
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

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

May 30, 2021

Commission File Number 001-36761

Kenon Holdings Ltd.

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

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

Form 20-F ☒ Form 40-F ☐

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

Yes ☐ No ☒

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

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

CONTENTS

Periodic Report of OPC Energy Ltd. for the Three Months Ended March 31, 2021

On May 30, 2021, Kenon Holdings Ltd.'s subsidiary OPC Energy Ltd. ("OPC") reported to the Israeli Securities Authority and the Tel Aviv Stock Exchange its periodic report (in Hebrew) for the three months ended March 31, 2021 ("OPC's Periodic Report"). English convenience translations of the (i) Report of the Board of Directors regarding the Company's Matters for the Three-Month Period ended March 31, 2021 and (ii) Condensed Consolidated Interim Financial Statements at March 31, 2021 as published in OPC's Periodic Report, and (iii) Pro Forma Consolidated Financial Statements at March 31, 2021 (reflecting the acquisition of the CPV Group ("CPV") (i.e. Competitive Power Holdings LP, Competitive Power Ventures Inc. and CPV Renewable Energy Company Inc.) by CPV Group LP, an entity in which OPC holds a 70% stake) are furnished as Exhibits 99.1, 99.2 and 99.3, 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 OPC's business strategy statements relating to OPC's and CPV's development projects including expected start of construction and completion or operation dates, estimated cost and investment in projects, and characteristics (e.g., capacity and technology) and stage of development of such projects, including statements and plans with respect to the Tzomet project, including expected commercial operation date ("COD"), construction cost and capacity, and statements with respect to CPV's development pipeline and projects including the description of projects in various stages of developments and statements relating to expectations about these projects, statements and plans with respect to the construction and operation of facilities for generation of energy on the consumer's premises and arrangements for supply and sale of energy to consumer, statements with respect to Sorek B, statements relating to the Gnergy acquisition agreement, statements relating to CPV's hedging plans and expected impact on gross margin, statements with respect to industry and potential regulatory developments in the U.S., the OPC-Hadera power plant, including the expected insurance reimbursement for COD delay and compensation for delay in delivery date, OPC's plans and expectations regarding regulatory clearances and approvals for its projects, and the technologies intended to be used thereto, statements with respect to the expected impact of COVID-19, the Electricity Authority ("EA") tariffs and their expected effects on OPC, including announced changes effective for 2021, expected timing and impact of maintenance, renovation and construction work on OPC's power plants, the expected COD of Energean's Karish reservoir and expected impact of COD delays, the expected interpretation and impact of regulations on OPC and its subsidiaries, OPC's expansion plans and goals, OPC's adoption of certain accounting standards and the expected effects of those standards on OPC's results, statements relating to potential expansion activities by OPC outside of Israel, and statements with respect to assumptions and estimates with respect to the preparation of the pro forma financial statements. 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 which could cause the actual results to differ materially from those indicated in such forward-looking statements. Such risks include risks relating to potential failure to obtain regulatory or other approvals for projects or to meet the required conditions and milestones for development of its projects, the risk that OPC (including CPV) may fail to develop or complete projects or any other planned transactions including dispositions or acquisitions, as planned or at all, the actual cost and characteristics of project, risks relating to potential new regulations or existing regulations having different interpretations or impacts than expected, the risk that the accounting standards may have a material effect on OPC's results, risks relating to changes to the EA tariffs with and the impact on OPC's results, risks relating to electricity prices in the U.S. where CPV operates and the impact of hedging arrangements of CPV, the risk that the assumptions and estimates on which the pro forma financial statements were based may not be realized as expected or at all, and other risks and factors, including those risks set forth under the heading "Risk Factors" in Kenon's Annual Report on Form 20-F filed with the SEC and other filings. Except as required by law, Kenon undertakes no obligation to update these forward-looking statements, whether as a result of new information, future events, or otherwise.

