the completion date of the construction and the construction work could be delayed (and even significantly) or may encounter difficulties, and in this regarding there could be delays, disruptions or other breakdowns in construction of the Power Plant due to, among other things, continuation of the Coronavirus crisis, failures with respect to the construction work or equipment or as a result of occurrence of one or more of the risk factors to which the Company is exposed.

<sup>8</sup> As a result of postponement of the maintenance date, Rotem slowed down reduction (amortization) of the maintenance component of the Rotem Power Plant commencing from March 2020. For details – see Note 1B, to the Interim Statements.

<sup>9</sup> The said operation date constitutes "forward-looking" information as defined in the Securities Law, regarding which there is no certainty it will be realized. The actual operation date could be different than that stated due to, among other things, factors that are not under the Company's control. Regarding Energean's notification – see <https://mayafiles.tase.co.il/rpdf/1332001-1333000/P133733-00>.

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.)

Brief description of the Group, its business environment and its areas of activity in the period of the report and thereafter (Cont.)

9. On January 1, 2020, the annual update of the electricity tariffs for 2020 of the Electricity Authority entered into effect, whereby the rate of the generation component was reduced by 8% from NIS 290.9 per MWh to NIS 267.8 per MWh. The said reduction in the generation component had a negative impact on the Company's income in the first nine months of 2020 compared with the corresponding period last year, and it will also have a negative impact on the Company's income for the entire 2020 year compared with 2019. For additional information regarding the generation component in prior years – see Note 25B to the Consolidated Financial Statements and, among other things, the Section on the Company's revenues (Section 6) and the cost of the Company's sales (Section 7) below. Regarding the factors impacting the generation component – see Section 7.7.1 of Part A of the Periodic Report for 2019.
10. In May 2020, the Company signed an agreement (through a designated company that is wholly owned by the Company ("the Subsidiary")) with SMS IDE Ltd. ("IDE"), which on May 26, 2020 received notification that it won a tender of the State of Israel for construction, operation, maintenance and transfer of a seawater desalinization facility on the "Sorek B" site ("the Desalinization Facility"), whereby the Subsidiary will construct, operate and maintain a power plant powered by natural gas using cogeneration technology with a generation capacity of up to 99 MW on the premises of the Desalinization Facility (in this Paragraph – "the Power Plant"), and will supply the energy required for the Desalinization Facility for a period of 25 years<sup>10</sup> from the operation date of the Desalinization Facility ("the IPP Agreement"). The Power Plant is expected to be constructed under the "Regulation for Generators of Ultra-High Voltage that are Established Without a Competitive Process", which was published by the Electricity Authority in March 2019 (for details – see Sections 8.2.1.2 and 8.2.1.4 of Part A of the Company's Periodic Report for 2019)<sup>11</sup>.
11. Further to that stated in Section 8.2.6B of Part A of the Periodic Report regarding National Infrastructure Plan 94 (NIS 94), a plan for construction of a power plant for generation of electricity using natural gas adjacent to Rotem ("the Plan"), on July 13, 2020 the National Planning and Building Board for National Infrastructures discussed the Plan and approved transfer of the Plan for comments of the District Planning Boards and objections of the public.

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<sup>10</sup> At the end of the said period, ownership of the Power Plant will be transferred to the State. As at the date of the report, a BOT agreement was signed between IDE and the State of Israel.

<sup>11</sup> Decision No. 10 from Meeting 555, held on March 6, 2019 regarding "Regulation for Generators of Ultra-High Voltage that are Established Without a Competitive Process" and Decision No. 5 (1358) from Meeting 558 of the Electricity Authority held on May 13, 2019 regarding "Publication of Rules, Transactions and Criteria for New Consumers on the Transmission Grid". For details regarding Decision 558 and the trade rules – see Sections 8.2.1.2 through 8.2.1.4 of Part A of the Company's Periodic Report for 2019. **It is emphasized that that stated above regarding construction of the Power Plant, includes "forward-looking" information within the meaning thereof in the Securities Law, regarding which there is no certainty it will be realized. As at the date of the Report, completion of construction of the Power Plant is dependent on, among other things, completion of planning and/or licensing processes. In addition, as a practical matter there could be delays and/or breakdowns due to, among other things, various factors, as stated above, including factors not under the Company's control or as a result of occurrence of one or more of the risk factors to which the Company is exposed, including construction risk. For additional details regarding risk factors involved with construction projects – see Section 19.3 of Part A (Description of the Company's Business) in the Periodic Report for 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.)**

**Brief description of the Group, its business environment and its areas of activity in the period of the report and thereafter (Cont.)**

12. Further to signing of a Term Sheet dated September 16, 2020, on October 9, 2020 an agreement was signed between CPV Group LP<sup>12</sup> (hereinafter – “the Buyer”) and companies in Global Infrastructure Management LLC<sup>13</sup> (hereinafter – “the Sellers”) for acquisition by the Buyer of the holdings of the Sellers in the CPV Group<sup>14</sup> (“the Acquisition Agreement” and “the Transaction”, as applicable). Pursuant to the Acquisition Agreement, on the completion date of the Transaction and against payment of the consideration, as stated below, the Buyer will acquire from the Sellers the entire rights and holdings (100%) in the CPV Group. It is clarified that as at the date of the report, execution of the acquisition and completion of the Transaction are subject to preconditions and receipt of approvals – which have not yet been fulfilled/received.

**The CPV Group<sup>15</sup>**

The electricity market in the United States is the largest private electricity market in the world with about 1,100 gigawatts of generation facilities. Generation of the electricity in the United States is based on a variety of energy sources, mainly on the fuel and energy sources in the United States. In this area, there has been a trend of a change in the generation mix due to, among other things, low gas prices, the increasing impact on the market of federal and state environmental regulation and macro-economic and advanced technology trends, where over the past several years the trend of generation sources based on natural gas and renewable energy has been on the rise at the expense of power plants running on coal, oil, crude oil and diesel oil<sup>16</sup>.

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<sup>12</sup> The Buyer is a limited partnership that was established under Delaware law, which is held by OPC Power Ventures LP, and which is a limited partnership that was established under Delaware law that is held by the Company (about 70% as a limited partner) and other investors (about 30% as a limited partners), as stated in this report below (“OPC Power” and “the Partnership”, as applicable). OPC US Inc., a wholly-owned subsidiary of the Company, which is incorporated under Delaware law, is the General Partner of OPC Power (0.01%) and in the Buyer (0.0% with no economic rights). It is noted that the Company may change the said holdings’ structure and transfer its rights in OPC Power and/or OPC US Inc. to a company or companies that are a wholly-owned by the Company.

<sup>13</sup> The Global Infrastructure Partners II investments fund.

<sup>14</sup> “The CPV Group” includes the following entities: CPV Power Holdings LP (a limited partnership established under Delaware law) (hereinafter – “CPVPH”); Competitive Power Ventures Inc. (a company incorporated under Delaware law) (hereinafter – “CPVI”); and CPV Renewable Energy Company Inc. (a company incorporated under Delaware law) (hereinafter – “CPVREC”) (CPVPH, CPVI and CPVREC will be referred to hereinafter together as – “the CPV Group”).

<sup>15</sup> For additional details regarding the CPV Group and its activities – see also the Company’s Immediate Reports dated September 16, 2020 and September 29, 2020 (Reference Nos.: 2020-01-101808 and 2020-01-105675, respectively).

<sup>16</sup> The trends described include “forward-looking information” as this term is defined in the Securities Law, regarding which there is no certainty it will be realized, and ultimately they may be different due to 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.)**

**1. General (Cont.)**

**Brief description of the Group, its business environment and its areas of activity in the period of the report and thereafter (Cont.)**

**12. (Cont.)**

The CPV Group is engaged in development, construction and management of renewable energy and conventional energy (powered by natural gas) power plants in the United States. The CPV Group holds rights in active power plants, which it initiated and constructed, both in the conventional area and in the renewable energy area – regarding power plants powered by natural gas (of the integrated cycle type of the advanced generation) (the share of the CPV Group is about 1,290 megawatts out of 4,045 megawatts) (about 5 power plants) while regarding wind energy the share of the CPV Group is about 106 megawatts out of 152 megawatts (one power plant). In addition, the CPV Group holds rights in a power plant powered by natural gas under construction having a capacity of about 1,260 megawatts (the share of the CPV Group, as at the publication date of the report, is about 220 megawatts). In addition to the power plants using conventional technology and renewable energy, as stated above, at the present time has a list of projects using different generation technologies and in various stages of development in the United States with an aggregate scope of about 6,200 megawatts, of which projects with an aggregate scope of about 4,945 megawatts, are wholly-owned by CPV, one project for construction of a power plant powered by natural gas with a scope of about 635 megawatts is held by CPV at the rate of about 57.5%, and an additional project for construction of a power plant powered by natural gas with a scope of about 620 megawatts is held by CPV at the rate of about 70%. The development stages of each project includes, among other things, the following processes: formulation of the rights in the project's lands; licensing processes; environmental surveys; engineering examinations, examinations with respect to connection to the relevant transmission grids; signing of agreements with relevant investors and suppliers and entering into agreements for sale of electricity and hedging agreements.

Set forth below is a summary of the scopes of the projects (in megawatts), the stage of development and the technology:

<b>List of projects</b>			
<b>Technology</b>	<b>Advanced development stages</b>	<b>Initial development stages</b>	<b>Total</b>
Solar power plants	895	1,100	1,995
Wind power plants	250	–	250
Gas-powered power plants	1,985	1,970	3,955
<b>Total</b>	<b>3,130</b>	<b>3,070</b>	<b>6,200</b>

The CPV Group is also engaged, through an asset management group, in provision of management services to power plants in the United States using various different technologies and fuel types, having an aggregate capacity, as at the date of the report, of about 10,600 megawatts (about 5,455 megawatts in projects in which it holds rights and about 5,140 megawatts of projects for third parties), by means of signing asset management agreements, mostly for short/medium 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.)**

**1. General (Cont.)**

**Brief description of the Group, its business environment and its areas of activity in the period of the report and thereafter (Cont.)**

**12. (Cont.)**

**The Acquisition Agreement<sup>17</sup>**

In consideration for the rights and holdings of the Sellers in all the entities in the CPV Group, on the closing date of the Transaction the Buyer will pay the Sellers the amount of about \$630 million in cash (subject to adjustments to working capital, the cash balance and the debt balance (as these terms are defined in the Acquisition Agreement) that are expected to be made on the closing date of the Transaction)<sup>18</sup>. An amount of between \$54 million and \$95 million is to be added to the above-mentioned consideration, which constitutes CPV's share in the required shareholders' equity for the Three Rivers project, which is presently under construction (the amount will be derived from the rate of holdings of CPV in the aforesaid project on the closing date Transaction), which is to be paid, at the Buyer's election, in cash or by means of a loan of the Sellers that will be granted to CPVPH (hereinafter – "the Sellers' Loan").

As part of the Acquisition Agreement, representations of the parties were included, including representations of the Sellers with respect to the CPV Group, its assets, its position and its activities, which are subject to exceptions and qualifications regarding the responsibility of the Sellers and with reference to the said representations<sup>19</sup>. The representations of the Sellers will expire on the closing date of the transaction, except for a small number of fundamental representations that will apply for two years, where the right of return (reimbursement) due to a breach thereof is limited solely to an offset against the Sellers' Loan (to the extent it is ultimately granted), subject to the conditions provided in the agreement and after full utilization of the right of return under the insurance policy referred to below. In this connection, it is noted that pursuant to the Acquisition Agreement the Buyer acquired an insurance policy covering representations with a liability limit of up to \$53 million for a period of 3 years, except for certain representations that are covered for a period of 6 years, having terms that are customary in insurance policies covering representations with respect to transactions of this type<sup>20</sup>.

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<sup>17</sup> For additional details regarding the Acquisition Agreement and its terms – see also the Company's Immediate Report dated October 11, 2020 (Reference No.: 2020-01-110115).

<sup>18</sup> It is noted that certain of the adjustments apply to the CPV Group while others apply to the CPV Group and active investee companies. As part of the Acquisition Agreement, the consideration and the adjustments' component were determined with respect to each of the entities in the CPV Group. **It is clarified that the cash consideration of the closing date of the Transaction, as well as the actual final consideration after the settlements' mechanism set forth below, might be higher than the amount set forth above.** It is noted that prior to the completion date of the transaction the amount payable will be calculated based on a valuation of the working capital and cash balances and the debt on the completion date in accordance with that stated and the calculation format provided in the agreement. Within a period of about 120 days from the completion date in accordance with and subject to the dates, conditions, decision mechanism and adjustment formulas that are detailed in the Acquisition Agreement, the final calculation of the adjustments will be made (if necessary) as stated and settlement between the Buyer and the Sellers.

<sup>19</sup> As part of the agreement, representations were included (subject to exceptions and materiality) in connection with the position of the CPV Group and its projects, such as, regarding legal proceedings, taxes, matters relating to permits and environmental protection (quality) of the projects, assets, liabilities, etc. As stated, the responsibility of the Sellers under these agreements is limited, and the Acquisition Agreement includes provisions covering waiver of certain contentions of the Buyer against the Sellers in this regard.

<sup>20</sup> As is customary in insurance policies of this type, the insurance policy includes a self-participation (retention) of the Buyer in the amount of, as at the closing date of the Transaction, \$5.5 million (reduced to \$3.7 million after twelve months from the closing date). The policy includes exceptions and conditions regarding which the insurance coverage will not apply, such as, matters that are known to the Buyer and other matters that are excepted from the scope of the coverage or that are subject to a materiality threshold.

**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.)**

**Brief description of the Group, its business environment and its areas of activity in the period of the report and thereafter (Cont.)**

**12. (Cont.)**

**The Acquisition Agreement<sup>12</sup>**

Completion of the transaction is subject to preconditions and receipt of various approvals, which as at the publication date of the report had not yet been received. The regulatory approvals include the following main approvals: approval of the Committee for Examination of Foreign Investments in the United States (CIFUS); passage of the required period for treatment of the request under the Hart Scott Rodino Act; approval of the Federal Energy Regulatory Commission; and approval of the New York Public Service Commission. In the Company's estimation, the process of receiving the approvals could take up to 6 months<sup>21</sup>. In addition, the preconditions include, among other things, approval of each of the parties with respect to fulfillment of its representation under the agreement.

On the closing date of the transaction, the Buyer is required to provide guarantees in place of guarantees provided by the Sellers prior to the closing date for the benefit of third parties in connection with projects of CPV that are presently in various stages of development. It was also provided that to the extent guarantees, as stated, are not replaced on the closing date, the Buyer is required to indemnify the Sellers in respect of the said guarantees and to provide a bank guarantee in favor of the Sellers in order to ensure their release from these guarantees.

The Acquisition Agreement includes provisions regarding termination of the agreement under certain circumstances. In this regard it was provided, among other things, that if the preconditions are not fulfilled within a period of 180 days from the signing date of the agreement, each party is permitted to conclude the agreement subject to the possibility of extension of the period by 60 additional days in circumstances spelled out in the agreement (that is, to the extent the regulatory approvals were not submitted with the period of 180 days). In addition, it is provided that the Sellers will be paid the amount of \$50 million in a case of termination of the Acquisition Agreement by them (hereinafter – "the Termination Compensation"), in certain circumstances of breach of representations and/or commitments by the Buyer (and/or the General Partner therein) the result of which is non-compliance with the conditions for completion of the transaction or breach of its commitment to complete the transaction as required in accordance with the agreement, after fulfillment of the preconditions – this being without detracting from the right of the Sellers to sue for actual performance of the agreement and full payment of the consideration to the Sellers (which will not apply in addition to the Termination Compensation) – all of this in accordance with the arrangements set forth in the agreement. It is noted that the Company provided a corporate guarantee in order to secure full payment of the Termination Compensation as well as payment of certain expenses that will be incurred by the Buyer (if in fact incurred) regarding which it is provided in the agreement that the Buyer is to bear. It is further noted that the Acquisition Agreement provides that the Sellers will be entitled to claim, among other things, enforcement and performance of the investment agreements of the partnerships and the Company regarding making of their investments – this being pursuant to the arrangements provided in the Acquisition Agreement.

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<sup>21</sup> Receipt of the approvals and fulfillment of the preconditions are subject to factors that are not under the Company's control and there is no certainty they will be received and/or fulfilled. That stated with respect to the estimated period for receipt of the required approvals constitutes "forward-looking" information, as it is defined in the Securities Law, which is based on the Company's estimates as at the date of the report. Ultimately, receipt of the approvals could be delayed and/or prevented as a result of, among other things, rejection of approval requests and/or examinations of the competent authorities and/or delays relating to handling of the requests.

**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.)**

**Brief description of the Group, its business environment and its areas of activity in the period of the report and thereafter (Cont.)**

**12. (Cont.)**

**The Acquisition Agreement<sup>17</sup>**

The Company intends (to the extent the Transaction is completed) to expand its electricity generation activities to the United States through the CPV Group by means of executing and expanding its existing list of projects, including in the area of renewable energy. For additional details regarding the CPV Group and the Acquisition Agreement, including a description of the activities of the CPV Group, its business environment, the risk factors to which it is exposed, the impact of the Coronavirus and main financial data, as well as with respect to the expected investments and the Company's plans regarding the CPV Group and advancement of the list of CPV's development projects as part of the Company's development strategy – see Note 7E to the Interim Statements and the Company's Immediate Reports dated September 16, 2020, September 29, 2020 and October 11, 2020 (Reference Nos.: 2020-01-101808, 2020-01-105675 and 2020-01-110115, as applicable)<sup>22</sup>. It is clarified that the activities of the CPV Group in the area of generation of electricity (including by means of renewable energy) in the United States, are subject to law, compliance with the terms of the licenses, receipt of local and federal regulatory approvals and arrangements (including in connection with acquisition and/or transfer of the holdings in the CPV Group) that apply to this area in the United States.

13. In October 2020, the Company signed a partnership agreement (hereinafter – “the Partnership Agreement”) with three financial entities whereby the parties will invest in OPC Power. OPC Power is a designated partnership the target of which is acquisition of the CPV Group, through the Buyer, and execution of additional investments in the Buyer and in the CPV Group in area of power and electricity in the United States, as stated above.

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<sup>22</sup> It is emphasized that as at the date of the report, the preconditions had not yet been fulfilled and the approvals required for completion of the Transaction and execution of the CPV Group had not yet been received, and there is no certainty that they will be fulfilled and/or the estimated period for their receipt (if ultimately received). Fulfillment of these conditions is contingent on receipt of approvals and consents of third parties and parties not under the Company's control and, therefore, as at the date of the report there is no certainty with respect to completion of the Transaction for acquisition of the CPV Group. In addition, that stated in this report, including regarding the consideration in the Transaction, and the future development and investments' plans, includes “forward-looking” information, as it is defined in the Securities Law, which is based on the Company's estimates as at the date of the report, and regarding which there is no certainty they will be realized. Ultimately, that stated above (in whole or in part) may not be realized or may be realized in a significantly different manner – this being due to, among other things, the actual results, lack of appropriate market conditions, lack of consents with third parties, an increase in the anticipated investments and/or existence of the risk factors involved with the Company's activities or the activities of CPV.

**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.)**

**Brief description of the Group, its business environment and its areas of activity in the period of the report and thereafter (Cont.)**

13. (Cont.)