Exhibits

- [99.1 OPC Energy Ltd. – Periodic Report for three months ended March 31, 2021— Report of the Board of Directors regarding the Company’s Matters for the Three-Month Period ended March 31, 2021, as published on May 30, 2021 with the Israeli Securities Authority and Tel Aviv Stock Exchange*](#)
- [99.2 OPC Energy Ltd. – Periodic Report for the three months ended March 31, 2021— Condensed Consolidated Interim Financial Statements at March 31, 2021, as published on May 30, 2021 with the Israeli Securities Authority and Tel Aviv Stock Exchange*](#)
- [99.3 OPC Energy Ltd. – Pro Forma Consolidated Financial Statements at March 31, 2021, as published on May 30, 2021 with the Israeli Securities Authority and Tel Aviv Stock Exchange*](#)

*English convenience translation from Hebrew original document.

SIGNATURES

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

KENON HOLDINGS LTD.

Date: May 30, 2021

By: /s/ Robert L. Rosen

Name: Robert L. Rosen

Title: Chief Executive Officer

OPC ENERGY LTD.**Report of the Board of Directors regarding the Company's Matters
for the Three-Month Period Ended March 31, 2021**

The Board of Directors of OPC Energy Ltd. (hereinafter – “the Company”) is pleased to present herein the Report of the Board of Directors regarding the activities of the Company and its investee companies, the financial statements of which are consolidated with the Company's financial statements (hereinafter – “the Group”), as at March 31, 2021 and for the three-month period then ended, in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970 (hereinafter – “the Reporting Regulations”). The three-month period ended March 31, 2021 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 the Company's Periodic Report for 2020 which was published on March 25, 2021 (Reference No.: 2021-01-044994), (hereinafter – “the Consolidated Financial Statements for 2020” and “the Periodic Report for 2020”, respectively)¹, which includes, among other things, the Description of the Company's Business part, the Report of the Board of Directors and the financial statements for the year ended December 31, 2020, which were attached to the Company's Periodic Report for 2020. The information included in the Periodic Report and the Consolidated Financial Statements for 2020 is included herein by reference.

Attached to this Report are the consolidated interim financial statements as at March 31, 2021 (hereinafter – “the Interim Statements”) and consolidated proforma financial statements as at March 31, 2021 as a result of acquisition of the CPV Group (as defined in Note 6 to the Interim Statements (hereinafter – “the CPV Group”)) on January 25, 2021, as stated below, and on the assumption that this Report is read together with the Periodic Report for 2020, which is presented herein by 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. 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.

¹ 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.

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 financial statements, the Company is engaged in two reportable business segments: (1) the generation and supply of electricity and energy in Israel – as part of this area of activities, the Company is engaged in generation and supply of electricity and energy to private customers, Israel Electric Company Ltd. (hereinafter – (“the Electric Company” or “IEC”) and the System Administrator, as well as in initiation, development, construction and operation of power plants and facilities for generation of energy through natural gas and renewable energy in Israel. The Company manages its activities in Israel under one operational roof, mainly through OPC Israel Energy Ltd. (“OPC Israel”). For details regarding this area of activities – see Section 8 to Part A (Description of the Company's Business), which is included in the Periodic Report for 2020 and the updates presented in this report; and (2) holding, development, construction and management of renewable energy and conventional power plants (powered by natural gas) in the United States – as part of this area of activities, the Company is engaged in development, construction and management of renewable energy and conventional power plants in the United States through the CPV Group and in holding rights in active power plants and power plants under construction, which the CPV Group initiated and constructed over the past several years, both in the conventional areas as well as in the area of renewable energy. In addition, the CPV Group is engaged in provision of asset and energy management services to power plants in the United States that it owns and that are owned by third parties. For details regarding the agreement for acquisition of the activities and with respect to this area of activities, which constitutes a reportable business segment for accounting purposes commencing from the Interim Statements – see Sections 2.3.1 and 17 to Part A (Description of the Company's Business) which is included in the Periodic Report for 2020 and the updates presented in this report (including the Interim Statements).