The limited partners in the Partnership are as follows: the Company (directly or through a subsidiary) – which holds about 70%; three financial investors, namely: institutional investors from the Clal Insurance Group – which hold 12.75%; institutional investors from the Migdal Insurance Group – which hold 12.75%; and a corporation from Poalim Capital Markets – which holds 4.5%. The total investment commitments of all the partners in accordance with the Partnership Agreement is \$815 million, broken down based on the holding rates set forth above. The said amount is intended both for acquisition of all of the rights of the Buyer in the CPV Group and for financing additional investments in the Buyer and in the CPV Group, in order to realize (execute) certain projects on its project list in the upcoming years, as stated. The Partnership Agreement governs the relationships between the limited partners and the relationships between them and the General Partner, and includes, among other things, provisions in connection with management of the Partnership, the entitlement of the General Partner to management fees, restrictions on transfer of the rights of the partners, options relating to the holding in the Partnership, etc. It is noted that the investment commitments of the partners in the Partnership is contingent on completion of the Transaction for acquisition of the CPV Group in accordance with the dates provided for this in the Acquisition Agreement. For additional details regarding the Partnership Agreement – see Note 7F to the Interim Statements and the Company's Immediate Report dated October 11, 2020 (Reference No. 2020-01-110115).

14. Further to the issuance made in April 2020 of the Company's debentures (Series B) having a par value of NIS 400 million, in October 2020 an additional issuance made of debentures (Series B), by means of expansion of a series, having a par value of NIS 556 million. The proceeds of the issuance in the framework of expansion of the debentures (Series B) (gross) amounted to about NIS 584 million. For additional details regarding issuance of the debentures and expansion of the debentures (Series B) – see Section 11 below and Notes 6B(4) and 7A to the Interim Statements.
15. In October 2020 the Company made early redemption, at its own initiative, of the debentures (Series A). The full amount of the total proceeds (in respect of principal, interest and compensation for early redemption) amounted to about NIS 313 million. It is noted that at time of execution of the early redemption, the Company and the trustee for the debentures (Series A) signed amendment no. 2 to the trust certificate for the debentures (Series A), whereby in Section 10.3 of the trust certificate, after the words "the early redemption will be executed on the date provided for payment as stated", the words "or at an earlier date provided that as part of the early redemption the interest will be paid to the holders of debentures up to the date provided for payment as stated" will come. For additional details regarding the early redemption – see Note 7B to the Interim Statements.



**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.)**

**Brief description of the Group, its business environment and its areas of activity in the period of the report and thereafter (Cont.)**

16. In October 2020 the Company published a shelf offer for issuance of ordinary shares of NIS 0.01 par value each of the Company ("Ordinary Shares") to the public, by means of a uniform offer with a range of quantities, via a tender on the unit price and the quantity, in accordance with the Company's shelf prospectus. It is noted that the Company's controlling shareholder, Kenon Holdings Ltd. (hereinafter – "Kenon"), submitted bids for participation in the tender at prices that are not less than the uniform price determined in the tender, and in the framework of the issuance it was issued 10,700,200 Ordinary Shares. As part of the issuance, 23,022,100 Ordinary Shares were issued to the public. The proceeds of the issuances, gross, amounted to about NIS 736,707,200. For additional details – see Note 7C to the Interim Statements.
17. In October 2020 the Company completed a material private offering and a non-material private offering of 11,713,521 of the Company's Ordinary Shares, further to agreements covering a private issuance to institutional entities from the Clal group and from The Phoenix group dated September 23, 2020. The price per Ordinary Share for each of the offerees was NIS 29.88 per Ordinary Share (the consideration was determined through negotiations between the Company and the offerees), and the proceeds from the issuance, gross, amounted to about NIS 350 million. For additional details – see Note 7C to the Interim Statements.
18. In October 2020 the Company signed a loan agreement with entities from the Harel group. As part of the agreement, Harel committed to provide the Company a loans' framework in shekels, in the aggregate amount (principal) of NIS 400 million, for a period of 24 months (hereinafter – "the Framework Period"). In the Framework Period, the Company will be permitted to withdraw: (A) short-term loans, which are to be repaid at the end of the Framework Period or converted into long-term loans (at the end of the Framework Period); and (B) long-term loans. The principal amounts of the long-term loans that will be provided are to be repaid on a date that falls 36 months after the earlier of: (A) the date on which the first long-term withdrawal is made; or (B) the end of the Framework Period. Withdrawal of the loans from the framework is subject to fulfillment of a number of conditions, including, completion of the Acquisition Agreement, as defined above. The loans will bear current interest at an annual rate that is equal to the Bank of Israel interest rate plus a margin in the range of 2.55% – 2.75%. In order to secure the Company's liabilities to Harel under the agreement, liens will be placed in favor of Harel on the Company direct and indirect rights as a limited partner in OPC Power partnership, as well as on certain of the bank accounts of the Company and of the General Partner in the partnership. For details regarding the loan agreement, including financial covenants, additional interest, restrictions on distribution and breach events – the Company's Immediate Report dated October 11, 2020 (Reference No. 2020-01-117822), and Note 7G to the Interim Statements. For additional details regarding the Company's business – see Section 13 below.

**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.)**

**Brief description of the Group, its business environment and its areas of activity in the period of the report and thereafter (Cont.)**

19. In October 2020, the Government made a decision regarding the matter of “Advancement of Renewable Energy and Amendment of Government Decisions” (hereinafter in this Paragraph – “the Decision”). As part of the Decision, the Government approved the generation target for renewable energy, which will be 30% up to 2030 (with an intermediate target of 20% by the end of 2025). In addition, regarding conventional generation, it was provided, among other things, that up to July 31, 2023 there will be a need for additional capacity for generation of electricity through use of natural gas and with a diesel oil back-up of 4,000 megawatts, in the framework of approved plans, in response to the requirements of the electricity sector, up to 2030. As part of the Decision, the government recorded for itself the notification of the Accountant General in the Ministry of Finance regarding appointment of an inter-ministerial tenders' committee for purposes of advancing establishment of conventional capacity for generation of electricity through use of natural gas, which could also include storage of energy, in a scope that will be determined by the Electricity Authority in accordance with the requirements of the electricity sector and up to 1,400 megawatts. Further to that stated in Section 8.2.6.1A and B of Part A to the Periodic Report for 2019, on November 6, 2020, the government revised the authorizations provided for expansion of the Hadera Power Plant and the Rotem Power Plant in such a manner that a maximum capacity under the authorizations will not be provided, in order to permit use of turbines using innovative technology at the time of the establishment, wherein utilization of the energy is higher and that reduce contaminating emissions. It is noted that as at the date of the report, there is no certainty regarding receipt of the approvals for the national infrastructure plans and completion of the required actions in connection with advancement of the projects the Company is presently advancing on areas located adjacent to the Hadera Power Plant and the Rotem Power Plant.

OPC Energy Ltd.  
Report of the Board of Directors

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

2. Financial Position as at September 30, 2020 (in thousands of NIS)

Category	9/30/2020	12/31/2019	Analysis
<b>Current Assets</b>			
Cash and cash equivalents	587,154	384,748	<p>Most of the increase stems from issuance of debentures (Series B) (net of issuance expenses), in the amount of about NIS 396 million, an increase in the cash balances as a result of the Company's current operating activities, in the amount of about NIS 307 million, and withdrawals under the financing agreements for projects, in the amount of about NIS 201 million.</p> <p>This increase was partly offset by investments in the Zomet project, in the amount of about NIS 331 million, current debt payments (including interest), in the amount of about NIS 178 million, and investments in property, plant and equipment, in the amount of about NIS 61 million.</p> <p>For further information – see the Company's condensed consolidated interim statements of cash flows for the nine-month period ended September 30, 2020 in the interim financial statements.</p>
Short-term deposits and restricted cash	56,071	115,765	<p>Most of the decrease, in the amount of about NIS 59 million, stems from a decrease in the deposit used for securing the Company's guarantee to invest shareholders' equity in Zomet. For additional details – Note 6B(10) to the interim financial statements.</p>
Trade receivables and accrued income	114,126	134,794	<p>Most of the decline stems from a decrease in accrued income in Rotem, in the amount of about NIS 34 million, primarily as a result of the seasonal impact on sales and reduction of the generation tariff component (as described in Note 6A(1) to the Interim Statements).</p> <p>The decline was partly offset by an increase in accrued income in Hadera, in the amount of about NIS 15 million, mainly owing to the commercial operation of the Hadera Power Plant in July 2020.</p>
Receivables and debit balances	57,658	69,975	<p>Most of the decrease stems from a decline in the balance receivable, net, from the Hadera construction contractor, in the amount of about NIS 20 million. For additional details – see Note 6D(4) to the interim financial statements. This decline was partly offset by an increase in the prepaid expenses, in the amount of about NIS 8 million, mainly due to an advance payment in respect of the insurance premium for the Hadera Power Plant.</p>
Short-term derivative financial instruments	1,823	188	
<b>Total current assets</b>	<b>816,832</b>	<b>705,470</b>	

OPC Energy Ltd.  
Report of the Board of Directors

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

2. Financial Position as at September 30, 2020 (in thousands of NIS) (Cont.)

Category	9/30/2020	12/31/2019	Analysis
<b>Non-Current Assets</b>			
Long-term deposits and restricted cash	346,056	266,803	<p>Most of the increase stems from a deposit in collaterals, in the aggregate amount of about NIS 57 million, in order to secure bank guarantees, as described in Note 6B(10) to the interim financial statements, and deposits, in the amount of about NIS 46 million, to the debt service reserve and to the reserve for shareholders' guarantees in accordance with Hadara's financing agreement. In addition, additional collaterals were provided in respect of interest SWAP contracts (as described in Notes 22D and 25N to the Annual Consolidated Financial Statements and in Note 6B(9) to the Interim Statements), in the amount of about NIS 36 million.</p> <p>This increase was partly offset by release of the reserve for shareholders' guarantees in Rotem, in the amount of about NIS 58 million.</p>
Long-term prepaid expenses	127,700	104,317	Most of the increase stems from an increase in deferred expenses as part of Zomet's financing agreement, in the amount of about NIS 22 million.
Deferred tax assets, net	9,479	5,240	Most of the increase stems from an increase in the losses for tax purposes in Hadara.
Long-term derivative financial instruments	3,593	7,077	<p>The decrease stems from a decline in the fair value of interest SWAP contracts, in the amount of about NIS 7 million (as described in Notes 22D and 25N to the Annual Consolidated Financial Statements and in Note 6B(9) to the interim financial statements).</p> <p>The decrease was partly offset by an increase deriving from an increase in the fair value of "call" options in Zomet, in the amount of about NIS 3 million.</p>
Property, plant and equipment	2,512,278	2,344,920	<p>Most of the increase stems from investment in the Hadera Power Plant under construction, in the amount of about NIS 56 million, as well as from investments in the Zomet project, in the amount of about NIS 167 million (including payment in respect of acquisition of shares, as described in Note 6C(2) to the interim financial statements).</p> <p>This increase was partly offset by depreciation expenses in respect of property, plant and equipment in Rotem and Hadara, in the aggregate amount of about NIS 77 million.</p>
Right-of-use asset	287,823	56,832	Most of the increase derives from allotment of land to Zomet (for additional details – see Note 6C(6) to the interim financial statements).
Intangible assets	4,571	4,259	
<b>Total non-current assets</b>	<b>3,291,500</b>	<b>2,789,448</b>	
<b>Total assets</b>	<b>4,108,332</b>	<b>3,494,918</b>	

OPC Energy Ltd.  
Report of the Board of Directors

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

2. Financial Position as at September 30, 2020 (in thousands of NIS) (Cont.)

Category	9/30/2020	12/31/2019	Analysis
<b>Current Liabilities</b>			
Current maturities	166,047	157,147	<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 120 million.</p> <p>The increase was partly offset by repayment of the senior debt in Rotem and Hadera, in the amount of about NIS 95 million, and repayment of the Company's debentures (Series A), in the amount of about NIS 16 million.</p>
Trade payables	180,744	123,812	<p>Most of the increase derives from an increase in the balance with Israel Electric Company, in the amount of about NIS 714 million, mainly due to timing differences, and an increase in purchases of electricity from Israel Electric Company.</p> <p>The increase was partly offset by a decline in the balance of suppliers with respect to acquisition of fuels, in the amount of about NIS 12 million.</p>
Payables and other credit balances	41,423	41,641	<p>Most of the decrease derives from a decrease in the liabilities to employees in respect of salaries, in the amount of about NIS 5 million, and a decrease in the balance of payables in respect of a transaction for acquisition of shares of Zomet, in the amount of about NIS 5 million.</p> <p>This decrease was partly offset by an increase in accrued expenses, in the amount of about NIS 6 million, and from a balance of interest payable, in the amount of about NIS 3 million.</p>
Short-term derivative financial instruments	23,898	21,678	Most of the increase stems from an increase in the fair value of forward contracts in Zomet, in the amount of about NIS 3 million.
Current maturities of long-term lease liabilities	53,171	2,400	Most of the increase stems from the balance the capitalization fees relating to Zomet's land that has not yet been paid, in the amount of about NIS 52 million. For additional details – see Note 6C(6) to the interim financial statements.
Current taxes payable	29,287	–	The increase stems from a liability for taxes on income in Rotem.
<b>Total current liabilities</b>	<b>494,570</b>	<b>346,678</b>	

OPC Energy Ltd.  
Report of the Board of Directors

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

2. Financial Position as at September 30, 2020 (in thousands of NIS) (Cont.)

Category	9/30/2020	12/31/2019	Analysis
<b>Non-Current Liabilities</b>			
Long-term loans from banks and financial institutions	1,832,670	1,740,607	Most of the increase stems in the loans derives from a withdrawals under the financing agreements of Hadera and Zomet, in the amounts of about NIS 64 million and about NIS 137 million, respectively.  On the other hand, there was a decrease deriving from update of the current maturities of loans, in the amount of about NIS 95 million, and a decline in the linkage differences in respect of the senior debt of Hadera and Rotem, in the amount of about NIS 10 million.
Debentures	623,768	252,309	The increase stems from issuance of the Company's debentures (Series B), amount of about NIS 396 million (net of issuance expenses). For additional details – see Note 6B(4) to the interim financial statements.  On the other hand, there was a decrease stemming from update of the current maturities of the debentures, in the amount of about NIS 25 million.
Long-term lease liabilities	14,644	15,960	
Long-term derivative financial instruments	28,521	–	The increase stems from change in the fair value of interest SWAP contracts, as described in Notes 22D and 25N to the annual consolidated financial statements and in Note 6B(9) to the interim financial statements.
Other long-term liabilities	2,410	2,307	
Employee benefits	177	177	
Liabilities for deferred taxes, net	281,733	281,105	
<b>Total non-current liabilities</b>	<b>2,783,923</b>	<b>2,292,465</b>	
<b>Total liabilities</b>	<b>3,278,493</b>	<b>2,639,143</b>	

3. Results of operations for the nine-month and three-month periods ended September 30, 2020 (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, 2020 (in thousands of NIS) (Cont.)

Category	For the Nine Months Ended		Analysis
	9/30/2020	9/30/2019	
Sales	977,806	1,017,919	For detail regarding the change in the sales – see Section 6, below.
Cost of sales (net of depreciation and amortization)	701,405	697,566	For detail regarding the change in the cost of sales – see Section 7, below.
Depreciation and amortization	79,719	82,047	<p>Most of the decrease, in the amount of about NIS 15 million, stems from a change in the estimated useful life of various components in the Rotem Power Plant, commencing from the fourth quarter of 2019 (for additional details – see Note 2E to the Annual Consolidated Financial Statements) and from the first quarter of 2020 (for details – see Note 1B to the Interim Statements).</p> <p>This decrease was partly offset by depreciation expenses of the Hadera Power Plant, in the amount of about NIS 9 million, due to the commercial operation in July 2020 and a write off, in the amount of about NIS 3 million, in respect of certain components in the Rotem Power Plant, which were removed from service and were replaced.</p>
<b>Gross profit</b>	<b>196,682</b>	<b>238,306</b>	
Administrative and general expenses	38,192	38,781	<p>The decrease derives from a decline in the expenses for legal and professional services, in the amount of about NIS 3 million, mainly due to completion of the Tamar arbitration.</p> <p>This decrease was partly offset by an increase in personnel costs, in the amount of about NIS 2 million.</p>
Business development expenses	10,373	5,353	Most of the increase stems from an increase in the scope of the development activities and was caused mainly by expenses in connection with acquisition of the CPV Group, as described in Paragraph 12 to the introduction to the Report of the Board of Directors.
Other income, net	976	20,598	The other income in 2019 stems from reimbursement of legal expenses, in the amount of about NIS 14 million, stemming from the decision in the Tamar arbitration (for additional details see Note 25G to the Annual Consolidated Financial 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.
<b>Operating income</b>	<b>149,093</b>	<b>214,770</b>	

OPC Energy Ltd.  
Report of the Board of Directors

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

3. Results of operations for the nine-month and three-month periods ended September 30, 2020 (in thousands of NIS) (Cont.)

Category	For the Nine Months Ended		Analysis
	9/30/2020	9/30/2019	
Financing expenses, net	83,153	72,063	Most of the increase stems from the financing expenses with respect to the senior debt in Hadara, in the amount of about NIS 10 million (including the results of the hedge relating to linkage to the CPI), as a result of the commercial operation of the Hadera Power Plant and discontinuance of capitalization of the financing expenses to the cost of the asset under construction. In addition, the increase derives from interest expenses, net, in the amount of about NIS 2 million, due to issuance of a new series of debentures (Series B). This increase was partly offset by a decrease in the financing expenses on the senior debt in Rotem, in the amount of about NIS 6 million (including the results of the hedge in respect of linkage to the CPI).  In 2019, the Company recorded 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 25G to the Annual Consolidated Financial Statements.
<b>Income before taxes on income</b>	<b>65,940</b>	<b>142,707</b>	
Taxes on income	25,737	39,267	The decrease derives from lower income in the first nine months of 2020 compared with the corresponding period last year.
<b>Income for the period</b>	<b>40,203</b>	<b>103,440</b>	
<b>Attributable to:</b>			
The Company's shareholders	20,206	77,243	
Holders of non-controlling interests	19,997	26,197	



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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, 2020 (in thousands of NIS) (Cont.)

Category	For the Three Months Ended		Analysis
	9/30/2020	9/30/2019	
Sales	400,339	359,305	For detail regarding the change in the sales – see Section 6, below.
Cost of sales (net of depreciation and amortization)	288,371	243,334	For detail regarding the change in the cost of sales – see Section 7, below.
Depreciation and amortization	32,497	27,806	Most of the increase, in the amount of about NIS 9 million, stems from commencement of the depreciation of the Hadera Power Plant due to the commercial operation in July 2020.  This increase was partly offset by a decrease in the depreciation expenses, in the amount of about NIS 5 million, stemming from a change in the estimated useful life of various components in the Rotem Power Plant, commencing from the fourth quarter of 2019 (for additional details – see Note 2E to the Annual Consolidated Financial Statements) and from the first quarter of 2020 (for additional details – see Note 1B to the Interim Statements).
<b>Gross profit</b>	<b>79,471</b>	<b>88,165</b>	
Administrative and general expenses	12,189	10,273	Most of the increase derives from an increase in personnel costs.
Business development expenses	4,104	2,333	Most of the increase stems from an increase in the scope of the development activities and was caused mainly by expenses in connection with acquisition of the CPV Group, as described in Paragraph 12 to the introduction to the Report of the Board of Directors.
Other income, net	776	16,115	The other income in the third quarter of 2019 stems from reimbursement of legal expenses, in the amount of about NIS 14 million, stemming from the decision in the Tamar arbitration and income from sale of gas, net, in the amount of about NIS 2 million (for additional details see Note 25G to the Annual Consolidated Financial Statements).
<b>Operating income</b>	<b>63,954</b>	<b>91,674</b>	

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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, 2020 (in thousands of NIS) (Cont.)

Category	For the Three Months Ended		Analysis
	9/30/2020	9/30/2019	
Financing expenses, net	36,008	18,786	Most of the increase stems from the financing expenses with respect to the senior debt in Hadara, in the amount of about NIS 10 million (including the results of the hedge relating to linkage to the CPI), as a result of the commercial operation of the Hadara Power Plant and discontinuance of capitalization of the financing expenses to the cost of the asset under construction.  In addition, in 2019, the Company recorded 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 25G to the Annual Consolidated Financial Statements.
<b>Income before taxes on income</b>	<b>27,946</b>	<b>72,888</b>	
Taxes on income	9,551	21,207	The decrease derives from lower income in the third quarter of 2020 compared with the corresponding quarter last year.
<b>Income for the period</b>	<b>18,395</b>	<b>51,681</b>	
<b>Attributable to:</b>			
The Company's shareholders	10,755	37,408	
Holders of non-controlling interests	7,640	14,273	

**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):**

	<b>For the Nine Months Ended</b>		<b>For the Three Months Ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Sales</b>	977,806	1,017,919	400,339	359,305
Cost of sales (less depreciation and amortization)	(701,405)	(697,566)	(288,371)	(243,334)
Administrative and general expenses (less depreciation and amortization)	(36,046)	(36,905)	(11,414)	(9,356)
Business development expenses	(10,373)	(5,353)	(4,104)	(2,333)
Other income	976	20,598	776	16,115
<b>EBITDA</b>	<b>230,958</b>	<b>298,693</b>	<b>97,226</b>	<b>120,397</b>
Less non-recurring income <sup>23</sup>	–	(14,237)	–	(14,237)
<b>EBITDA less non-recurring income</b>	<b>230,958</b>	<b>284,456</b>	<b>97,226</b>	<b>106,160</b>

<sup>23</sup> The non-recurring income in the nine-month and three-month periods ended September 30 2019 constitutes reimbursement of legal expenses as part of the decision in the Tamar arbitration (for additional details – see Note 25G to the Annual Consolidated Financial Statements).

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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 Group's active power plants (in millions KW hours):

	For the Nine Months Ended		For the Three Months Ended	
	September 30		September 30	
	2020	2019	2020	2019
Sales to private customers	3,057	2,982	1,200	991
Sales to the System Administrator	115	54	7	6
<b>Total sales</b>	<b>3,172</b>	<b>3,036</b>	<b>1,207</b>	<b>997</b>

	For the Nine Months Ended		For the Three Months Ended	
	September 30		September 30	
	2020	2019	2020	2019
Generation of electricity and purchases due to load reduction	2,958	2,829	1,048	897
Purchase of electricity from the System Administrator	214	207	159	100
<b>Total generation of electricity and purchases from the System Administrator</b>	<b>3,172</b>	<b>3,036</b>	<b>1,207</b>	<b>997</b>

	For the Nine Months Ended		For the Three Months Ended	
	September 30		September 30	
	2020	2019	2020	2019
In Thousands of Tons				
Net generation of electricity and purchases due to load reduction in Rotem	2,692	2,766	826	876
Net generation in Hadera	266	63	222	21
<b>Total</b>	<b>2,958</b>	<b>2,829</b>	<b>1,048</b>	<b>897</b>

	For the Nine Months Ended		For the Three Months Ended	
	September 30		September 30	
	2020	2019	2020	2019
In Thousands of Tons				
Generation of steam	544	574	159	186

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**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		For the	
	Nine Months Ended		Three Months Ended	
	September 30		September 30	
	2020	2019	2020	2019
Revenues from sale of energy to private customers that was generated and/or purchased from other generators (1)	640,241	702,589	234,901	239,356
Revenues from sale of energy purchased at the TAOZ to private customers (2)	58,488	56,122	46,779	31,210
Revenues from private customers in respect of infrastructures services (3)	204,109	207,285	85,568	73,250
Revenues from sale of energy to the System Administrator (4)	32,438	6,300	20,268	678
Revenues from sale of steam (5)	42,530	45,623	12,823	14,811
<b>Total revenues</b>	<b>977,806</b>	<b>1,017,919</b>	<b>400,339</b>	<b>359,305</b>

The Company's net revenues from the sale of electricity to its private customers stem from electricity sold at the generation component tariffs, as published by the Electricity Authority, with a certain discount from the tariff. The weighted-average generation component tariff for 2020, as published by the Electricity Authority, is NIS 0.2678 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 2019, the weighted-average of the generation component tariff was NIS 0.2909 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.

In accordance with the instructions of the System Administrator, Rotem was required to reduce the load in the period of the report. The deficient electricity, which is needed for supply of the consumption of customers, was purchased from Israel Electric Company at Rotem's generation cost.

**For the nine-month periods ended September 30, 2020 and 2019:**

- (1) Most of the decrease stems from a decrease in the generation component tariff, in the amount of about NIS 56 million, a decline in the availability of the Rotem Power Plant, in the amount of about NIS 25 million (resulting from planned technical examinations of the plant during the second quarter of 2020 and additional unplanned maintenance in August 2020) and a decrease in the total consumption of the customers, in the amount of about NIS 11 million, mainly due to a change in the consumption profile of customers in the desalinization area, as well due to unplanned maintenance of a customer in the desalinization area during January and February of 2020. It is noted that the impact of the Coronavirus Crisis reduced the Company's revenues by about NIS 2 million – this being due to a decline in customer consumption. On the contrary, there was an increase in revenues from private customers due to the commercial operation of the Hadera Power Plant, in the amount of about NIS 32 million.
- (2) Most of the increase stems from acquisition of energy for customers of the Hadera Power Plant during the period of the maintenance work, in the amount of about NIS 7 million. On the other hand, there was a decrease in revenues from sale of energy purchased for customer of Rotem, in the amount of about NIS 5 million.
- (3) Most of the decrease stems from a decline in the infrastructure tariffs in 2020, in the amount of about NIS 9 million, and from a decline in the scope of the consumption of the customers, in the amount of about NIS 8 million. On the other hand, there was an increase of about NIS 14 million due to the commercial operation of the Hadera Power Plant and sales to end-customers.
- (4) Most of the increase stems from sales of energy at the cogeneration tariff of the Hadera Power Plant.
- (5) Most of the decrease stems from a decline in the total sales of steam along with a decrease in the steam price deriving from a decrease in the price of gas.

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**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, 2020 and 2019:

- (1) Most of the decrease stems from a decrease in the generation component tariff, in the amount of about NIS 20 million, a decline in availability of the Rotem Power Plant, in the amount of about NIS 13 million, due to unplanned maintenance work in August 2020 and a decrease in the consumption of customers, in the amount of about NIS 3 million. On the other hand, there was an increase, in the amount of about NIS 32 million, deriving from the commercial operation of the Hadera Power Plant.
- (2) Most of the increase stems from purchases of energy during the maintenance work for customers of the Hadera Power Plant and the Rotem Power Plant.
- (3) Most of the increase is due to the commercial operation of the Hadera Power Plant and sales of energy to end-customers.
- (4) Most of the increase is due to the commercial operation of the Hadera Power Plant and sales energy to the System Administrator at the cogeneration tariff.
- (5) Most of the decrease stems from a decrease in the total sales of steam along with a decrease in the steam price deriving from a decrease in the price of gas.

**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		For the Three Months Ended	
	September 30		September 30	
	2020	2019	2020	2019
Gas and diesel fuel (1)	350,452	367,827	125,883	117,078
Expenses to IEC for infrastructure services and purchase of electricity (2)	278,421	263,407	132,883	104,460
Gas transmission costs	24,431	23,963	8,561	7,961
Operating expenses (3)	48,101	42,369	21,044	13,835
<b>Total cost of sales (net of depreciation and amortization)</b>	<b>701,405</b>	<b>697,566</b>	<b>288,371</b>	<b>243,334</b>

	For the Nine Months Ended		For the Three Months Ended	
	September 30		September 30	
	2020	2019	2020	2019
Gas consumption (MMBTU)	20,958,222	20,709,657	7,678,996	6,639,767
Average gas price (in dollars)	4.70	4.81	4.70	4.85

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**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, 2020 and 2019:

- (1) Most of the decrease derives from a decline in the generation of electricity, in the amount of about NIS 26 million, due to maintenance and load reductions at the Rotem Power Plant. In addition, there was a decline of about NIS 14 million stemming from a decline in the gas price as a result of a decrease of and the generation component and the dollar exchange rate. On the other hand, there was an increase in the gas costs, in the amount of about NIS 23 million, due to the commercial operation of the Hadera Power Plant.
- (2) Most of the increase is due to the commercial operation of the Hadera Power Plant and the start of sales to end-customers, in the amount of about NIS 21 million, along with an increase in the scope of purchases of electricity, in the amount of about NIS 3 million, mainly due to maintenance at the Rotem Power Plant during the period. On the other hand, there was a decrease, in the amount of about NIS 9 million, due to a decline in the infrastructure tariffs for 2020.
- (3) Most of the increase stems from current operating costs due to the commercial operation of the Hadera Power Plant.

For the three-month periods ended September 30, 2020 and 2019:

- (1) Most of the increase, in the amount of about NIS 23 million, stems from the commercial operation of the Hadera Power Plant. On the other hand, there was a decrease due to a decline in the generation of electricity, in the amount of about NIS 8 million, due to unplanned maintenance and load reductions at the Rotem Power Plant. In addition, there was a decline of about NIS 6 million stemming from a decline in the gas price as a result of a decrease of and the generation component and the dollar exchange rate.
- (2) Most of the increase is due to the commercial operation of the Hadera Power Plant, in the amount of about NIS 21 million, and an increase in expenses, in the amount of about NIS 7 million, due to unplanned maintenance at the Rotem Power Plant in August 2020.
- (3) Most of the increase stems from current operating costs due to the commercial operation of the Hadera Power Plant.

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

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

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

Category	For the Nine Months Ended		Analysis
	9/30/2020	9/30/2019	
Cash flows provided by operating activities	306,258	411,655	Most of the decrease stems from a decrease in the current operating activities (mainly due to lower income), in the amount of about NIS 86 million, along with a decline in the working capital, in the amount of about NIS 19 million.
Cash flows used in investing activities	(433,544)	(217,878)	<p>Most of the increase derives from higher investments in the Zomet project, in the amount of about NIS 331 million, and deposits in restricted cash, net, in the amount of about NIS 28 million.</p> <p>The increase was partly offset by a decrease in short-term deposits, in the net amount of about NIS 144 million.</p>
Cash flows provided by financing activities	330,426	104,104	<p>Most of the increase stems from issuance of debentures (Series B), in the amount of about NIS 396 million (net of issuance expenses) and withdrawals in the framework of the financing agreements for the Zomet project and the Hadera project, in the aggregate amount of about NIS 201 million. In addition, in the corresponding period in 2019, the Company distributed a dividend, in the amount of about NIS 36 million.</p> <p>This increase was partly offset by an increase in current repayments of debentures and loans, in the aggregate amount of about NIS 67 million, payment in respect of acquisition of non-controlling interests in Zomet, in the amount of about NIS 26 million, payments of deferred expenses in the framework of Zomet's financing agreement, in the amount of about NIS 24 million, and payments in respect of derivative instruments, in the amount of about NIS 10 million, in 2020.</p> <p>In addition, in 2019 the Company issued shares for a net consideration of about NIS 272 million.</p>

As at September 30, 2020, there are no warning signs in accordance with Regulation 10(B)(14) of the Reporting Regulations that require publication of a "forecasted cash flow" statement by the Company.



**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
	9/30/2020	9/30/2019	
Cash flows provided by operating activities	128,500	146,533	Most of the decrease stems from a decrease in the current operating activities, in the amount of about NIS 30 million, mainly as a result of lower income. On the other hand, there was an increase in the net working capital, in the amount of about NIS 14 million (mainly due to lower payments deriving from timing differences).
Cash flows used in investing activities	(91,161)	(6,824)	Most of the increase derives from higher investments in the Zomet project, in the amount of about NIS 70 million.
Cash flows provided by financing activities	45,100	109,155	Most of the decrease stems from the proceeds from issuance of shares, net, in the amount of about NIS 153 million, in the third quarter of 2019. In addition, in the third quarter of 2020, there was an increase in current repayments of loans from banks and others, in the amount of about NIS 18 million.  This decrease was partly offset by withdrawals in the framework of Zomet's financing agreement, in the amount of about NIS 112 million.

As at September 30, 2020, there are no warning signs in accordance with Regulation 10(B)(14) of the Reporting Regulations that require publication of a "forecasted cash flow" statement by the Company.

**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 debt service reserves, as at September 30, 2020 (in thousands of NIS):

	<u>Solo</u>	<u>Rotem</u>	<u>Hadera</u>	<u>Zomet</u>	<u>Others</u>	<u>Consolidated</u>
Debt (including accrued interest)	666,807	1,120,157	705,827	134,077	–	2,626,868
Cash and cash equivalents	282,428	262,030	6,712	34,144	1,840	587,154
Debt service reserves (out of the restricted cash)*	92,493	78,792	45,501	–	–	216,786

\* Including funds used for guaranteeing the debt.

- Rotem repaid the amount of about NIS 69 million (relating to principal only) of its loans.
- Hadera withdrew the amount of about NIS 64 million from the long-term credit framework in accordance with its financing agreement and repaid the amount of about NIS 26 million (relating to principal only) of its loans.
- Zomet withdrew the amount of about NIS 137 million from the long-term loans framework, in accordance with its financing agreement. For additional details – see Note 6C(3) to the interim financial statements.
- The Company repaid about NIS 16 million (relating to principal only) from the debentures (Series A). For details regarding redemption of the Company's debentures (Series A) subsequent to the date of the report – see Paragraph 15 to the introduction to the Report of the Board of Directors and Note 7B to the Interim Statements
- In April 2020, the Company issued debentures (Series B) in the amount of NIS 400 million par value. Subsequent to the date of the report, in October 2020, the Company issued debentures (Series B), by means of an expansion of the series in the amount of NIS 556 million par value. For additional details – see Paragraph 14 to the introduction to the Report of the Board of Directors and Notes 6B(4) and 7A to the Interim Statements. The amount of NIS 313 million out of the proceeds of the issuance was used by the Company to make full early redemption, at the Company's initiation, of the debentures (Series A), which was executed in October 2020. For additional details – see Paragraph 15 to the introduction to the Report of the Board of Directors.

**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 debt service reserves, as at December 31, 2019 (in thousands of NIS):

	<u>Solo</u>	<u>Rotem</u>	<u>Hadera</u>	<u>Zomet</u>	<u>Others</u>	<u>Consolidated</u>
Debt (including accrued interest)	282,864	1,196,650	670,797	–	1,282	2,151,593
Cash and cash equivalents	256,417	112,927	9,033	731	5,640	384,748
Debt service reserves (out of the restricted cash)*	66,670	138,224	–	–	–	204,894

\* Including funds used for guaranteeing the debt.

The following table details the debt, cash and cash equivalents, deposits and debt service reserves, as at September 30, 2019 (in thousands of NIS):

	<u>Solo</u>	<u>Rotem</u>	<u>Hadera</u>	<u>Zomet</u>	<u>Others</u>	<u>Consolidated</u>
Debt (including accrued interest)	290,124	1,224,015	666,204	–	1,252	2,181,595
Cash and cash equivalents and short-term deposits	512,931	336,872	20,455	2,573	1,506	874,337
Debt service reserves (out of the restricted cash)*	54,064	132,872	–	–	–	186,936

\* Including funds used for guaranteeing the debt.

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**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.)**

As at the date of the Report, the Company and the subsidiaries were in compliance with all the financial covenants stipulated in their financing agreements and trust certificates. Set forth below is detail of the financial covenants for violation, based on the actual results of operations (for significant loans)<sup>24</sup>:

	<b>As at September 30, 2020</b>
<u>Covenants applicable to the Company by the trust certificate for the Company's debentures (Series A)<sup>25</sup></u>	
The historical debt coverage ratio, as defined in the trust certificate, may not drop below 1:1.20	1:15.8
The Company's shareholders' equity, as defined in the trust certificate, may not drop below NIS 80 million	NIS 762 million
The Company's shareholders' equity to the total assets, as defined in the trust certificate, may not drop below 12.5%	51%
<u>Covenants applicable to the Company by the trust certificate for the Company's debentures (Series B)</u>	
The ratio of the net consolidated financial debt less the financial debt designated for construction of projects that have not yet started to produce EBITDA and the adjusted EBITDA may not exceed 13	5.3
Minimum shareholders' equity of NIS 250 million	NIS 762 million
A ratio of shareholders' equity to total assets at a rate of not less than 17%	51%
<u>Covenants applicable to the Company relating to the agreement for investment of equity in Hadera</u>	
Shareholders' equity of the Company, up to the end of the warranty period of the construction contractor, may not drop below NIS 250 million	NIS 762 million
A ratio of shareholders' equity to total assets at a rate of not less than 20%	51%
From the date of the commercial operation of Hadera up to the end of the warranty period of the construction contractor, the cash balance may not fall below NIS 50 million or a bank guarantee in the amount of NIS 50 million.	A bank guarantee in the amount of NIS 50 million was provided
<u>Covenants applicable to Rotem</u>	
ADSCR (in the past 12 months) 1.1	1.88

<sup>24</sup> For a description of the financial covenants relating to the significant loans of the Company and the subsidiaries – see Section 10.3 of Part A of the Periodic Report.

<sup>25</sup> In October 2020 the Company made full redemption of the debentures (Series A).

**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 1, 6 and 7 to the Interim 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. **Debentures (Series B)**

Set forth below are details regarding the Company’s debentures (Series B)

Name of the series	Series B
Issuance date	April 26, 2020
Total nominal value on the date of issuance	NIS 400 million par value
Nominal value on the date of the report	NIS 400 million par value
Nominal value after revaluation based on the linkage terms	NIS 400 million par value
Expansion date of the series	October 6, 2020
Total nominal value on the date of the expansion	NIS 956 million par value
Amount of the interest accrued as included in the financial statements as at September 30, 2020	–
The fair value as included in the financial statements as at September 30, 2020	About NIS 416 million.
Stock market value on September 30, 2020	About NIS 416 million.
Type of interest and interest rate	Fixed annual interest at the rate of 2.75%.
Principal payment dates	16 unequal semi-annual payments, to be paid on March 31 and September 30 of each of the years from 2021 to 2028 (inclusive).
Interest payment dates	The interest on the outstanding balance as it will be from time to time on the principal of the debentures (Series B) is payable commencing from September 2020 twice a year (except for 2020) on September 30, 2020, and on March 31 and September 30 of each of the years from 2021 to 2028 (inclusive). The interest payments are to be made for the period of six months that ended on the last day prior to the relevant interest payment date, except for the first interest payment that is to be made on September 30, 2020, and is to be paid for the period that commenced on the first trading day after the tender date of the debentures (Series B) and that ends on the last day prior to the said payment date, and is to be calculated based on the number of days in the said period and on the basis of 365 days per year.

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

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

11. **Debentures (Series B) (Cont.)**

Linkage basis and terms	The principal of the debentures (Series B) and the interest thereon are linked to the increase in the Consumer Price Index (CPI) against the CPI for March 2020 that was published on April 15, 2020. The linkage terms will not be changed during the period of the debentures.
Are they convertible into another security	No.
Right of the Company to make early repayment	The Company has the right to make early repayment pursuant to the conditions in the trust certificate.
Was a guarantee provided for payment of the Company's liabilities based on the debentures	No.
Name of trustee	Reznik Paz Nevo Trustees Ltd.
Name of the party responsible for the series of liability certificates with the trustee	Michal Avatlon and/or Hagar Shaul
Contact information	Address: 14 Yad Harutzim St., Tel-Aviv Telephone: 03-6389200 Fax: 03-6389222 E-mail: Michal@rpn.co.il
Rating of the debentures since the issuance date	Rating of ilA- by S&P Global Ratings Maalot Ltd. ("Maalot") from February 2020 which was reconfirmed in October 2020 in connection with expansion of the series. Rating of A3.il by Midroog Ltd. ("Midroog") from April 2020, which was reconfirmed in October 2020 in connection with expansion of the series. See the Company's Immediate Reports dated February 28, 2020 (Reference No.: 2020-01-017383), April 20, 2020 (Reference No.: 2020-01-035221), October 3, 2020 (Reference No.: 2020-01-107493) and October 4, 2020 (Reference No.: 2020-01-107604)
Pledged assets	None. There is a future commitment that during the period commencing from the date on which the Company's debentures (Series A) are fully repaid and so long as the debentures (Series B) are still outstanding, the Company will not create a general floating lien on its assets and rights, existing and future, in favor of any third party without the conditions stipulated in the trust certificate being fulfilled.
Is the series material	Yes.