The CPV Group is held indirectly by the Company (about 70% as stated in this report) and its acquisition was completed on January 25, 2021. The CPV Group was established in 1999 and since that date it has initiated and constructed power plants with an aggregate capacity of about 14,800 megawatts, of which about 4,850 megawatts using wind energy, whereas the other about 9,950 megawatts is from conventional power plants. Commencing with the financial statements as at March 31, 2021 (the Interim Statements), the Company consolidates the financial statements of the CPV Group and also attaches consolidated proforma financial statements as at March 31, 2021. The CPV Group has holdings in active projects through associated companies and subsidiaries.

In addition, on May 9, 2021, the Company completed acquisition of Gnergy Ltd., which is engaged in the area of charging services for electric vehicles. For details – see Section 11 below.

As at the publication date of the report, the Company's activities are carried on in Israel and in the United States, however it is clarified that this does not act to limit the Company's activities in the future in additional countries. From time to time, the Company is examining possibilities for expanding its activities in the area of generation and supply of electricity and energy, including by means of constructing and/or acquiring power plants (including renewable energy power plants) in additional geographic regions worldwide, and advancement of projects that, as stated, are found to be suitable.

OPC Energy Ltd.
Report of the Board of Directors

Brief description of the Group's area of activities, its business environment and developments in its business in the Period of the Report and thereafter

1. Detail of operating projects as at the publication date of the report

Israel – Set forth below are main details with reference to the operating projects in Israel:

Project	Capacity (MW)	Rate of holdings	Status in the Company's financial statements	Location	Type of project/ technology	Year of commercial operation
Rotem	466	80%	Subsidiary	Rotem Plain	Natural gas, combined cycle	2013
Hadera ²	144	100%	Subsidiary	Hadera	Natural gas, cogeneration	2020

The United States – Set forth below are main details with reference to the operating projects in the United States³:

Project	Capacity (MW)	Rate of holdings of the CPV Group in the project	Status in the Company's financial statements	Location	Type of project/ technology	Year of commercial operation	Restricted market customer
CPV Fairview LLC ("Fairview")	1,050	25%	Associated company	Pennsylvania	Natural gas in a combined cycle ⁴	2019	PJM
CPV Towantic LLC ("Towantic")	805	26%	Associated company	Connecticut	Natural gas / two fuels combined cycle	2018	ISO-NE
CPV Maryland LLC ("Maryland")	745	25%	Associated company	Maryland	Natural gas combined cycle	2017	PJM
CPV Shore Holdings LLC ("Shore")	725	37.53%	Associated company	New Jersey	Natural gas combined cycle	2016	PJM
CPV Valley Holdings LLC ("Valley")	720	50%	Associated company	New York	Natural gas / two fuels combined cycle	2018	NYISO
CPV Keenan II Renewable Energy Company LLC ("Keenan")	152	⁵ 100%	Subsidiary	Oklahoma	Wind	2010	SPP

² In addition, Hadera holds the Energy Center (boilers and turbines located on the premises of Hadera Paper Mills Ltd.), which serves as back-up for supply of steam from the Hadera power plant. It is noted that from the end of 2020 the turbine in the Energy Center is not operating, and the Company will examine its continued operation with the Electricity Authority due to the contact of the System Administrator to the Electricity Authority wherein the System Administrator believes that continued operation of the turbine by the Company requires a license pursuant to the Electricity Administrator Law and coordination with the System Administrator.

³ Active projects in the U.S. are held through the CPV Group, which is held by the Company at the rate of about 70%.

⁴ The possibility exists for a mix of ethane of up to 25%.

⁵ On April 7, 2021, the CPV Group signed and completed acquisition of 30% of the rights in Keenan from a tax equity partner. For details – see the Company's Immediate Report dated April 8, 2021 (Reference No.: 2021-01-059787) and Section 1.17 below (under Main Developments in the Company's activities in the United States in the period of the report and thereafter).