The Company is in compliance with all the conditions of the Company's debentures (Series A) and (Series B) and the trust certificates. The Company was not required to take any action in accordance with the request of the trustees for the said debentures. In October 2020, full early redemption of the Company's debentures (Series A) was made.

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

12. **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:

<b>Recipient of the Contribution</b>	<b>Amount of the Contribution as at September 30, 2020 (NIS '000)</b>	<b>Relationship of the Recipient of the Contribution</b>
Password for Every Student	1,000	Password for Every Student also receives contributions from entities related to indirect interested parties of the Company. The Company's CFO is a representative on the project's steering committee without remuneration.
Nirim Society	300	–
Rachashei Lev Society	138	–
Technoda Hadera Givat Olga Society	150	–
Nakhakh – Giving as a Way of Life Society	70	–
Running in order to Give Society	50	For the sake of good order, it is noted that a relative of the Company's CEO serves as CEO of the Society without remuneration.

13. **Update of the Periodic Report for 2019 regarding the Company's Business<sup>26</sup>**

Presented below are significant updates and/or changes with respect to the Company's business, which occurred since the signing date of the Company's Periodic Report for 2019, on February 26, 2020 and up to publication of this Report.

13.1 **Section 2.3.1 (signing of agreements for acquisition of shares of Zomet and the concentration format) to Part A to the Periodic Report**

Further to that stated in Section 2.3.1 to Part A to the Periodic Report regarding the Company's undertaking in a set of agreements for acquisition of shares of Zomet – for details regarding payment of the balance of the consideration in respect of the transaction for acquisition of 95% of the issued and paid-up share capital of Zomet – see Note 6C to the Interim Statements.

<sup>26</sup> Update of the Company's Business including in this Report of the Board of Directors was prepared in accordance with Regulation 39A of the Reporting Regulations, and includes significant changes or new items that occurred in the Company's business from the publication date of the Periodic Report for 2019 and up to the publication date of this Report. It is noted that in some of the case an additional description was provided in order to present a more comprehensive picture of the matter addressed. Reference to Immediate Reports as part of this Report includes the information included in the said Immediate Reports by means of reference.

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

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

**13. Update of the Periodic Report for 2019 regarding the Company's Business (Cont.)**

**13.2 Section 2.3.3 (agreements for construction of decentralized facilities for generation of energy) to Part A to the Periodic Report**

For details regarding binding agreements signed with customers in the distribution network and the transmission network and operation of an energy generation facility on the customer's premises (yard) and arrangements for sale of energy to customers, further to that stated in Section 2.3.3 to Part A to the Periodic Report – see Paragraph 7 to the introduction to the Report of the Board of Directors.

**13.3 Section 2.3 (nature and results of every significant structural change, merger or acquisition; acquisition, sale or transfer of assets in a significant scope not in the ordinary course of business)**

- A. For details regarding the Company's undertaking with IDE, which received notification that it won in a tender of the State of Israel for construction, operation, maintenance and transfer of a seawater Desalinization Facility on the "Sorek B" site, in an agreement for construction, operation and maintenance of a power plant powered by natural gas on the premises of the Desalinization Facility – see Paragraph 10 to the introduction to the Report of the Board of Directors.
- B. For details regarding the Company's undertaking in a Term Sheet and thereafter in an agreement for acquisition of the CPV Group, which is engaged in the area of generation of the electricity in the United States – see the Company's Immediate Reports dated September 16, 2020, September 29, 2020 and October 11, 2020 (Reference Nos.: 2020-01-101808; 2020-01-105675 and 2020-01-110115, as applicable), and Paragraph 12 to the introduction to the Report of the Board of Directors. Regarding a slide presentation to investors in connection with acquisition of the CPV Group in the Hebrew language and in the English language – see the Company's Immediate Reports dated September 29, 2020 (Reference Nos.: 2020-01-105987 and 2020-01-106002, respectively).

**13.4 Section 4 (investments in the Company's capital and transactions in its shares) to Part A to the Periodic Report**

- A. For details regarding the Company's undertaking in an agreement for a private offering of the Company's shares to institutional entities and a private offer report that is material and that is not material in connection with the said private issuance – see the Company's Immediate Reports dated September 24, 2020 and October 11, 2020 (Reference Nos.: 2020-01-104547 and 2020-01-110277, respectively), and the Company's Immediate Reports regarding a change in the Company's capital position dated October 15, 2020 and October 18, 2020 (Reference Nos.: 2020-01-112797 and 2020-01-113142, respectively). For additional details – see Paragraph 17 to the introduction to the Report of the Board of Directors.
- B. For details regarding the Company's Immediate Report regarding its intention to make an issuance of shares to the public, based on a shelf offer report, through a uniform offer with a range of quantities, by means of a tender on the unit price, and a report regarding the intention of the Company's controlling shareholder (Kenon) to submit bids in the tender, as stated – see the Company's Immediate Report dated October 11, 2020 (Reference Nos.: 2020-01-110157).



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

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

**13. Update of the Periodic Report for 2019 regarding the Company's Business (Cont.)**

**13.4 Section 4 (investments in the Company's capital and transactions in its shares) to Part A to the Periodic Report (Cont.)**

- C. On October 12, 2020, the Company published a shelf offer report for issuance of shares of the Company to the public, through a uniform offer with a range on quantities, by means of a tender on the unit price, based on a shelf prospectus of the Company. For details regarding the shelf offer report that includes the details of the securities offered and the report regarding notification of the Company's controlling shareholder with respect to participation in the tender, as an Immediate Report concerning revision of the tender number and an amending shelf offer report regarding revision of the tender number – see the Company's Immediate Reports dated October 12, 2020 (Reference Nos.: 2020-01-101593; 2020-01-110817 and 2020-01-110847, as applicable), and Paragraph 16 to the introduction to the Report of the Board of Directors.

For details regarding the results of the tender for the public offering of the Company's shares, as stated in the Company's Immediate Report and the Amending Immediate Report dated October 13, 2020 (Reference Nos.: 2020-01-102136 and 2020-01-111450, respectively), and the Immediate Report regarding change in the Company's capital position dated October 13, 2020 (Reference Nos.: 2020-01-111540). For details regarding a change in the holdings of the Company's controlling shareholder (Kenon) subsequent to the issuance – see the Company's Immediate Report dated October 13, 2020 (Reference Nos.: 2020-01-111720).

**13.5 Section 7.8.5 to Part A to the Periodic Report**

For details regarding a bid submitted by the Company and the Noy Fund in the tender for sale of the Ramat Hovav power plant, which was published by Israel Electric Company, further to that stated in Section 7.8.5 to Part A to the Periodic Report and notification delivered to the Company on June 10, 2020 whereby the Tenders Committee declared that the bid of a third party is the winning bid in the tender, and that the Company was declared the "second qualifier" in accordance with the tender documents – see the Company's Immediate Reports dated May 20, 2020 (Reference No.: 2020-01-044872) and dated June 11, 2020 (Reference No.: 2020-01-052465).

**13.6 Section 8.2.4 (the Energy Center and Hadera Power Plant) to Part A to the Periodic Report**

Regarding the decision of the Electricity Authority to grant a permanent electricity generation license and a supply license to Hadera and approval of the Minister of Energy – see Paragraph 4 to the introduction to the Report of the Board of Directors and the Company's Immediate Reports dated July 1, 2020 (Reference No.: 2020-01-069750) and July 2, 2020 (Reference No.: 2020-01-070587).

**13.7 Section 8.2.6B (Initiations Activities – NIS 94) to Part A to the Periodic Report**

For details regarding transfer of National Infrastructure Plan 94 (NIS 94) for comments to the District Boards and for objections of the public – see Paragraph 10 of the Introduction to the Report of the Board of Directors.

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

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

**13. Update of the Periodic Report for 2019 regarding the Company's Business (Cont.)**

**13.8 Section 8.10 (generation capacity, availability and reliability) to Part A to the Periodic Report**

For details regarding postponement of the maintenance work planned for April 2020 at Rotem Power Plant due to restrictions imposed due to spread of the Coronavirus – see the Company's Immediate Report dated March 11, 2020 (Reference No.: 2020-01-019948) and Paragraph 6 to the introduction to the Report of the Board of Directors.

**13.9 Sections 8.11.7 (processes and agreement in connection with Zomet land) and 8.15 (legal proceedings) to Part A to the Periodic Report**

- A. For details regarding a bank guarantee provided by the Company in April 2020 relating to the land on which the Zomet Power Plant is to be constructed – see Note 6C(6) to the interim financial statements.
- B. For details regarding an administrative petition filed by Zomet against the Shafir Regional Council in respect of an amount in dispute, as stated in Section 8.11.7 to Part A to the Periodic Report – see Note 6C(6) to the interim financial statements.

**13.10 Sections 8.13.1 (agreement for sale of natural gas to Rotem from Tamar) and 8.13.6 (Energean transaction for acquisition and supply of natural gas) to Part A to the Periodic Report**

- A. For details regarding fulfillment of the preconditions determined in the revisions to Rotem's agreements for supply of natural gas with the Tamar Group and with Energean as stated in Sections 8.13.1 and 8.13.6 to the Periodic Report – see the Company's Immediate Report dated March 11, 2020 (Reference No.: 2020-01-019945).
- B. For details regarding the expectation of Energean with respect to its commercial operation date – see Paragraph 8 to the introduction to the Report of the Board of Directors.

**13.11 Section 8.13.3 (agreement for sale of natural gas to Hadera from Tamar) to Part A to the Periodic Report**

For details regarding fulfillment of the preconditions determined in the revision to Hadera's agreement for supply of natural gas with the Tamar Group as stated in Sections 8.13.3 to the Periodic Report – see the Company's Immediate Report dated March 26, 2020 (Reference No.: 2020-01-026854).

**13.12 Section 8.14.1.2 (agreement for construction of Zomet Power Plant) to Part A to the Periodic Report**

For details regarding the impact of spread of the Coronavirus on the construction period of the Zomet Power Plant and amendment of the Zomet construction agreement, including issuance of a Work Commencement Order to Zomet's construction contractor – see Paragraph 5 to the introduction to the Report of the Board of Directors.

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

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

**13. Update of the Periodic Report for 2019 regarding the Company's Business (Cont.)**

**13.13 Section 9.6 (additional information regarding information provided to the Company's officers and senior management employees) to Part A to the Periodic Report**

- A. On May 12, 2020, the Company's Board of Directors approved a private issuance of 99,228 options (unregistered) and 28,732 Restricted Share Units (RSUs) to Mr. Yoav Gurly, the Company's Deputy CEO of Operations. On June 4, 2020, approval was received from the Stock Exchange to register for trading 99,228 shares that will derive from exercise of the said options and 28,732 shares that will derive from vesting of the said RSUs, and the options and RSUs were actually issued to Mr. Gurly shortly thereafter. For additional details – see the Company's Immediate Reports dated May 12, 2020 (Reference No.: 2020-01-042520) and June 8, 2020 (Reference Nos.: 2020-01-051145 and 2020-01-051148) and Note 6B(8) to the Interim Statements.
- B. On July 22, 2020, the General Meeting of the Company's shareholders approved the reappointments as Company directors of Messrs. Yair Caspi and Antoine Bonier, appointments of Messrs. Robert Rosen and Javier Garcia Burgas as Company directors, the appointment of Mr. Moshe Lahmani as an independent director of the Company and Messrs. Joseph Tene and Michal Marom Brickman as external directors of the Company for an additional period of service of three years, who will be entitled to remuneration as detailed in the Immediate Report regarding summoning of the General Meeting of the Company's shareholders, dated June 18, 2020 (Reference No.: 2020-01-054775).
- C. On October 26, 2020, the Company's Board of Directors approved a private issuance of 28,508 options (unregistered) and 10,500 restricted stock units (RSUs) to Ms. Gitit Rosenfeld Berger, the Company's Legal Advisor. On November 11, 2020, approval of the Stock Exchange was received for registration for trading of 28,508 shares that will derive from exercise of the said options and 10,500 shares that will derive from vesting of the said restricted stock units (RSUs), and the options and restricted stock units (RSUs) that were actually issued to Ms. Gitit Rosenfeld Berger. For additional details – see the Company's Immediate Reports dated October 27, 2020 (Reference No.: 2020-01-116271) and November 11, 2020 (Reference No.: 2020-01-121809), as well as in Note 7H to the Interim Statements.

**13.14 Section 10 (financing) to Part A to the Periodic Report**

- A. For details regarding a loan taken out by the Company in place of short-term credit and which was repaid in April 2020 – see that stated in Section 10 to Part A to the Periodic Report and Notes 6B(2) and 6B(3) to the Interim Statements.
- B. For details regarding a loan agreement signed by the Company with entities from the Harel Insurance Investments and Financial Services Ltd. Group, including the interest rates, financial covenants, restrictions on distribution and collaterals – see the Company's Immediate Report dated November 1, 2020 (Reference No.: 2020-01-117822).

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

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

**13. Update of the Periodic Report for 2019 regarding the Company's Business (Cont.)**

**13.15 Sections 10.2 (loan agreements signed by the Company, Rotem, Hadera and Zomet with third parties), 10.3 (financial covenants the Company, Rotem, Hadera and Zomet have committed to comply with) and 10.4 (restrictions on distribution) to Part A to the Periodic Report**

- A. On April 22, 2020, the Company published a shelf offer report for issuance of the Company's debentures (Series B). For details regarding offer of the debentures (Series B) and their terms, financial covenants the Company has committed to comply with, restrictions on distribution and grounds for calling for immediate repayment – see the Company's shelf offer report, dated April 22, 2020, including the trust certificate attached thereto as Appendix A (Reference No.: 2020-01-035220).
- B. For details regarding the results of the issuance to the public of the Company's debentures (Series B) – see the Company's Immediate Report dated April 23, 2020 (Reference No.: 2020-01-036694).
- C. For details regarding examination of a transaction involving issuance of debentures (Series B) of the Company by means of an expansion of an existing series – see the Company's Immediate Report dated September 29, 2020 (Reference No.: 2020-01-105666).
- D. On October 4, 2020, the Company published a report regarding the results of a tender to classified investors and a shelf offer report for issuance of debentures (Series B) of the Company. For details regarding the results of the tender to classified investors and the shelf offer report, along with details of the securities being offered and their terms, including a summary of relevant information included in the trust certificate of the debentures (Series B) that is attached as Appendix A to the report – see the Company's Immediate Reports dated October 4, 2020 (Reference Nos.: 2020-01-107625 and 2020-01-107715, respectively), and Paragraph 14 to the introduction to the Report of the Board of Directors.
- E. For details regarding the results of the issuance to the public of the Company's debentures (Series B) by means of expansion of a series pursuant to a shelf report offer – see the Company's Immediate Report dated October 6, 2020 (Reference No.: 2020-01-108624).
- F. For details regarding the Company's decision to make full early redemption, at the Company's initiation, of the Company's debentures (Series A) – see the Company's Immediate Report dated October 11, 2020 (Reference No.: 2020-01-110121) and the report regarding a change in the Company's capital position dated October 29, 2020 (Reference No.: 2020-01-117687).

**13.16 Section 10.6.1 (guarantees provided by the Company) to Part A to the Periodic Report**

For details regarding changes in the amount of the bank guarantee and cash deposit of the Company to secure investment of shareholders' equity in Zomet – see Note 6B(10) to the Interim Statements.

**13.17 Section 10.6.3 (guarantees provided by Hadera) to Part A to the Periodic Report**

For details regarding guarantees provided by Hadera in connection with the commercial operation of the Hadera Power Plant – see Note 6D(1) to the Interim Statements.

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

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

**13. Update of the Periodic Report for 2019 regarding the Company's Business (Cont.)**

**13.18 Section 10.8 (credit rating) to Part A to the Periodic Report**

- A. For details regarding granting of a rating of ilA- with a stable rating outlook from Maalot and A3.il with a stable rating outlook from Maalot for issuance of debentures in an amount of up to NIS 400 million – see the Company's Immediate Reports dated February 28, 2020 (Reference No.: 2020-01-017383 and 2020-01-017380) and the Amending Report dated April 20, 2020 (Reference No.: 2020-01-035221). For details regarding reconfirmation of a rating of ilA- by Maalot for the Company's debentures (Series A) and (Series B) – see the Company's Immediate Report dated August 5, 2020 (Reference No.: 2020-01-084864). For details regarding granting of a rating of A3.il with a stable rating outlook from Midroog and ilA- – with a stable rating outlook from Maalot for expansion of a series of debentures (Series B) in the amount of NIS 300 million par value – see the Company's Immediate Reports dated September 29, 2020 and September 30, 2020 (Reference Nos.: 2020-01-106215 and 2020-01-097843, respectively), and for details regarding granting of a continuation report rating of A3.il with a stable rating outlook from Midroog for the debentures (Series A) and expansion of the debentures (Series B) in an amount of up to NIS 560 million par value in place of an amount of up to NIS 300 million par value – see the Company's Immediate Report dated October 3, 2020 (Reference No.: 2020-01-107493). In addition, regarding the notification that the rating of ilA- with a stable rating outlook of Maalot that was granted in connection with expansion of the debentures (Series B) is valid for an amount of up to NIS 560 million par value – see the Company's Immediate Report dated October 4, 2020 (Reference No.: 2020-01-107604).
- B. For details regarding a special report – issuer's comment of Midroog that was published due to signing of a Term Sheet for execution of a transaction involving acquisition of the CPV Group – see the Company's Immediate Report dated September 23, 2020 (Reference No.: 2020-01-104055), and for details regarding reconfirmation of a rating of ilA- with a stable rating outlook against the background of the Company's intention to execute the transaction, as stated – see the Company's Immediate Report dated September 30, 2020 (Reference No.: 2020-01-097843).

**13.19 Regulation 20 (trading on the Stock Exchange – securities listed for trading – date and reasons for a discontinuance of trading) to Part D to the Periodic Report**

- A. Commencing from April 27, 2020, trading of the Company's debentures (Series B) started. For additional details – see the Company's Immediate Report dated April 26, 2020 (Reference No.: 2020-01-036967). On October 8, 2020, approval was received for registering for trading of 555,555,000 debentures (Series B) of a NIS 1 par value each, which were issued as part of execution of an expansion of a series. For details regarding expansion of the debentures (Series B) and the results thereof – see the Immediate Reports dated September 29, 2020 (Reference No.: 2020-01-105666); October 4, 2020 (Reference Nos.: 2020-01-107625 and 2020-01-107715) and October 6, 2020 (Reference Nos.: 2020-01-108624 and 2020-01-108858).