OPC Energy Ltd.
Report of the Board of Directors

Brief description of the Group's area of activities, its business environment and developments in its business in the Period of the Report and thereafter (Cont.)

2. Detail of projects under initiation and construction as at the publication date of the report

Main details with reference to the initiation and construction projects in Israel⁶:

Power plants/ facilities for generation of energy	Status	Capacity (megawatts)	Rate of holdings ⁷	Location	Technology	Date/ expectation of the start of the commercial operation ⁸	Main customer/ consumer	Amount of the Company's investment in the project at March 31, 2021 NIS millions)	Total expected construction cost in respect of 100% of the project (NIS millions) ⁹
Zomet	Under construction	≈ 396	100%	Plugot Intersection	Conventional with open cycle	January 2023	The System Administrator	≈ 980	¹⁰ ≈ 1,500
Sorek 2 Ltd.	In initiation	Up to 99	100%	On the premises of the Sorek B seawater desalination facility	Conventional	Second half of 2023	Yard consumer and pursuant to regulations of the Electricity Authority	≈ 1	Up to ≈ NIS 200

⁶ It is clarified that that stated in this report in connection with projects that have not yet reached operation (Zomet, Sorek B generation facility, facilities for generation of energy on the consumer's premises) is "forward-looking" information, as it is defined in the Securities Law, which is based on the Company's estimates as at the publication date of the report and regarding which there is no certainty it will be realized. Completion of the said projects may not occur or may occur at a different date than that stated above due to, among other things, dependency on various factors, including those that are not under the Company's control, including assurance of connection to the network and output of electricity from the site, receipt of permits, completion of planning processes and contracting with suppliers that have not yet been completed and there is no certainty they will be completed. In addition, ultimately delays and/or breakdowns could be caused, this being as a result of, among other things, various factors as stated above or as a result of occurrence of one or more of the risk factors the Company is exposed to, including construction risk. For additional regarding risk factors involved in construction projects – see Section 20.3 of Part A (Description of the Company's Business) in the Annual Report for 2020.

⁷ Subsidiaries in the Company's financial statements.

⁸ It is clarified that that stated with respect to the expected start date of the commercial projects that have not yet commenced operations (Zomet, the Sorek B generation facility, facilities for generation of electricity on the consumer's premises) is "forward-looking" information, as it is defined in the Securities Law, which is based on the Company's estimates as at the publication date of the report and there is no certainty it will occur. The expected operation date might not take place or it might take place on a date different than that stated above due to, among other things, dependence on various factors as stated above, which have not yet been completed, and there is no certainty they will materialize. In addition, there could be delays and/or breakdowns, this being as a result of, among other things, occurrence of one or more of the risk factors to which the Company is exposed, including construction risk or the Coronavirus crisis. For additional details regarding the risk factors involved with projects under construction – see Section 20.3 to Part A (Description of the Company's Business) in the Periodic Report for 2020.

⁹ It is clarified that that stated with respect to the total expected cost of the aggregate investment in projects (Zomet, Sorek B Generation Facility, facilities for generation of energy on the consumer's premises) is "forward-looking" information, as it is defined in the Securities Law, which is based on the Company's estimates and assessments as at the publication date of the report and there is no certainty it will occur. The said information might not materialize or might materialize in a manner different than forecasted, among other things, due to dependency on various factors, such as the final amount of the costs for development of the land, connection to the infrastructure networks and occurrence of any of the risk factors to which the Company is exposed and/or the Coronavirus crisis.

¹⁰ The estimate of the costs, as stated, does not take into account half of the assessment issued by Israel Lands Authority in January 2021, in the amount of about NIS 200 million (not including VAT) in respect of capitalization fees (for details – see Section 8.11.6 to Part A (Description of the Company's Business) in the Periodic Report for 2020), where as at the date of the report the Company had filed an appeal of the final assessment.