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

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

**13. Update of the Periodic Report for 2019 regarding the Company's Business (Cont.)**

**13.19 Regulation 20 (trading on the Stock Exchange – securities listed for trading – date and reasons for a discontinuance of trading) to Part D to the Periodic Report (Cont.)**

- B. For details regarding 44,899 ordinary shares that the Company issued to senior officers on July 10, 2020 as a result of vesting of Restricted Share Units (RSUs) – see the Company's Immediate Reports dated July 12, 2020 (Reference Nos.: 2020-01-073773 and 2020-01-073776). For details regarding receipt of approvals from the Stock Exchange for registering for trading of shares that will derive from exercise of options and shares that will derive from vesting of restricted share units (RSUs), which were issued to Company officers pursuant to the Company's options' plan – see updates to Section 9.6 to Part A to the Periodic Report above.
- C. On July 30, 2020, the Company published a shelf prospectus bearing the date July 31, 2020. For details – see the shelf prospectus as published by the Company on July 30, 2020 (Reference No.: 2020-01-081441).
- D. On October 12, 2020, approval was received for registering for trading of 23,022,100 ordinary shares of the Company that were issued to the public as part of a public offer based on a shelf offer report. For details – see the Company's Immediate Reports dated October 11, 2020 (Reference No.: 2020-01-110157), October 12, 2020 (Reference Nos.: 2020-01-101593; 2020-01-110817 and 2020-01-110847), October 13, 2020 (Reference Nos.: 2020-01-102136; 2020-01-111450 and 2020-01-111540). For details regarding issuance of shares to the Company's controlling shareholder (Kenon) in the framework of the public offer, as stated – see the Company's Immediate Report dated October 13, 2020 (Reference No.: 2020-01-111720). In addition, on October 18, 2020 approval was received for registering for trading of 11,713,100 ordinary shares of the Company that were issued as part of a private offer agreement of the Company's shares to institutional entities. For details – see the Company's Immediate Reports dated September 24, 2020 (Reference No.: 2020-01-104547), October 11, 2020 (Reference No.: 2020-01-110277), October 15, 2020 (Reference No.: 2020-01-112797) and October 18, 2020 (Reference No.: 2020-01-113142).
- E. On October 29, 2020, early redemption was made, at the Company's initiation, of the debentures (Series A), in the framework of which the series was eliminated from trading. For details – see the Company's Immediate Reports dated October 11, 2020 (Reference No.: 2020-01-110121) and October 29, 2020 (Reference No.: 2020-01-117687).

**13.20 Regulation 22 (transactions with a controlling shareholder or where the controlling shareholder has a personal interest therein) to Part D to the Periodic Report**

On October 19, 2020, the Company gave notice of early conclusion of the services' agreement between the Company and Asia Pacific, in accordance with the provisions of the agreement regarding the matter – this being after in 2019 and during 2020 the agreement was not implemented and was not used. Pursuant to the Company's notice and the provisions of the agreement, the agreement was scheduled to expire on December 18, 2020.

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

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

**13. Update of the Periodic Report for 2019 regarding the Company's Business (Cont.)**

**13.21 Regulation 24 (holdings of interested parties and senior officers) to Part D to the Periodic Report**

- A. For details regarding holdings of interested parties and senior officers in the Company as at September 30, 2020 – see the Company's Immediate Report dated October 5, 2020 (Reference No.: 2020-01-108432). For details regarding changes in the holdings of interested parties and senior officers subsequent to the date of the said position of the holdings – see the Company's Immediate Reports dated October 12, 2020 and October 13, 2020 (Reference Nos.: 2020-01-111075 and 2020-01-111720, respectively).
- B. For details regarding Clal Insurance Business Holdings Ltd. becoming an interested party in the Company – see the Company's Immediate Report October 17, 2020 (Reference No.: 2020-01-103897).
- C. Further to that states in the position of the holdings of interested parties with reference to Kenon, based on that conveyed to the Company as at October 29, 2020, out of the total shares held by Kenon, 55,000,000 shares are pledged by Kenon in favor of a third party.

**13.22 Regulation 26 (Company directors) to Part D to the Periodic Report**

On July 22, 2020, Messrs. Robert Rosen (director), Javier Garcia Burgas (director) and Moshe Lahmani (independent director) commenced serving as Company directors. For details regarding the above-mentioned directors – see the Company's Immediate Reports dated July 22, 2020 (Reference Nos.: 2020-01-077862, 2020-01-077856 and 2020-01-077859, respectively).

To the details regarding Mr. Yair Caspi it is added that he serves a director of Oil Refineries Ltd. (a company considered related to the Company's controlling shareholders).

**13.23 Regulation 29(C) (decisions of extraordinary general meeting) and Regulation 29A (Company decisions) to Part D to the Periodic Report**

On July 22, 2020, the Annual General Meeting and Extraordinary General Meeting of the Company's shareholders discussed the Periodic Report for 2019, and made the following decisions: (1) reappointment of the Office of KPMG Somekh Chaikin as the Company's auditing CPAs; (2) reappointment of directors serving in the Company, Messrs. Avisar Paz, Yair Caspi and Antoine Boyner; (3) appointment of Messrs. Robert Rosen and Javier Garcia Burgas as Company directors; (4) appointment of Mr. Moshe Lahmani as an independent director of the Company; (5) appointment of Mr. Joseph Tene as an external director of the Company for an additional period of three years, commencing from July 1, 2020; (6) appointment of Ms. Michal Marom Brickman as an external director of the Company for an additional period of three years, commencing from July 14, 2020; (7) granting of exemption and indemnification certificates to directors serving as officers of the controlling shareholder (Kenon) and/or a company relating thereto and regarding which the controlling shareholder could be considered as having a personal interest in the granting thereof, Messrs. Yair Caspi, Antoine Boyner and Robert Rosen subject to approval of their appointment or reappointment, as applicable. For additional details – see the Company's Immediate Reports dated June 18, 2020 (Reference No.: 2020-01-054775) and July 22, 2020 (Reference No.: 2020-01-077853).

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

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

13. **Update of the Periodic Report for 2019 regarding the Company's Business (Cont.)**

13.24 **Regulation 24A (authorized, issued and paid-up capital and convertible securities) to Part D to the Periodic Report**

For details regarding changes in the position of the Company's capital and convertible securities and changes that took place in the register of the Company's shareholders subsequent to the date of the Periodic Report – see the Company's Immediate Report dated November 11, 2020 (Reference No.: 2020-01-121812).

Avisar Paz  
Chairman of the Board of Directors

Giora Almog  
CEO

Date: November 17, 2020



**OPC Energy Ltd.**

**Condensed Consolidated Interim Financial Statements**

**At September 30, 2020**

(Unaudited)

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**OPC Energy Ltd.**  
**Condensed Consolidated Interim Financial Statements**  
**At September 30, 2020**  
**Unaudited**  
  
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**Somekh Chaikin KPMG**

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



03-6848000

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

**Introduction**

We have reviewed the accompanying financial information of OPC Energy Ltd. (hereinafter – “the Company”) and its subsidiaries, including the condensed consolidated interim statement of financial position as at September 30, 2020 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 (Israel) 2410, “Review of Financial Information for Interim Periods Performed by the Independent Auditor of the Entity” of the Institute of Certified Public Accountants in Israel. A review of financial information for interim periods consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

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

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

Sincerely,

**Somekh Chaikin**  
**Certified Public Accountants (Isr.)**

**November 17, 2020**

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

	At September 30		At December 31
	2020	2019	2019
	(Unaudited)		(Audited)
	In Thousands of New Israeli Shekels		
<b>Current Assets</b>			
Cash and cash equivalents	587,154	625,448	384,748
Short-term deposits and restricted cash	56,071	248,998	115,765
Trade receivables and accrued income	114,126	119,316	134,794
Other receivables and debit balances	57,658	58,112	69,975
Short-term derivative financial instruments	1,823	–	188
<b>Total current assets</b>	<b>816,832</b>	<b>1,051,874</b>	<b>705,470</b>
<b>Non-Current Assets</b>			
Long-term deposits and restricted cash	346,056	248,963	266,803
Long-term prepaid expenses	127,700	90,025	104,317
Deferred tax assets, net	9,479	4,116	5,240
Long-term derivative financial instruments	3,593	8,683	7,077
Property, plant and equipment	2,512,278	2,349,362*	2,344,920
Right-of-use assets	287,823	57,826*	56,832
Intangible assets	4,571	4,430	4,259
<b>Total non-current assets</b>	<b>3,291,500</b>	<b>2,763,405</b>	<b>2,789,448</b>
<b>Total assets</b>	<b>4,108,332</b>	<b>3,815,279</b>	<b>3,494,918</b>

\* Reclassified.

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

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

	At September 30		At December 31
	2020	2019	2019
	(Unaudited)		(Audited)
	In Thousands of New Israeli Shekels		
<b>Current Liabilities</b>			
Current maturities	166,047	139,182	157,147
Trade payables	180,744	214,052	123,812
Dividend payable	–	30,000	–
Other payables and credit balances	41,423	52,144	41,641
Short-term derivative financial instruments	23,898	22,845	21,678
Current maturities of lease liabilities	53,171	2,389	2,400
Current tax liabilities	29,287	–	–
<b>Total current liabilities</b>	<b>494,570</b>	<b>460,612</b>	<b>346,678</b>
<b>Non-Current Liabilities</b>			
Long-term loans from banks and others	1,832,670	1,770,601	1,740,607
Debentures	623,768	267,593	252,309
Long-term lease liabilities	14,644	16,237	15,960
Long-term derivative financial instruments	28,521	–	–
Other long-term liabilities	2,410	–	2,307
Employee benefits	177	177	177
Liabilities for deferred taxes, net	281,733	268,450	281,105
<b>Total non-current liabilities</b>	<b>2,783,923</b>	<b>2,323,058</b>	<b>2,292,465</b>
<b>Total liabilities</b>	<b>3,278,493</b>	<b>2,783,670</b>	<b>2,639,143</b>
<b>Equity</b>			
Share capital	1,434	1,430	1,433
Premium on shares	636,114	634,136	635,283
Capital reserves	19,135	63,664	65,384
Retained earnings	105,432	271,974	85,226
<b>Total equity attributable to the Company's owners</b>	<b>762,115</b>	<b>971,204</b>	<b>787,326</b>
<b>Non-controlling interests</b>	<b>67,724</b>	<b>60,405</b>	<b>68,449</b>
<b>Total equity</b>	<b>829,839</b>	<b>1,031,609</b>	<b>855,775</b>
<b>Total liabilities and equity</b>	<b>4,108,332</b>	<b>3,815,279</b>	<b>3,494,918</b>

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

-----  
**Giora Almogy**  
CEO

-----  
**Tzahi Goshen**  
CFO

Approval date of the financial statements: November 17, 2020

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		Three Months Ended		Year Ended
	September 30		September 30		December 31
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
	In Thousands of New Israeli Shekels				
Sales	977,806	1,017,919	400,339	359,305	1,329,988
Cost of sales (net of depreciation and amortization)	701,405	697,566	288,371	243,334	910,347
Depreciation and amortization	79,719	82,047	32,497	27,806	110,997
Gross profit	196,682	238,306	79,471	88,165	308,644
Administrative and general expenses	38,192	*38,781	12,189	*10,273	*54,805
Business development expenses	10,373	*5,353	4,104	*2,333	*6,938
Other income, net	976	20,598	776	16,115	21,409
Operating income	149,093	214,770	63,954	91,674	268,310
Financing expenses	86,116	78,135	37,255	22,666	100,028
Financing income	2,963	6,072	1,247	3,880	6,879
Financing expenses, net	83,153	72,063	36,008	18,786	93,149
Income before taxes on income	65,940	142,707	27,946	72,888	175,161
Taxes on income	25,737	39,267	9,551	21,207	50,425
Income for the period	40,203	103,440	18,395	51,681	124,736
Income attributable to:					
The Company's owners	20,206	77,243	10,755	37,408	90,495
Non-controlling interests	19,997	26,197	7,640	14,273	34,241
Income for the period	40,203	103,440	18,395	51,681	124,736
Income per share attributable to the Company's owners					
Basic income per share (in NIS)	0.141	0.570	0.075	0.270	0.661
Diluted income per share (in NIS)	0.139	0.560	0.074	0.260	0.651

\* Reclassified – see Note 2D.

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
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
	In Thousands of New Israeli Shekels				
Income for the period	40,203	103,440	18,395	51,681	124,736
Components of other comprehensive 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	(52,297)	(23,271)	(6,712)	(23,783)	(28,989)
Net change in fair value of derivative financial instruments used for hedging cash flows recorded to the cost of the hedged item	8,893	1,886	1,793	4,208	4,668
Net change in fair value of derivative financial instruments used to hedge cash flows transferred to the statement of income	16,697	4,419	3,896	9,749	9,778
Taxes in respect of items of other comprehensive income	58	856	(147)	444	615
Total other comprehensive loss for the period, net of tax	(26,649)	(16,110)	(1,170)	(9,382)	(13,928)
Total comprehensive income for the period	13,554	87,330	17,225	42,299	110,808
Total comprehensive income attributable to:					
The Company's owners	(6,443)	61,133	9,585	28,026	76,567
Holders of non-controlling interests	19,997	26,197	7,640	14,273	34,241
Total comprehensive income for the period	13,554	87,330	17,225	42,299	110,808

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, 2020										
Balance at January 1, 2020	1,433	635,283	(3,510)	(13,477)	77,930	4,441	85,226	787,326	68,449	855,775
Acquisition of non-controlling interests	—	—	(21,147)	—	—	—	—	(21,147)	(6)	(21,153)
Share-based payment	—	—	—	—	—	2,379	—	2,379	—	2,379
Exercise of shares issued to employees and officers	1	831	—	—	—	(832)	—	—	—	—
Issuance of capital notes to holders of non-controlling interests	—	—	—	—	—	—	—	—	1,284	1,284
Dividend to holders of non-controlling interests	—	—	—	—	—	—	—	—	(22,000)	(22,000)
Other comprehensive loss for the period, net of tax	—	—	—	(26,649)	—	—	—	(26,649)	—	(26,649)
Income for the period	—	—	—	—	—	—	20,206	20,206	19,997	40,203
Balance at September 30, 2020	1,434	636,114	(24,657)	(40,126)	77,930	5,988	105,432	762,115	67,724	829,839
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 (net of 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 shares issued to employees and officers	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	—	—	—	—	—	—	77,243	77,243	26,197	103,440
Balance at September 30, 2019	1,430	634,136	(3,407)	(15,659)	77,930	4,800	271,974	971,204	60,405	1,031,609

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



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

Attributable to the owners of the Company									Non-controlling interests	Total equity
Share capital	Premium on shares	Capital reserve for transactions with non-controlling interests and in respect of merger	Hedging reserve	Capital reserve for transactions with shareholders	Capital reserve for share-based payments	Retained earnings	Total			
(Unaudited)										
In Thousands of New Israeli Shekels										
<b>For the three-month period ended September 30, 2020</b>										
<b>Balance at July 1, 2020</b>	1,433	635,283	(24,657)	(38,956)	77,930	6,115	94,677	751,825	58,800	810,625
Share-based payment	–	–	–	–	–	705	–	705	–	705
Exercise of shares issued to employees and officers	1	831	–	–	–	(832)	–	–	–	–
Issuance of capital notes to holders of non-controlling interests	–	–	–	–	–	–	–	–	1,284	1,284
Other comprehensive loss for the period, net of tax	–	–	–	(1,170)	–	–	–	(1,170)	–	(1,170)
Income for the period	–	–	–	–	–	–	10,755	10,755	7,640	18,395
<b>Balance at September 30, 2020</b>	<b>1,434</b>	<b>636,114</b>	<b>(24,657)</b>	<b>(40,126)</b>	<b>77,930</b>	<b>5,988</b>	<b>105,432</b>	<b>762,115</b>	<b>67,724</b>	<b>829,839</b>
<b>For the three-month period ended September 30, 2019</b>										
<b>Balance at July 1, 2019</b>	1,371	479,398	(3,407)	(6,277)	77,930	6,133	234,566	789,714	75,892	865,606
Issuance of shares (net of issuance expenses)	58	153,092	–	–	–	–	–	153,150	–	153,150
Share-based payment	–	–	–	–	–	314	–	314	–	314
Exercise of shares issued to employees and officers	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	–	–	–	–	–	–	37,408	37,408	14,273	51,681
<b>Balance at September 30, 2019</b>	<b>1,430</b>	<b>634,136</b>	<b>(3,407)</b>	<b>(15,659)</b>	<b>77,930</b>	<b>4,800</b>	<b>271,974</b>	<b>971,204</b>	<b>60,405</b>	<b>1,031,609</b>

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

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

Attributable to the owners of the Company

	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	Non-controlling interests	Total equity
	(Audited)									
	In Thousands of New Israeli Shekels									
<b>For the year ended December 31, 2019</b>										
<b>Balance at January 1, 2019</b>	1,319	361,005	2,598	451	77,930	3,770	230,731	677,804	80,480	758,284
Issuance of shares (net issuance expenses)	110	271,485	—	—	—	—	—	271,595	—	271,595
Acquisition of non-controlling interests	—	—	(6,108)	—	—	—	—	(6,108)	5	(6,103)
Share-based payment	—	—	—	—	—	3,468	—	3,468	—	3,468
Exercise of shares issued to employees and officers	4	2,793	—	—	—	(2,797)	—	—	—	—
Issuance of capital notes to holders of non-controlling interests	—	—	—	—	—	—	—	—	240	240
Dividend to the Company's shareholders	—	—	—	—	—	—	(236,000)	(236,000)	—	(236,000)
Dividends to holders of non-controlling interests	—	—	—	—	—	—	—	—	(47,600)	(47,600)
Elimination of rights of holders of non-controlling interests due to sale of subsidiary	—	—	—	—	—	—	—	—	1,083	1,083
Other comprehensive loss for the year, net of tax	—	—	—	(13,928)	—	—	—	(13,928)	—	(13,928)
Income for the year	—	—	—	—	—	—	90,495	90,495	34,241	124,736
<b>Balance at December 31, 2019</b>	<b>1,433</b>	<b>635,283</b>	<b>(3,510)</b>	<b>(13,477)</b>	<b>77,930</b>	<b>4,441</b>	<b>85,226</b>	<b>787,326</b>	<b>68,449</b>	<b>855,775</b>

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		Three Months Ended		Year Ended
	September 30		September 30		December 31
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
	In Thousands of New Israeli Shekels				
<b>Cash flows from operating activities</b>					
Income for the period	40,203	103,440	18,395	51,681	124,736
<b>Adjustments:</b>					
Depreciation, amortization and consumption of diesel oil	90,335	115,207	34,326	37,717	146,647
Financing expenses, net	83,153	72,063	36,008	18,786	93,149
Taxes on income	25,737	39,267	9,551	21,207	50,425
Gain on sale of subsidiary	(712)	(1,777)	(712)	–	(1,777)
Share-based payment transactions	2,379	2,677	705	314	3,468
Revaluation of financial derivatives	–	1,080	–	–	1,080
	241,095	331,957	98,273	129,705	417,728
Change in trade and other receivables	8,057	26,209	(26,661)	5,029	(3,015)
Change in trade and other payables	56,727	57,627	56,754	11,835	(18,965)
	64,784	83,836	30,093	16,864	(21,980)
Taxes refunded (paid), net	379	(4,138)	134	(36)	(4,189)
<b>Net cash provided by operating activities</b>	306,258	411,655	128,500	146,533	391,559
<b>Cash flows from investing activities</b>					
Interest received	837	5,975	184	4,667	6,563
Short-term deposits and restricted cash, net	59,694	(67,477)	246	27,367	69,695
Withdrawals from long-term restricted cash	65,991	2,061	58,575	118	2,082
Deposits in long-term restricted cash	(146,884)	(69,079)	(62,532)	(14,865)	(91,000)
Deferred proceeds from sale of subsidiary less cash sold	640	2,731	299	–	3,158
Long-term advance deposits and prepaid expenses	(188,448)	(2,913)	–	(2,913)	(11,184)
Acquisition of property, plant and equipment	(171,182)	(85,172)	(82,715)	(18,954)	(121,681)
Deferred consideration in respect of acquisition of subsidiary (see Note 6C(2))	(46,648)	–	–	–	–
Acquisition of intangible assets	(920)	(929)	(508)	(496)	(919)
Payments in respect of derivative financial instruments, net	(6,624)	(3,075)	(4,710)	(1,748)	(3,313)
<b>Net cash used in investing activities</b>	(433,544)	(217,878)	(91,161)	(6,824)	(146,599)