OPC Energy Ltd.
Report of the Board of Directors

Brief description of the Group's area of activities, its business environment and developments in its business in the Period of the Report and thereafter (Cont.)

2. Detail of projects under initiation and construction as at the publication date of the report (Cont.)

Main details with reference to the initiation and construction projects in Israel: (Cont.)

Power plants/ facilities for generation of energy	Status	Capacity (megawatts)	Rate of holdings ⁷	Location	Technology	Date/ expectation of the start of the commercial operation ⁸	Main customer/ consumer	Amount of the Company's investment in the project at March 31, 2021 NIS millions)	Total estimated cost of the investment in the project (NIS millions) ⁹
Facilities for generation of energy on the consumer's premises	In various stages of development starting from initiation and up to construction	Every facility up to 16 megawatts As at the date of the report, construction and operation agreements were signed for a total of 90 megawatts. The Company intends to take action to sign construction and operation agreements in a cumulative scope of at least 120 megawatts ¹¹	100%	On the premises of consumers throughout Israel	Conventional	Pursuant to the conditions provided in the agreements	Yard consumers also including Group customers	≈ 24	An average of about NIS 4 per megawatt

¹¹ The Company's intention, as stated, reflects its intention as at the publication date of the report only, and there is no certainty that the matters will materialize based on the said expectation, and the said intention is subject to, among other things, the discretion of the Company's competent organs. As at the publication date of the report, there is no certainty regarding signing of additional binding agreements with consumers, and there is no certainty regarding the number of consumers with which the Company will sign agreements and/or regarding the scope of the megawatts the Company will contract for if agreements are signed. In addition, as at the date of the report, all of the preconditions for execution of all the projects for construction of facilities for generation of electricity on the customer's premises had not yet been fulfilled.

OPC Energy Ltd.
Report of the Board of Directors

Brief description of the Group's area of activities, its business environment and developments in its business in the Period of the Report and thereafter (Cont.)

2. Detail of projects under initiation and construction as at the publication date of the report (Cont.)

Main details with reference to the construction projects in the United States:¹²

Project	Capacity (megawatts)	Rate of holdings of the CPV Group	Status in the financial statements	Location	Technology	Expected commercial operation date	Regulated market	Amount of the investment in the project at March 31, 2021 NIS millions)	Total estimated construction cost for 100% of the project (NIS millions) ¹³
CPV Three Rivers LLC ("Three Rivers")	1,258	¹⁴ 10%	Associated company	Illinois	Natural gas, combined cycle	May 2023	PJM	≈ 190	≈ 4,311 (≈ \$1,293 million)

¹² Projects under construction in the United States are held through the CPV Group, which is held by the Group at the rate of about 70%. Details with respect to the scope of the investments in the United States were translated from dollars and presented in NIS based on the currency rate of exchange on March 31, 2021 – \$1 = NIS 3.334. The information presented below regarding projects under construction, including the information regarding the projected commercial operation date and the expected construction costs, including "forward-looking" information, as defined in the Securities Law, regarding which there is no certainty it will materialize (in whole or in part) and that is not under the control of the Company or the CPV Group. The information is based on, among other things, estimates of the Company and of the CPV Group, and it is also based on plans and assumptions the realization of which is not totally certain, and which might not be realized due to factors not under CPV's control, such as: delays in receipt of required permits, a change in the construction costs, construction delays, problems signing an agreement for connection to the network or connection to other infrastructures, problems signing an investment agreement with a tax equity partner regarding part of the cost of the project and utilization of the tax benefits available to the project, problems signing commercial agreements for of the potential revenues from the project, changes in the provisions of the law, an increase in the financing expenses, unforeseen expenses, weather events, the Coronavirus crisis, etc. There is no certainty that that these estimates will materialize, in whole or in part, and they may be different, even significantly, than those detailed above. For additional details regarding the risk factors involved with the activities of the CPV Group – see Section 17.14 of Part A (Description of the Company's Business) in the Periodic Report for 2020.