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		Three Months Ended		Year Ended
	September 30		September 30		December 31
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
	In Thousands of New Israeli Shekels				
<b>Cash flows from financing activities</b>					
Interest paid	(59,922)	(54,041)	(23,902)	(15,827)	(75,841)
Costs paid in advance in respect of taking out of loans	(23,840)	(1,348)	(3,878)	(178)	(6,535)
Dividends paid to the Company's shareholders	–	(36,000)	–	–	(236,000)
Dividends paid to holders of non-controlling interests	(22,000)	(17,600)	–	–	(47,600)
Investments by holders of non-controlling interests in the capital of subsidiary	–	240	–	240	240
Proceeds from issuance of shares, less issuance expenses	–	271,630	–	153,068	271,595
Proceeds from issuance of debentures, less issuance expenses	395,820	–	–	–	–
Receipt of long-term loans from banks and others	201,000	–	112,000	–	–
Repayment of long-term loans from banks and others	(102,570)	(42,597)	(33,554)	(22,449)	(67,682)
Repayment of debentures	(15,520)	(7,360)	–	–	(11,488)
Acquisition of non-controlling interests	(25,680)	(1,500)	–	–	(1,500)
Payment in respect of derivative financial instruments	(15,858)	(6,087)	(5,228)	(5,373)	(11,370)
Repayment of principal of lease liabilities	(1,004)	(1,233)	(338)	(326)	(1,562)
<b>Net cash provided by (used in) financing activities</b>	<b>330,426</b>	<b>104,104</b>	<b>45,100</b>	<b>109,155</b>	<b>(187,743)</b>
<b>Increase in cash and cash equivalents</b>	<b>203,140</b>	<b>297,881</b>	<b>82,439</b>	<b>248,864</b>	<b>57,217</b>
Cash and cash equivalents at beginning of the period	384,748	329,950	503,782	378,885	329,950
Impact of changes in the currency exchange rate on the balances of cash and cash equivalents	(734)	(2,383)	933	(2,301)	(2,419)
<b>Cash and cash equivalents at end of the period</b>	<b>587,154</b>	<b>625,448</b>	<b>587,154</b>	<b>625,448</b>	<b>384,748</b>

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

**OPC Energy Ltd.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**At September 30, 2020**

**Note 1 – The Reporting Entity**

**A. 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 publicly-held company, and its securities are traded on the Stock Exchange. As at the date of the report, the Company and its subsidiaries, the financial statements of which are consolidated with those of the Company (hereinafter – “the Group”) are engaged in the area of generation of electricity and supply thereof to private customers and Israel Electric Company Ltd. (hereinafter – “IEC”), including initiation, development, construction and operation of power plants and facilities for the generation of energy. As at the date of the report, the Group’s activities are carried on only in Israel. For details regarding an agreement for acquisition of the CPV Group (as it is defined in Note 7E) which is engaged in the area of generation of the electricity in the United States (including renewable energy), which was signed subsequent to the date of the report – see Note 7E. The Group’s electricity generation activities and the supply thereof focus on generation of electricity using conventional technology and cogeneration technology. The Group is also taking action to construct an open-cycle power plant using conventional technology (a Peaker plant).

As at the date of the report, the Company owns two active power plants: the Rotem Power Plant, which is owned by OPC Rotem Ltd. (hereinafter – “Rotem”) (which is held by the Company (80%) and by another shareholder (20%)), which operates using conventional technology having generation capacity of about 466 megawatts (MW) (for additional details regarding Rotem – see Note 6E); and the Hadera Power Plant which is owned by OPC Hadera Ltd. (hereinafter – “Hadera”), which runs using cogeneration technology and has an installed capacity of 144 MW, which on July 1, 2020 reached commercial operation – this being after receipt of a permanent electricity generation license and a supply license. For additional details regarding Hadera – see Note 6D. In addition, the Company wholly owns Zomet Energy Ltd. (hereinafter – “Zomet”), which is in the construction stages of a power plant powered by means of natural gas using conventional technology in an open cycle (a Peaker plant) having a capacity of about 396 MW, located proximate to the Plugot Intersection, in the area of Kiryat Gat, under Regulation 914 of the Electricity Authority. For additional details regarding Zomet – see Note 6C. In addition, the Company is taking action with respect to construction and operation of facilities for generation of energy on the customers’ premises – see Note 6B(5).

**OPC Energy Ltd.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**At September 30, 2020**

**Note 1 – The Reporting Entity (Cont.)**

**A. The Reporting Entity (Cont.)**

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 Business Concentration, 2013, the provisions of the Economic Competition Law, 1988, and the regulations promulgated thereunder, and regulation in connection with licensing of businesses, planning and construction, and environmental quality (protection). 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 Energy), supervise the license holders (including supply licenses and private generation licenses), 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 Israel Electric Company (IEC) and private electricity generators.

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.

**B. Impacts of the Spread of the Coronavirus**

At the end of 2019 and in the first quarter of 2020, there was a spread in China and thereafter throughout the world of the Coronavirus (COVID-19), which in March 2020 was declared as a worldwide pandemic by the World Health Organization (hereinafter – "the Coronavirus Crisis"). Due to the Coronavirus Crisis, in the period of the Report and thereafter, movement (traffic) restrictions and restrictions on business activities were imposed by the State of Israel and countries throughout the world. In addition, the said Coronavirus crisis has caused, among other things, uncertainty and instability in the Israeli and global financial markets and economy. As at the date of the report, the operations of the Company's active power plants, Rotem Power Plant and Hadera Power Plant are continuing as a result of their being "essential enterprises" while safeguarding the work teams and taking precautionary measures in order to prevent outbreak and spreading of the infection at the Company's sites. As at the publication date of the Report, the Coronavirus crisis had not had a significant impact on the Company's results and activities.

**OPC Energy Ltd.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**At September 30, 2020**

**Note 1 – The Reporting Entity (Cont.)**

**B. Impacts of the Spread of the Coronavirus (Cont.)**

The Coronavirus Crisis and the movement restrictions, as referred to above, have impacted the Group's activities, as stated below:

- Due to the continued travel restrictions, both in Israel and worldwide, along with the need for equipment from overseas, the Company estimates that construction of the Zomet Power Plant could extend beyond the end of 2022, and as at the publication date of the report, completion is expected to take place in the first quarter of 2023. For details regarding revision of the Zomet Power Plant construction agreement – see Note 6C(4).
- In March 2020, the maintenance contractor of the Rotem Power Plant (hereinafter – “Mitsubishi”) gave notice that in light of the restrictions on entry and the quarantine rules of the State of Israel, the maintenance work (hereinafter – “the Maintenance Work”) that was planned to be performed for the Rotem Power Plant in April 2020 will be postponed to October 2020. Mitsubishi's position, which was rejected by Rotem, is that the above - mentioned circumstances constitute “*force majeure*” pursuant to the provisions of the agreement with it. In April 2020, Rotem shut down the power plant for a number of days in order to perform internally - initiated technical tests and treatments. The shutdown for several days and the postponement of the maintenance date, as stated, did not have a significant impact on the generation activities of the Rotem Power Plant and its results. In light of postponement of the date of the Maintenance Work in March 2020, Rotem slowed the reduction (amortization) of the maintenance component in the Rotem Power Plant. The impact of the slowing of the reduction (amortization) on the results of the activities in the period of the report amounted to about NIS 5 million. Subsequent to the date of the report, in October 2020, the Maintenance Work was performed, the execution of which required 13 days, as planned, during which time the activities of the Rotem Power Plant were halted.

**OPC Energy Ltd.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**At September 30, 2020**

**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, 2019 (hereinafter – “the Annual Financial Statements”). In addition, these financial statements were prepared in accordance with the provisions of Section D of the Securities Regulations (Periodic and Immediate Reports) 1970.

The condensed, consolidated, interim financial statements were approved for publication by the Company’s Board of Directors on November 17, 2020.

**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 1 regarding update of the estimate of the balance of the remaining useful life of various components in light of postponement of the Maintenance Work at Rotem Power Plant, and in Note 3.

**D. Reclassification**

In the period of the report, the Company classified business development expenses that were previously presented in the “administrative and general expenses” category in a separate category in the statement of income. Accordingly, the Company reclassified from the “administrative and general expenses” category to the “business development expenses” category the amounts of NIS 5,353 thousand, NIS 2,333 thousand and NIS 6,938 thousand for the nine-month and three-month periods ended September 30, 2019 and for the year ended December 31, 2019, respectively.



**OPC Energy Ltd.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**At September 30, 2020**

**Note 3 – Significant Accounting Policies**

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

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

1. Amendment to IFRS 3 "Business Combinations" (hereinafter – "the Amendment")

The Amendment clarifies whether a transaction to acquire activities is the acquisition of a "business" or an asset. For purposes of this examination, the Amendment added the possibility of utilizing the concentration test so that if substantially all of the fair value of the acquired assets is concentrated in a single identifiable asset or a group of similar identifiable assets, the acquisition will be of an asset. In addition, the minimum requirements for definition as a business have been clarified, such as for example the requirement that the acquired processes be substantive so that in order for it to be a business, the operation shall include at least one input element and one substantive process, which together significantly contribute to the ability to create outputs. Furthermore, the Amendment narrows the reference to the outputs element required in order to meet the definition of a business and examples were added illustrating the aforesaid examination. The Amendment is effective for transactions to acquire an asset or business for which the acquisition date is in annual periods beginning on or after January 1, 2020.

2. Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures: Reform of Benchmark Interest Rates" (hereinafter – "the Amendments")

The Amendments include a number of mandatory leniencies that are relevant to examination of the effectiveness of hedge accounting ratios that are impacted by uncertainty deriving from reform of the IBOR interest rates (this reform is intended to result in cancellation of interest rates such as LIBOR and EURIBOR). For example:

- Determination of the probability of occurrence of the hedged cash flows is to be based on the existing contractual cash flows and future changes due to the IBOR reform are to be ignored.
- When examining prospective effectiveness, account is to be taken of the existing contractual conditions of the hedged item and the hedging instrument, and the uncertainty deriving from the reform is to be ignored.

**OPC Energy Ltd.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**At September 30, 2020**

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

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

2. Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures: Reform of Benchmark Interest Rates” (hereinafter – “the Amendments”) (Cont.)

The Amendments were applied retroactively commencing from January 1, 2020. The leniencies included as part of the Amendments will be discontinued prospectively at the earlier of: clarification of the uncertainty arising from the reform or the date on which the hedge ratios are discontinued.

In the Group’s estimation, application of the Amendments did not have a significant impact on the financial statements.

**C. New standards and amendments to standards not yet adopted**

1. Amendment to IAS 1 “Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current”

The Amendment replaces certain classification requirements of liabilities as current or non-current. For example, pursuant to the Amendment, a liability will be classified as non-current where an entity has a right to postpone the payment for a period of at least 12 months after the period of the report, which is “material” and exists at the end of the period of the report. A right exists as at the date of the report only if an entity is in compliance with the conditions for postponement of the payment as at this date. In addition, the Amendment clarifies that a conversion right of a liability will impact its classification as current or non-current, unless the conversion component is capital.

The Amendment will enter into effect for reporting periods commencing on January 1, 2023. Early application is permissible. The Amendment is to be applied retroactively, including adjustment of the comparative data.

The Group has not yet commenced examination of the impacts of application of the Amendment on the financial statements.

2. Amendment to IAS 16 “Property, Plant and Equipment: Receipts prior to Intended Use”

The Amendment cancels the requirement whereby in calculation of the costs that may be attributed directly to property, plant and equipment, a reduction is to be made from the costs of testing the proper functioning of the asset for the net proceeds from sale of any items produced in the process (such as samples produced at the time of testing the equipment). Instead, the said proceeds are to be recognized in the statement of income in accordance with the relevant standards and the cost of the items sold is to be measured pursuant to the measurement requirements of IAS 2 “Inventory”.

OPC Energy Ltd.  
Notes to the Unaudited Interim Consolidated Financial Statements  
At September 30, 2020

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

**C. New standards and amendments to standards not yet adopted (Cont.)**

2. Amendment to IAS 16 “Property, Plant and Equipment: Receipts prior to Intended Use” (Cont.)

The Amendment will enter into effect for reporting periods commencing on January 1, 2022 or thereafter. Early application is permissible. The Amendment is to be applied retroactively, including revision of the comparative data, but only for items of property, plant and equipment that were brought to the location and position required for them to be able to function in the manner contemplated by management after the earliest reporting period presented on the initial application date of the Amendment. The cumulative impact of the Amendment will adjust the opening balance of the retained earnings of the earliest reporting period presented.

The Group has not yet commenced examining the impacts of the Amendment on the financial statements.

3. Amendment to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets – Contract Performance Costs”

Pursuant to the Amendment, when examining whether a contract is onerous, the costs for performance of the contract that are to be taken into account are costs relating directly to the contract, which include the following costs:

- Incremental costs; and
- Allocation of other costs relating directly to the contract (such as depreciation expenses on property, plant and equipment used to perform this contract and other additional contracts).

The Amendment is to be applied retrospectively, commencing on January 1, 2022, for contracts the entity has not yet completed its obligations in respect thereof. Early application is permissible. Upon initial application of the Amendment, the entity is not to restate the comparative data but, rather, it is to adjust the opening balance of the retained earnings on the initial application date, in the amount of the cumulative impact of the Amendment.

The Group has not yet commenced examining the impacts of the Amendment on the financial statements.

**OPC Energy Ltd.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**At September 30, 2020**

**Note 4 – Financial Instruments**

Financial instruments measured at fair value for disclosure purposes only

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

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

**Fair value**

	<b>At September 30, 2020</b>	
	<b>Book</b>	<b>Fair</b>
	<b>Value*</b>	<b>Value</b>
	<b>In Thousands of NIS</b>	
Loans from banks and others (Level 2)	1,960,061	2,238,343
Debentures (Level 1)	666,807	725,389
	<u>2,626,868</u>	<u>2,963,732</u>
	<b>At September 30, 2019</b>	
	<b>Book</b>	<b>Fair</b>
	<b>Value*</b>	<b>Value</b>
	<b>In Thousands of NIS</b>	
Loans from banks and others (Level 2)	1,891,471	2,246,404
Debentures (Level 1)	290,124	335,575
	<u>2,181,595</u>	<u>2,581,979</u>
	<b>At December 31, 2019</b>	
	<b>Book</b>	<b>Fair</b>
	<b>Value*</b>	<b>Value</b>
	<b>In Thousands of NIS</b>	
Loans from banks and others (Level 2)	1,867,448	2,243,290
Debentures (Level 1)	282,864	324,623
	<u>2,150,312</u>	<u>2,567,913</u>

\* Includes current maturities and accrued interest.

**OPC Energy Ltd.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**At September 30, 2020**

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

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

In addition, the Company enters into transactions in derivative financial instruments in order to hedge foreign currency risks and risks of changes in the CPI. 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 of the United States dollar (hereinafter – “the dollar”) and the euro and the Consumer Price Index (CPI):

	<b>CPI (in points)</b>	<b>Exchange rate of the dollar against shekel</b>	<b>Exchange rate of the euro against shekel</b>
September 30, 2020	100.2	3.441	4.026
September 30, 2019	101.0	3.482	3.805
December 31, 2019	100.8	3.456	3.878
<b>Change during the nine months ended:</b>			
September 30, 2020	(0.6)%	(0.4)%	3.8%
September 30, 2019	0.5%	(7.1)%	(11.3)%
<b>Change during the three months ended:</b>			
September 30, 2020	0.1%	(0.7)%	3.7%
September 30, 2019	(0.7)%	(2.4)%	(6.3)%
<b>Change during the year ended:</b>			
December 31, 2019	0.3%	(7.8)%	(9.6)%

**OPC Energy Ltd.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**At September 30, 2020**

**Note 5 – Revenues from Contracts with Customers**

Breakdown of the revenues from sales:

	For the				
	Nine Months Ended		Three Months Ended		Year Ended
	September 30		September 30		December 31
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
	In Thousands of New Israeli Shekels				
Revenues from sale of electricity	935,276	972,296	387,516	344,494	1,271,200
Revenues from sale of steam	42,530	45,623	12,823	14,811	58,788
	977,806	1,017,919	400,339	359,305	1,329,988

**Note 6 – Additional Information**

A. General

1. In January 2020, the decision of the Electricity Authority entered into effect regarding update of the electricity tariffs for 2020, whereby the rate of the generation component was reduced by 8% from NIS 290.9 per MWh to NIS 267.8 per MWh. The decline in the generation component, as stated, had a negative impact on the Company's income in the period of the report compared with the corresponding period last year.
2. In February 2020, the Electricity Authority published its Decision from Meeting 573, held on January 27, 2020, regarding Amendment of Standards in connection with Deviations from the Consumption Plans (hereinafter – "the Decision"). Pursuant to the Decision, a supplier is not permitted to sell to its consumers more than the amount of the capacity that is the subject of all the undertakings it has entered into with holders of private generation licenses. In addition, the Authority indicates in the notes (clarifications) to the Decision that it is expected that the supplier will enter into private transactions with consumers in a scope that permits it to supply all their consumption from energy that is generated by private generators over the entire year. Actual consumption of energy at a rate in excess of 3% from the installed capacity allocated to the supplier will trigger payment of an annual tariff that reflects the annual cost of the capacity the supplier used as a result of the deviation, as detailed in the Decision (hereinafter – "the Annual Payment in respect of Deviation from the Capacity"). In addition, the Decision provides a settlement mechanism in respect of a deviation from the daily consumption plan (surpluses and deficiencies), which will apply concurrent with the annual payment in respect of a deviation from the capacity. Application of the Decision is commencing from September 1, 2020.

According to the Decision, the said amendment will apply to Rotem only after determination of supplemental arrangements for Rotem, which as the date of the Report had not yet been determined, and the Company is closely monitoring this matter. Therefore, as the approval date of the financial statements there is no certainty regarding the extent of the unfavorable impact of the Decision, if any, on the Company's activities.

3. In the nine-month periods ended September 30, 2020 and 2019, the Group acquired property, plant and equipment not for cash, in the amounts of about NIS 5 million and about NIS 40 million, respectively.

**OPC Energy Ltd.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**At September 30, 2020**

**Note 6 – Additional Information (Cont.)**

B. The Company

1. In April and October 2020, Midroog Ltd. (hereinafter – “Midroog”) reconfirmed a rating of A3 for the Company’s debentures (Series A) with a stable rating outlook. In January and August 2020, Maalot reconfirmed a rating of A– for the Company’s debentures (Series A) with a stable rating outlook. In addition, in September 2020, Maalot reconfirmed a rating of A– for the Company.
2. Further to that stated in Note 15C(4) to the Annual Financial Statements, in January 2020, Company withdrew a loan in the amount of about NIS 169 million from the short-term credit framework (hereinafter – “the Loan”), which was used by the Company for purposes of payment of the Initial Assessment, as described in Note 6C(6). The loan bore interest at the annual rate of prime+0.6% and at the rate of prime + 1.7% in part of the period and was repaid in April 2020.
3. In March 2020, the Company took out a loan from Bank Mizrahi Tafahot Ltd., a related party of the Company, in the amount of NIS 50 million. The Loan bore interest at the annual rate of prime+1.25% and was repaid in May 2020.
4. In April 2020, the Company issued debentures (Series B) having a par value of NIS 400 million (hereinafter – “the Debentures (Series B)”). The transaction costs amounted to about NIS 4 million. The Debentures (Series B) are registered for trading on the Tel-Aviv Stock Exchange, are linked to the CPI and bear interest at the annual rate of 2.75%. The Debentures (Series B) are to be repaid in unequal semi-annual payments (on March 31, and September 30 of every calendar year), commencing from March 31, 2021 and up to September 30, 2028 (the first payment of interest falls on September 30, 2020).