¹³ Including initiation fees and reimbursement of pre-construction development expenses to the CPV Group. It is clarified that that stated regarding the total estimated investment in the projects (Three Rivers and Maple Hill) is "forward-looking" information, as it is defined in the Securities Law, which is based on the estimates and assessments made by the Company as at the publication date of the report and there is no certainty it will materialize. The said information may not materialize or may materialize in a manner different than expected.

¹⁴ On February 3, 2021, the transaction for sale of 7.5% of the rights in the Three Rivers project was completed, which was held up to that time by the CPV Group. For additional information – see Section 2.3.1 of Part A (Description of the Company's Business) in the Periodic Report for 2020.

OPC Energy Ltd.
Report of the Board of Directors

Brief description of the Group's area of activities, its business environment and developments in its business in the Period of the Report and thereafter (Cont.)

2. Detail of projects under initiation and construction as at the publication date of the report (Cont.)

Main details with reference to the construction projects in the United States:¹²

Project	Capacity (megawatts)	Rate of holdings of the CPV Group	Status in the financial statements	Location	Technology	Expected commercial operation date	Regulated market	Amount of the investment in the project at March 31, 2021 NIS millions)	Total estimated construction cost for 100% of the project (NIS millions) ¹³
CPV Maple Hill Solar LLC ("Maple Hill")	126 MWdc ¹⁵	¹⁶ 100%	Consolidated	Pennsylvania	Solar	Second or third quarter 2022	PJM	¹⁷ ≈ 32	≈ \$27 (≈ \$158 million)

¹⁵ About 100 MWac.

¹⁶ As at the publication date of the report, the CPV Group is expected to take action to sign an agreement with a "tax investor" ("Tax Equity Partner") for investment in the project. The Tax Equity Partner will enjoy most of the tax benefits in respect of the project, which are mainly tax credits relating to Investment Tax Credits (ITC) and depreciation expenses for tax purposes, as well as participation in a proportionate amount to be agreed to of the free cash flows for distribution. The entitlement to participate in part of the free cash flows is effective up to the point of reaching a rate of return on the investment of the Tax Equity Partner that will be provided in the agreement. After reaching the said rate of return, the share of the Tax Equity Partner in the income and cash flows will decline to a minimum rate. It is emphasized that the CPV Group has not yet signed an agreement, as stated, and therefore there is no certainty that such an agreement will ultimately be signed, and the matter is subject to, among other things, to commercial and regulatory conditions.

¹⁷ In May 2021, an order for commencement of the construction work was issued to the project's construction contractor. On this date, among other things, a construction agreement (EPC) has been signed and rights in the project's lands have been acquired.

OPC Energy Ltd.
Report of the Board of Directors

Brief description of the Group's area of activities, its business environment and developments in its business in the Period of the Report and thereafter (Cont.)

2. Detail of projects under initiation and construction as at the publication date of the report (Cont.)

Main details with reference to a construction project having an agreement for sale of electricity (PPA) in the advance stage in the near term in the United States¹⁸:

Power plants/ facilities for generation of energy	Capacity (megawatts)	Rate of of the holdings of the CPV Group	Location	Technology	Expected start date	Expected commercial operation date	Regulated market	Commercial structure	Amount of the investment in the project at March 31, 2021 NIS millions)	Total estimated construction cost of the project (NIS millions) ¹⁹
CPV Rogue's Wind LLC ("Rogue's Wind")	≈ 114	²⁰ 100%	Pennsylvania	Wind	Quarter 1 2022	Quarter 2 2023	PJM	PPA agreement for sale of electricity, availability (capacity) and Renewable Energy Certificates (RECs) for 10 years. ²¹	≈ 11	≈ NIS 667-683 million (≈ \$200 – \$205 million)