The Debentures (Series B) were granted a rating of A3 by Midroog and a rating of A– by Maalot. In August 2020, Maalot reconfirmed that rating of A– with a stable rating outlook.

The trust certificate covering the Debentures (Series B) (hereinafter – “the Trust Certificate”) includes customary grounds for calling the Debentures for immediate repayment (subject to the cure periods provided), including insolvency events, liquidation proceedings, receivership, a stay of proceedings and creditors’ arrangements, certain structural changes, a significant worsening in the Company’s position, etc. In addition, there is a right to call the Debentures (Series B) for early repayment: (1) in a case of calling another debenture series (traded on the Stock Exchange or on the Consecutive Institutional System) issued by the Company or other financial debt (or a number of debts, as stated, cumulatively) of the Company and of subsidiaries (not including a case of calling for immediate repayment of non-recourse debt), including foreclosure of guarantees (which secure repayment of debt to a financial creditor) provided by the Company or by subsidiaries to a creditor, in an amount that is not less than \$40 million;

OPC Energy Ltd.  
Notes to the Unaudited Interim Consolidated Financial Statements  
At September 30, 2020

**Note 6 – Additional Information (Cont.)**

B. The Company (Cont.)

4. (Cont.)

(2) upon breach of financial covenants provided during two consecutive examination periods; (3) in a case as stated in subsection (2) (this being even without waiting for the second examination period), if the Company executed an unusual transaction with a controlling shareholder (that is not in accordance with the Companies Regulations (Leniencies in Transactions with Interested Parties), 2000, without receipt of advance approval from the holders of the Debentures (Series B) in a special decision); (4) if an asset or number of assets of the Company was/were sold in an amount constituting more than 50% of the value of the assets in the consolidated financial statements during a consecutive period of 12 months or upon executing a change in the Company's main activities ("the Company's main activities" – the energy sector, including the area of generation of energy from power plants and from renewable energy sources); (5) upon occurrence of certain events of loss of control by the controlling shareholder; (6) in a case of discontinuance of a rating for a certain period of time; (7) in a case of discontinuance of trading for a certain period of time or elimination of the Debentures (Series B) from trading; (8) if the Company ceases to be a reporting corporation; (9) in a case where a "going concern" caveat is recorded in the Company's financial statements relating only to the Company itself, for a period of two consecutive quarters; and (10) if the Company breaches its commitment not to create a general floating lien on its existing and future assets and rights in favor of any third party without the conditions provided in the trust certificate having been fulfilled.

In addition, the Trust Certificate includes a commitment of the Company to comply with financial covenants and restrictions provided (including restrictions applicable to a distribution, restrictions applicable to expansion of a series, provisions for adjustment of interest in a case of a rating change or non-compliance with a financial covenant). Financial covenants include compliance with a ratio of the consolidated net financial debt less the financial debt designated for construction of projects that have not yet commenced producing EBITDA, to the adjusted EBITDA that does not exceed 13 (and for purposes of a distribution that does not exceed 11), there must be minimum shareholders' equity of NIS 250 million (and for purposes of a distribution NIS 350 million), and the ratio of the shareholders' equity to the total assets must be at a rate that is not less than 17% (and for purposes of a distribution a rate that is not less than 27%).

As at September 30, 2020 the Company was in compliance with the said financial covenants, as follows: (1) the Company's shareholders' equity was NIS 762 million; (2) the ratio of the shareholders' equity to the Company's total assets was 51%; (3) the ratio of the net consolidated financial debt less the financial debt designated for construction of projects that have not yet commenced producing EBITDA and the adjusted EBITDA is 5.3.

In addition, the Trust Certificate includes a commitment not to create a general floating lien on the Company's existing and future assets and rights in favor of any third party without one of the conditions provided in the draft trust certificate having been fulfilled – all of this in accordance with the conditions provided in the Trust Certificate.



OPC Energy Ltd.  
Notes to the Unaudited Interim Consolidated Financial Statements  
At September 30, 2020

**Note 6 – Additional Information (Cont.)**

B. The Company (Cont.)

5. In the period of the report and up to the publication date of the financial statements, the Company had signed binding agreements with consumers for construction of electricity generation facilities that are powered by natural gas (hereinafter – “the Generation Facilities”), which will be constructed in the consumer's yard, with an aggregate capacity of about 49 MW. The Company will sell electricity to consumers from the Generation Facilities for a period of 15 years from the commercial operation date of the Generation Facilities. The planned commercial operation dates are in accordance with the terms spelled out in the agreements, and in any event not later than 48 months from the signing date of the agreement.
6. In May 2020, the Company and Noy Power Plants, Limited Partnership (hereinafter – “the Noy Fund”) submitted a purchase offer in the framework of the tender for sale of the Ramat Hovav power plant, a power plant powered by natural gas, that was published by Israel Electric Company (hereinafter – “the Tender”) – this being through by means of a joint special purpose company the shares of which will be held in equal shares by the Company and the Noy Fund (hereinafter – “the Joint Company”). In addition, for purposes of securing the commitments of the Joint Company in the framework of the offer in the Tender, the Company and the Noy Fund provided, in equal shares, a financial guarantee, in the aggregate amount of about NIS 30 million. In June 2020, the Company received notification whereby the bid of a third party is the winning bid in the tender, and that the Company was announced as a “second qualifier”, meaning that in a case of cancellation of the declaration of the winner or cancellation of the undertaking in an agreement with it, the Tenders Committee will be permitted to declare the second qualifier as the winner, subject to certain conditions.
7. In May 2020, the Company signed an agreement, through a designated company that is wholly owned by the Company (hereinafter – “the Subsidiary”), with SMS IDE Ltd., which won a tender of the State of Israel for construction, operation, maintenance and transfer of a seawater desalinization facility on the “Sorek B” site (“the Desalinization Facility”), whereby the Subsidiary will construct, operate and maintain a power plant powered by natural gas with a generation capacity of up to 99 MW on the premises of the Desalinization Facility (“the Power Plant”), and will supply the energy required for the Desalinization Facility for a period that will end of 25 years after the operation date of the Desalinization Facility. At the end of the aforesaid period, ownership of the power plant will be transferred to the State. The Power Plant is expected to be constructed under the “Regulation for Generators of Ultra-High Voltage that are Established Without a Competitive Process”, which was published by the Electricity Authority in March 2019.

**OPC Energy Ltd.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**At September 30, 2020**

**Note 6 – Additional Information (Cont.)**

B. **The Company (Cont.)**

8. In May 2020, the Company's Board of Directors approved a private issuance to an officer of 99,228 options exercisable for 99,228 ordinary shares of the Company and 28,732 restricted share units (RSUs) (hereinafter – "the Offered Securities"). The Offered Securities were issued in accordance with the Company's options' plan (for details see Note 17B to the annual financial statements) under the Capital Track (with a trustee), in accordance with Section 102 of the Income Tax Ordinance, in four equal tranches. The vesting conditions and expiration dates of the Offered Securities are as follows:

Tranche No.	Vesting Conditions	Expiration Dates
1 <sup>st</sup> tranche	At the end of 12 months from the grant date	At the end of 36 months from the vesting date
2 <sup>nd</sup> tranche	At the end of 24 months from the grant date	At the end of 24 months from the vesting date
3 <sup>rd</sup> tranche	At the end of 36 months from the grant date	At the end of 24 months from the vesting date
4 <sup>th</sup> tranche	At the end of 48 months from the grant date	At the end of 24 months from the vesting date

The exercise price of each of the options issued is NIS 25.81 (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 each option granted was estimate proximate to the issuance date, using the Black and Scholes model, at NIS 7.76 per option. The calculation is based on a standard deviation of 31.48%, a risk-free interest rate of 0.36% to 0.58% and an expected life of 4 to 6 years. The fair value of the restricted share units (RSUs) was estimated based on the price of a Company share on May 11, 2020, which was NIS 26.80.

The cost of the benefit embedded in the securities offered based on the fair value on the date of their issuance amounted to about NIS 1,540 thousand. This amount will be recorded in the statement of income over the vesting period of each tranche.

Further to that stated in Note 17B to the Annual Financial Statements, in July 2020 the Company issued 44,899 of the Company's ordinary shares to six managers and officers of the Group, in light of the vesting of the second tranche of the Restricted Stock Units (RSUs) that were granted to them as part of the equity remuneration plan for Company employees.

**OPC Energy Ltd.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
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**Note 6 – Additional Information (Cont.)**

B. The Company (Cont.)

9. In the period of the report, due to changes in the inflationary expectations and in light of the changes in the projected interest rates, the Company recorded an increase in the liabilities as a result of revaluation of the financial derivative in respect of the CPI Transactions, as described in Note 25N and Note 22D to the Annual Financial Statements (hereinafter – “the Derivative”), in the amount of about NIS 49 million, which was recorded as part of other comprehensive income. As at the date of the report, the fair value of the Derivative amounted to about NIS 48 million. The Company deposits collaterals to secure its liabilities to the bank in connection with the Derivative. As at the date of the report, the collateral amounted to about NIS 50 million. Valuation of the Derivative was made by an external independent appraiser. The value of the Derivative was calculated by means of discounting the linked shekel cash flows expected to be received less the discounted fixed shekel cash flows payable. An adjustment was made to this valuation for the credit risks of the parties.
10. Guarantees provided by the Company in the period of the Report
- Further to that stated in Note 24A(3) to the Annual Financial Statements, in January 2020, the Company provided a bank guarantee in the name of Zomet for the benefit of Israel Lands Authority (hereinafter – “ILA”), in the amount of about NIS 60.5 million. For purposes of securing the guarantee, the Company made a bank deposit, in the amount of about NIS 30 million.
  - Further to that stated in Note 24A(3) to the Annual Financial Statements regarding development levies to the Shafir Local Council, in July 2020 the Company updated the amount of the bank guarantee to the amount of about NIS 21 million. For additional details – see Note 6C(6).
  - Further to that stated in Note 24A(3) to the Annual Financial Statements regarding a bank guarantee provided by Zomet for the benefit of the Electricity Authority in respect of its conditional license, in March 2020, the said guarantee was cancelled and the Company provided a bank guarantee on behalf of Zomet, in an amount that was updated to about NIS 15 million (linked to the dollar), pursuant to that stipulated in Zomet’s conditional license.
  - Further to that stated in Note 15C(3) to the Annual Financial Statements regarding provision of a bank guarantee in order to secure the commitment to provide shareholders’ equity to Zomet, in the period of the Report, the bank guarantee was reduced to the amount of about NIS 110 million (linked to the CPI), and the deposit for securing the guarantee was reduced to the amount of about NIS 56 million.
  - Further to that stated in Note 15C(2) to the Annual Financial Statements, in May 2020 the Company provided a bank guarantee in favor of Hadera’s lenders in the amount of NIS 50 million (which is secured by a deposit in the amount of NIS 25 million) in place of a commitment to comply with the requirement with respect to the minimum cash and cash equivalents balance.

OPC Energy Ltd.  
Notes to the Unaudited Interim Consolidated Financial Statements  
At September 30, 2020

**Note 6 – Additional Information (Cont.)**

C. Zomet

1. In February 2020, the Supreme Court sitting as the High Court of Justice cancelled the petition that was filed against the Electricity Authority, the plenary Electricity Authority, the State of Israel – the Ministry of Energy and Zomet by Or Power Energies (Dalia) Ltd. and Dalia Power Energies Ltd., which mainly included claims in connection with decisions and actions of the Electricity Authority relating to Regulation 914, and with reference to Zomet's conditional license, as described in Note 24A (3) to the Annual Financial Statements. Further to cancellation of the petition, as stated, notification of the Electricity Authority was received whereby Zomet is in compliance with the conditions for proving a financial closing, pursuant to that stated in the its conditional license and in accordance with law (hereinafter – "Financial Closing Approval").
2. In February 2020, upon receipt of Financial Closing Approval, the conditions were completed for payment of the consideration in respect of Zomet's shares in accordance with the third milestone, as described in Note 24A(3) to the Annual Financial Statements, in the amount of about \$15.8 million (about NIS 54 million) and about NIS 21 million in respect of 95% and 5% of the shares of Zomet, respectively. As at the date of the Report, the Company had paid the full amount of the consideration for acquisition of Zomet's shares and it holds 100% of the issued and paid-up shares of Zomet.
3. In the period of the report, Zomet made withdrawals, in the amount of NIS 137 million, from the long-term loans framework, as described in Note 15C(3) to the Annual Financial Statements. The loans bear interest at the annual rate of prime+0.95%. The loans are to be repaid in quarterly payments, which will fall shortly before the end of the first or second quarter after the commencement date of the commercial operation of the Zomet Power Plant. Subsequent to the date of the report, in November 2020, Zomet made an additional withdrawal, in the amount of NIS 50 million.

In September 2020, the senior debt of Zomet was rated by S&P Global Rating Maalot Ltd. (hereinafter – "Maalot") with a rating of AA–.

4. Further to that stated in Note 25D to the Annual Financial Statements, regarding Zomet's construction agreement (hereinafter – "the Agreement"), against the background of the crisis caused by the outbreak of the Coronavirus and the restrictions imposed as a result thereof, in March 2020, an amendment to the Agreement was signed whereby, among other things, it was agreed to issue a work commencement order to the construction contractor for commencement of the construction work and with respect to extension of the period for completion of the construction work pursuant to the Agreement by about three months, and additional revisions were made taking into account extension of the period as stated.

In addition, in the period of the report, Zomet partly hedged its exposure to changes in the cash flows from payments in dollars in connection with the agreement by means of forward contracts on the exchange rates. Zomet chose to designate the said forward contracts as an accounting hedge.

OPC Energy Ltd.  
Notes to the Unaudited Interim Consolidated Financial Statements  
At September 30, 2020

**Note 6 – Additional Information (Cont.)**

C. Zomet (Cont.)

5. Further to that stated in Note 25F to the Annual Financial Statements, regarding Zomet's gas transmission agreement, in February 2020 Zomet delivered to Israel Natural Gas Lines Ltd. a notification of commencement of performance of the construction work.
6. In January 2020, ILA approved allotment of an area measuring about 85 dunams for purposes of construction of the Zomet Power Plant (hereinafter in this Section – "the Land") and it signed a development agreement with Kibbutz Netiv Halamed Heh (hereinafter – "the Kibbutz") in connection with the Land, which is valid up to November 5, 2024, which after fulfillment of its conditions a lease agreement will be signed for a period of 24 years and 11 months from approval of the transaction, namely up to November 4, 2044. In addition, in January 2020, the option agreement signed by Zomet and the Kibbutz for lease of the Land expired, and as part of its cancellation the parties signed an agreement of principles for establishment of a joint company (hereinafter – "the Joint Company" and "the Agreement of Principles for Establishment of the Joint Company", respectively). In May 2020, transfer of the rights from the Kibbutz to Joint Company in the registration records of ILA was made.

The Joint Company was established by the Company and the Kibbutz as a limited partnership under the name "Zomet Netiv Limited Partnership", where the composition of the partners therein is: (1) General Partner – will hold 1% of the Joint Company; and the shares of the General Partner will be held by the Kibbutz (26%) and Zomet (74%); (2) limited partners – the Kibbutz and Zomet will hold 26% and 73% of the rights in the Joint Company as limited partners, respectively.

As part of the Agreement of Principles for Establishment of the Joint Company, it was provided that the Kibbutz will sell to the Joint Company its rights in the Land by force of which it will be possible to sign a development agreement with ILA – this being in exchange for an aggregate amount of NIS 30 million, plus VAT, which the Joint Company paid to the Kibbutz in the period of the report. In the Agreement of Principles for Establishment of the Joint Company it was clarified that the Kibbutz acted as a trustee of the Joint Company when it signed the Development Agreement with ILA, and acted as an agent of the Joint Company when it signed the financial specification by virtue of which capitalization fees for the Land were paid, in the amount of about NIS 207 million (as detailed below). The Kibbutz also undertook that it will act as an agent and a trustee of the Joint Company, for all intents and purposes, in connection with every report that is required in connection with the transaction that is the subject of the above-mentioned agreement of principles and regarding every matter that will be required from it by the Joint Company. Further to that stated above, in February 2020, an updated lease agreement was also signed whereby the Joint Company, as the owner of the Land, will lease the Land to Zomet, for the benefit of the project.

**OPC Energy Ltd.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**At September 30, 2020**

**Note 6 – Additional Information (Cont.)**

C. Zomet (Cont.)

6. (Cont.)

After approval by the competent authorities of ILA for allotment of the land for purposes of construction of the Zomet Power Plant, in January 2020, a financial specification was received from ILA in respect of the capitalization fees, whereby the value of the Land (not including development expenses) was set based on the assessment at the amount of about NIS 207 million (not including VAT) (hereinafter – “the Initial Assessment”). The Initial Assessment is subject to control procedures that have not yet been completed and it may be updated at the close of the said control procedures. Pursuant to that stated in the Initial Assessment and for purposes of completion of the land transaction and receipt of the building permit (which was received in January 2020 and is required in order to receive approval for the financial close as described above), Zomet, in the name of the Joint Company and by means of the Kibbutz, arranged payment of the Initial Assessment in January 2020 at the rate of 75% of amount of the Initial Assessment and provided through the Company, the balance, at the rate of 25%, as a bank guarantee in favor of ILA. For details regarding a short-term loan the Company took out in order to pay the Initial Assessment, as stated, – see Note 6B(2). It is noted that the assessment is preliminary and there is no certainty regarding the amount of the final assessment that will be received. Pursuant to the arrangement with ILA, the Company will be permitted to contest the amount of the assessment when the final assessment is received after the conclusion of the required control processes. The Company intends to examine filing of a contest of the final assessment on the relevant dates. Furthermore, in April 2020, the Company provided a bank guarantee, in the amount of about NIS 12.5 million, for the benefit of the Taxes Authority in Israel, which was cancelled in September 2020.

In addition, further to that stated in Note 24A(3) to the Annual Financial Statements, regarding imposition of development levies to the Shafir Local Council (hereinafter – “the Council”), in January 2020 the Council sent Zomet a charge notification in respect of calculation of the levies, in the amount of NIS 36.5 million, of which in December 2019 the amount of NIS 13 million, which is not in dispute, was paid. In March 2020, Zomet filed an administrative petition against the Council in respect of the amount in dispute, as stated. As part of its response to the petition, the Council updated the amount of the development levies, to the amount of about NIS 34 million. The amount in dispute, in the amount of about NIS 21 million, is secured by a bank guarantee, which was provided by the Company for Zomet for the benefit of the Council. As at the publication date of the Report, a decision regarding the matter had not yet been received. In Zomet’s estimation, based on an opinion of its legal advisors, it is more reasonable than not that Zomet will not be required to pay an additional amount beyond the amount it paid in respect of the development levies and, accordingly, no provision was included in the financial statements.

OPC Energy Ltd.  
Notes to the Unaudited Interim Consolidated Financial Statements  
At September 30, 2020

**Note 6 – Additional Information (Cont.)**

C. Zomet (Cont.)

6. (Cont.)

All of the amounts relating to acquisition of the Land, as stated, were classified in the Company's statement of financial position as at September 30, 2020 in the category "right-of-use assets". The unpaid balance of the Initial Assessment, in the amount of about NIS 52 million, was classified in the statement of financial position as at September 30, 2020, as part of "current maturities of lease liabilities".

7. In January 2020, Zomet signed an agreement with Israel Electric Company (IEC) for acquisition of available capacity and energy and provision of infrastructure services. In November 2020, IEC assigned the agreement to The System Management Company Ltd. As part of the agreement, Zomet undertook to sell energy and available capacity from its facility to IEC, and IEC committed to provide Zomet infrastructure services and management services for the electricity system, including back-up services in accordance with the provisions of the agreement.

The agreement will remain in effect up to the end of the period in which Zomet is permitted to sell available capacity and energy in accordance with the provisions of its generation license (that is, up to the end of 20 years from the commercial operation date of Zomet). Nonetheless, in a case where IEC will be prevented from acquiring available capacity and energy due non-extension of its license or receipt of an alternative license, the agreement will come to an end on the date on which the preventing factor, as stated, occurs. The agreement provides that Zomet will allot all of the power plant's capacity to a fixed availability arrangement, where a condition for acquisition of fixed availability will be compliance with mandatory criteria, as stipulated in Regulation 914. The power plant will be operated based on the directives of the System Administrator, pursuant to the provisions of Regulation 914. Furthermore, the agreement includes provisions that cover connection of the power plant to the electricity grid, provisions relating to the planning, construction and maintenance of the power plant, and provisions addressing acquisition of the power plant's available capacity. The agreement provides, among other things, that the System Administrator will be permitted to disconnect supply of the electricity to the electricity grid if Zomet does not comply with the safety provisions as provided by law or a safety provision of the System Administrator that were delivered to it in advance and in writing. In addition, Zomet committed to comply with the availability and credibility requirements stipulated in its license and in Regulation 914, and to pay for non-compliance therewith, in accordance with that provided in Regulation 914.

OPC Energy Ltd.  
Notes to the Unaudited Interim Consolidated Financial Statements  
At September 30, 2020

**Note 6 – Additional Information (Cont.)**

D. Hadera

1. On June 30, 2020, the Electricity Authority decided to grant a permanent license for generation of electricity to the Hadera Power Plant, a power plant using cogeneration technology having installed capacity of 144 MW and granting of a supply license (hereinafter – “the Licenses”). The Licenses are for a period of 20 years, which may be extended for an additional period of 10 years by the Electricity Authority and with approval of the Minister of Energy, which entered into effect after approval of the Minister of Energy on July 1, 2020. Hadera provided bank guarantees for the benefit of the Electricity Authority, in the amount of about NIS 4.5 million (some of which are linked to the dollar) as required by the Licenses, and a bank guarantee in favor of Israel Electric Company, in the amount of about NIS 27 million (linked to the dollar), as required in accordance with the benchmarks of the Electricity Authority.

It is noted that during the first year of activities, replacements or renovations of certain parts of the gas and steam turbines are expected to be executed by the head equipment contractor, which are expected to last for a period of about a month (cumulative), during which time the Hadera Power Plant will be operated on a partial basis. As at the date of the report, most of the replacement or renovations of certain parts of the gas and steam turbines had not yet been performed.

2. Further to that stated in Note 25G to the Annual Financial Statements, in March 2020, the preconditions provided in the amendment to Hadera’s natural gas supply agreement with the Tamar Group were fulfilled.
3. In the period of the report, Hadera withdrew about NIS 64 million from the framework amount in accordance with its financing agreement, as described in Note 15C(2) to the Annual Financial Statements. The interest rates on the amounts withdrawn in the period of the report range between about 2.4% and about 2.6% on the CPI-linked loans and between about 3.6% and about 3.8% on the unlinked loans. In addition, in the period of the report Hadera made three payments based on the repayment schedule included in its financing agreement, in the amounts of about NIS 26 million in respect of principal and about NIS 22 million, in respect of interest. The said debt repayment was made partly out of sources the Company provided to Hadera.
4. Further to that stated in Note 25D to the Annual Financial Statements, pursuant to the construction agreement Hadera is entitled to receive agreed compensation from the construction contractor in respect of the delay in completion of the construction of the Hadera Power Plant (hereinafter – “the Compensation”). In Hadera’s estimation, as at the date of the report the amount of the Compensation due to it is about NIS 80 million (about \$23 million). In addition, in accordance with the construction agreement, Hadera has a contractual right to offset every amount due to it under the construction agreement, including the amount of the Compensation, against amounts it owes the construction contractor.

In July 2020, upon completion of the construction of the Hadera Power Plant, a request was received from the construction contractor for the final milestone payment in accordance with the construction agreement, in the amount of about NIS 48 million.



OPC Energy Ltd.  
Notes to the Unaudited Interim Consolidated Financial Statements  
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**Note 6 – Additional Information (Cont.)**

D. Hadera (Cont.)

4. (Cont.)

In Hadera's estimation, it has an unconditional contractual right to receive the Compensation as stated and it is more likely than not that its position will be accepted. Accordingly and based on the right of offset, as stated, Hadera offset the payment in respect of the final milestone against the Compensation it contends it is entitled to, such that as at the date of the report, the balance of the Compensation receivable is about NIS 31 million.

In addition, the construction contractor has further contentions regarding the final settlement pursuant to the construction agreement. In Hadera's view, the construction contractor is not entitled to additional payments pursuant to the construction agreement and it "is more likely than not" that Hadera will not be charged for additional payments in this connection. Therefore, no provision has been included in the financial statements.

E. Rotem

1. Further to that stated in Note 25G to the Annual Financial Statements, in March 2020, the preconditions provided in the amendments to Rotem's natural gas supply agreement with the Tamar Group and Energean were fulfilled. As is indicated by Energean's publications in November 2020, commercial operation of the Karish Reservoir is expected to take place in the fourth quarter of 2021.
2. In March 2020, Rotem distributed dividends, on two dates, in the aggregate amount of NIS 110 million. The shares of the Company and of the non-controlling interests amount to NIS 88 million and NIS 22 million, respectively. For details regarding distribution of a dividend from Rotem subsequent to the date of the report – see Note 7D.
3. In February 2020, the Rating Committee of Midroog Ltd. reconfirmed Rotem's long-term rating at the level of Aa2 with a stable rating outlook and the rating of Rotem's senior debt at the level of Aa2 with a stable rating outlook.
4. Further to that stated in Note 15C(1) to the Annual Financial Statements, in September 2020, the Company and Veridis provided bank guarantees to Rotem's Lenders, in the amounts of about NIS 46 million and about NIS 12 million, respectively – this being in place of Rotem's undertaking to hold a shareholders' guarantee reserve, in the amount of about NIS 58 million.

**OPC Energy Ltd.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**At September 30, 2020**

**Note 7 – Events Occurring Subsequent to the Date of the Statement of Financial Position**

- A. In October 2020, the Company made an additional issuance of Debentures (Series B) of the Company (hereinafter – “the Additional Debentures (Series B)”), in the amount of NIS 556 million par value. The proceeds of the issuance of the Additional Debentures (Series B) amounted to about NIS 584 million. The issuance costs were about NIS 7 million. In October 2020, Maalot gave notice that the rating of A- of the Additional Debentures (Series B) is valid for an amount of up to NIS 560 million par value and Midroog set a rating of A3 with a stable rating outlook for the Additional Debentures (Series B) for an amount of up to NIS 560 million par value.
- B. In October 2020, after expansion of the debentures, as stated, and after receipt of the approval of the Board of Directors, the Company made, at its own initiative, early and full redemption, of the balance of the debentures (Series A) (hereinafter – “the Debentures (Series A)”). As part of the said early redemption, the debt service reserve, in the amount of about NIS 67 million, was released, and the holders of the Debentures (Series A) were paid the amount of about NIS 313 million. In light of that stated above, the Company will recognize a loss of about NIS 41 million in the fourth quarter of 2020.
- C. In October 2020, the Company published a shelf offer report based on a shelf prospectus of the Company for issuance of ordinary shares of NIS 0.01 par value each of the Company (hereinafter – “the Ordinary Shares”) to the public through a uniform offer with a range of quantities by means of a tender on the price per unit and the quantity. It is noted that the parent company submitted bids for participation in the tender at prices not less than the uniform price determined in the tender, and as part of the issuance it was issued 10,700,200 Ordinary Shares. In the said issuance, 23,022,100 Ordinary Shares were issued to the public. The gross proceeds from the issuance amounted to about NIS 737 million. The issuance expenses amounted to about NIS 5 million.

In October 2020, the Company completed a private offer of 11,713,521 Ordinary Shares to institutional entities from the Clal Group and the Phoenix Group. The price per Ordinary Share with respect to each of the offerees was NIS 29.88, which was determined through negotiations between the offerees, and the gross proceeds from the issuance amounted to about NIS 350 million. The issuance expenses amounted to about NIS 5 million.

- D. In October 2020, Rotem declared and distributed dividends to the Company, in the amount of about NIS 46 million, and to Veridis, in the amount of about NIS 11.5 million.

**OPC Energy Ltd.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**At September 30, 2020**

**Note 7 – Events Occurring Subsequent to the Date of the Statement of Financial Position (Cont.)**

- E. In October 2020, an agreement was signed (hereinafter – “the Acquisition Agreement”) whereby the Company will acquire (indirectly) from entities in the Global Infrastructure Management LLC Group (hereinafter – “the Sellers”), 70% of the rights and holdings in the following entities: CPV Power Holdings LP (hereinafter – “CPVPH”); Competitive Power Ventures Inc. (hereinafter – “CPVI”); and CPV Renewable Energy Company Inc. (hereinafter – “CPVREC”) (CPVPH, CPVI and CPVREC will be referred to hereinafter together as – “the CPV Group”).

The acquisition will be made through a limited partnership (hereinafter – “the Buyer”) which is held by the Company (about a 70% limited partner).

On the completion date of the transaction, the Buyer will pay the Sellers the amount of about \$630 million (the Company’s share – about \$441 million), subject to certain adjustments. An amount of between \$54 million and \$95 million will be added to the said consideration in respect of an additional project that is presently under construction, which is to be paid in cash or through a loan of the Sellers that will be made to CPVPH (hereinafter – “the Sellers’ Loan”), based on the Buyer’s election.

The CPV Group is engaged in development, construction and management of renewable energy and conventional energy power plants in the United States, as detailed below:

- 5 power plants powered by natural gas (of the integrated cycle type from the advanced generation), operating with an installed capacity of 4,045 megawatts (the share of the CPV Group is about 1,290 megawatts), and wind energy, with an installed capacity of 152 megawatts (the share of the CPV Group is about 106 megawatts).
- Power plants under construction (powered by natural gas), with an overall capacity of 1,258 megawatts (as at the publication date of the report, the share of the CPV Group is about 220 megawatts).
- A number of projects in various stages of development in the United States having a total capacity of about 6,200 megawatts (the share of the CPV Group is about 5,744 megawatts), of which about 1,145 megawatts of renewable energy projects (mainly solar) in advanced stages of development, about 1,100 megawatts of renewable energy projects in early development stages and about 3,955 megawatts of power-plant projects powered by natural gas.
- Provision of management services to power plants using different technologies for the projects initiated by the CPV Group and for third parties, and in total it provides management service to power plants with an aggregate capacity of about 10,600 megawatts.

**OPC Energy Ltd.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**At September 30, 2020**

**Note 7 – Events Occurring Subsequent to the Date of the Statement of Financial Position (Cont.)**

E. (Cont.)

As part of the Acquisition Agreement, certain representations of the Sellers were included, which will expire on the closing date of the transaction, except for fundamental representations that will apply for two years from closing date of the transaction, and where upon a breach thereof compensation will be paid to the Buyer. In addition, in this connection the Buyer acquired an insurance policy covering various representations with a liability limit of up to \$53 million for periods of 3 years and 6 years.

On the completion date of the transaction, the Buyer is required to provide guarantees in place of guarantees provided by the Sellers for the benefit of third parties in connection with CPV's projects that are in various stages of development. To the extent the guarantees, as stated, are not replaced, the Buyer is required to indemnify the Sellers in respect of the said guarantees and to provide a bank guarantee in favor of the Sellers in order to ensure release of these guarantees.

The Acquisition Agreement provides, among other things, that the Sellers will be paid compensation, in the amount of \$50 million, under certain circumstances of breach of the agreement. The Company provided a corporate guarantee to assure payment of the said compensation and/or payment of certain expenses that will be incurred by the Buyer (if in fact incurred).

Completion of the transaction is subject to preconditions and receipt of various regulatory approvals. The preconditions include, among others, the approval of each of the parties of fulfillment of its representations under the agreement. The regulatory approvals include the following main approvals: approval of the Committee for Examination of Foreign Investments in the United States (CIFUS); passage of the required period for treatment of the request under the Hart Scott Rodino Act; approval of the Federal Energy Regulatory Commission; and approval of the New York Public Service Commission.

As at the publication date of the financial statements, the said approvals had not yet been received and in the Company's estimation the process of obtaining the said approvals could take up to 6 months.

F. In October 2020, the Company signed an agreement for establishment of a partnership (hereinafter – "the Partnership Agreement") with three financial entities whereby the limited partners in the Partnership are the Company (directly or through a subsidiary) which holds about 70%, institutional investors from the Clal Insurance Group which hold 12.75%; institutional investors from the Migdal Insurance Group which hold 12.75%; and a corporation from Poalim Capital Markets which holds 4.5%.

Pursuant to the Partnership Agreement, the partners undertook to invest in the partnership, each based on its share therein, the aggregate amount of \$815 million, subject to completion of the transaction for acquisition of the CPV Group, as stated in Section E., above.

The said amount is intended both for acquisition of all of the rights of the Buyer in the CPV Group and for financing additional investments in the Buyer and in the CPV Group, in order to realize (execute) certain projects on its project list in the upcoming years.

**OPC Energy Ltd.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**At September 30, 2020**

**Note 7 – Events Occurring Subsequent to the Date of the Statement of Financial Position (Cont.)**

F. (Cont.)

The Partnership Agreement includes, among other things, arrangement of the relationships between the limited partners and the relationships between them and the General Partner, provisions in connection with management of the Partnership, entitlement of the General Partner to management fees, restrictions on transfer of the rights of the partners, options relating to holding in the Partnership, a “tag along” right of the financial investors in certain cases, a “right of first offer” in certain cases and a “drag along rights” (rights to force a sale of rights).

In addition, the Company and entities from the Migdal Insurance Group signed an agreement whereby the Company granted the said entities a “put” option, and they granted the Company a “call” option (to the extent the “put” option is not exercised), with respect to the holdings of the entities in the Partnership. The exercise price of the “put” option will be based on the fair value of the Partnership less a certain discount, and exercise price of the “call” option will be based on the fair value of the Partnership plus a certain premium. The Company will be permitted to pay the exercise price through its shares based on their average price on the stock exchange shortly prior to the exercise date.

The “put” option is exercisable in a period of 60 days commencing from the end of 10, 11, 12 and 13 years from the completion date of the transaction for acquisition of the CPV Group and the “call” option is exercisable in a period of 60 days after the expiration date of the “put” option. In addition, the put” option will be exercisable on the later of: (1) the date on which the Company’s holdings in the General Partner drop below 51%; and (2) the date on which the Company’s holdings in the Partnership drop below 25%. It is noted that at the time of issuance of the Partnership on a recognized stock exchange (as defined in the Partnership Agreement) the “put” option and the “call” option will automatically expire.

G. In October 2020, the Company signed an agreement with entities from the Harel Group (hereinafter – “Harel”), whereby Harel committed to provide the Company a loans’ framework in shekels in an aggregate amount of NIS 400 million, which may be withdrawn during 24 months from the signing date of the agreement (hereinafter – “the Framework Period”), subject to completion of the transaction in accordance with the Acquisition Agreement, as described in Note 7E.

The loans are to be used for one or more of the following purposes: (A) payment of part of the consideration pursuant to the Acquisition Agreement, or in order to provide the amounts required to the CPV Group for development of its business; or (B) for purposes of the Company’s current ongoing activities in the ordinary course of business.

The principal amounts of the long-term loans to be provided are to be repaid on a date that falls 36 months after the earlier of the date on which first long-term withdrawal is made, or the end of the Framework Period (hereinafter – “the Final Repayment Date”). The loans will bear current interest at an annual rate that is equal to the Bank of Israel interest rate plus a margin in the range of 2.55% – 2.75%, which is to be paid in quarterly payments.

**OPC Energy Ltd.**  
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**At September 30, 2020**

**Note 7 – Events Occurring Subsequent to the Date of the Statement of Financial Position (Cont.)**

G. (Cont.)

Pursuant to the said agreement, the Company committed to comply with certain financial covenants, upon the violation of which Harel will be entitled, among other things, to notify the Company of immediate repayment of the full balance of the loan. The financial covenants will be examined shortly after the publication date of the Company's quarterly financial statements, commencing from the date of the first withdrawal: (A) the Company's shareholders' equity will not be less than NIS 550 million (and as a condition for making a dividend distribution – not less than NIS 850 million); (B) a ratio of the Company's shareholders' equity to its total assets based on its "solo" financial statements of not less than 20% (and as a condition for making a dividend distribution – not less than 30%); (C) the ratio of the Company's net debt to its adjusted EBITDA will not be more than 12 (and as a condition for making a dividend distribution – it must be less than 11); and (D) the LTV of the pledged rights will not be less than 50% (and as a condition for making a dividend distribution – not less than 35%).

In addition, up to the Final Repayment Date, the Company is required to maintain a cash balance or deposits and certain amounts (hereinafter – "the Minimum Liquidity Requirement").

The agreement provides that upon occurrence of any of the following events, the interest rate on the loans will increase by 2%: (A) non-compliance with the Minimum Liquidity Requirement; (B) the ratio between the Company's shareholders' equity to its total assets, as stated above, drops below 25%; and (C) the LTV of the pledged rights is higher than 40%.

Distributions of dividends by the Company are subject to certain conditions, including, among others, compliance with the financial covenants, as stated above, compliance with the Minimum Liquidity Requirement and the non-existence of a breach event. In order to secure the Company's liabilities to Harel under the agreement, a lien will be place in favor of Harel on the Company's direct or indirect rights (as a limited partner in the Partnership), and on certain bank accounts of the Company and of the General Partner.

H. In October 2020, the Company's Board of Directors approved, in accordance with the Company's options' plan, a private issuance to an officer of 28,508 options exercisable for 28,508 ordinary shares of the Company and 10,500 restricted share units (RSUs) (hereinafter – "the Offered Securities"). The Offered Securities were issued under the Capital Track (with a trustee), in accordance with Section 102 of the Income Tax Ordinance, in four equal tranches. The vesting conditions and expiration dates of the Offered Securities are as follows:

Tranche No.	Vesting Conditions	Expiration Dates
1 <sup>st</sup> tranche	At the end of 12 months from the grant date	At the end of 36 months from the vesting date
2 <sup>nd</sup> tranche	At the end of 24 months from the grant date	At the end of 24 months from the vesting date
3 <sup>rd</sup> tranche	At the end of 36 months from the grant date	At the end of 24 months from the vesting date
4 <sup>th</sup> tranche	At the end of 48 months from the grant date	At the end of 24 months from the vesting date

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**Note 7 – Events Occurring Subsequent to the Date of the Statement of Financial Position (Cont.)**

H. (Cont.)

The exercise price of each of the options issued is NIS 30.28 (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 each option granted was estimate proximate to the issuance date, using the Black and Scholes model, at NIS 12.98 per option. The calculation is based on a standard deviation of 36.65%, a risk-free interest rate of 0.25% to 0.43% and an expected life of 4 to 6 years. The fair value of the restricted share units (RSUs) was estimated based on the price of a Company share on October 25, 2020, which was NIS 35.24.

The cost of the benefit embedded in the securities offered amounted to about NIS 740 thousand. This amount will be recorded in the statement of income over the vesting period of each tranche.