¹⁸ Projects under construction in the United States are held through the CPV Group, which is held by the Group at the rate of 70%. Details with respect to the scope of the investments in the United States were translated from dollars and presented in NIS based on the currency rate of exchange on March 31, 2021 – \$1 = NIS 3.334. The information presented below regarding a project in advanced development in the short run in the United States, including the information regarding the expected commercial structure and the estimated cost of the investment, includes "forward-looking" information, as defined in the Securities Law, regarding which there is no certainty it will materialize (in whole or in part) and that is not under the Company's control or the exclusive control of CPV. The information is based on, among other things, estimates of the Company and of the CPV Group, and it is also based on plans and assumptions the realization of which is not totally certain, and which might not be realized due to factors not under CPV's control, such as: completion of the connection, receipt of permits, signing an agreement with a "tax investor", etc.. Therefore, there is no certainty that that these estimates will materialize, in whole or in part, and they may be different, even significantly, than those detailed above.

¹⁹ Including initiation fees and reimbursement of pre-construction development expenses to the CPV Group. It is clarified that that stated regarding the total estimated investment in the projects (Rogue's Wind) is "forward-looking" information, as it is defined in the Securities Law, which is based on the estimates and assessments made by the Company as at the publication date of the report and there is no certainty it will materialize. The said information may not materialize or may materialize in a manner different than expected.

²⁰ As at the publication date of the report, the CPV Group is expected to take action to sign an agreement with a "tax investor" ("Tax Equity Partner") with respect to investment in the project (subject to appropriate regulatory arrangements). The Tax Equity Partner will enjoy most of the tax benefits in respect of the project, which are mainly tax credits relating to Production Tax Credits (PTC) and depreciation expenses for tax purposes, as well as participation in a proportionate amount to be agreed to of the free cash flows for distribution. The entitlement to participate in part of the free cash flows is effective up to the point of reaching a rate of return on the investment of the Tax Equity Partner that will provided in the agreement. After reaching the said rate of return, the share of the Tax Equity Partner in the income and cash flows will decline to a minimum rate. It is emphasized that the CPV Group has not yet signed an agreement, as stated, and therefore there is no certainty that such an agreement will ultimately be signed, and the matter is subject to, among other things, to commercial and regulatory conditions.

²¹ For details regarding the PPA agreement signed in April 2021 – see Section 18 below.

OPC Energy Ltd.
Report of the Board of Directors

Brief description of the Group's area of activities, its business environment and developments in its business in the Period of the Report and thereafter (Cont.)

2. Detail of projects under initiation and construction as at the publication date of the report (Cont.)

Set forth below is a summary of the scope of the development projects (in megawatts) as at the submission date of the report:²²

Technology	Summary of the list of the development projects as at the publication date of the report (in megawatts) ²³		
	Advanced	Early stage	Total
Solar ²⁴	1,164	943	2,107
Wind	175	–	175
Total renewable	1,339	943	2,282
Natural gas	1,985	1,970	3,955
Storage	–	100–500	100–500

²² The information presented in this section with reference to development projects of the CPV Group, including regarding the number of projects, their characteristics (the capacity, technology, etc.), the cost per megawatt, constitutes “forward-looking” information as it is defined in the Securities Law, regarding which there is no certainty it will be realized or the manner in which it will be realized. It is clarified that as at the date of the report there is no certainty regarding the actual execution of the development projects (in whole or in part), and their progress is subject to, among other things, completion of development and licensing processes, obtain control over the lands, signing agreements, execution of construction and connection processes, assurance of financing and receipt of various regulatory approvals and permits, which as at the present time have not yet been completed. It is clarified that particularly in the initial development stages, the scope of the projects and their characteristics have not yet been formulated and are subject to changes. Ultimately, the development projects (or some of them) may not be executed, this being due to, among other things, various factors including those that are not under CPV's control. It is noted that the ability to locate new projects in relevant energy markets, with price and liquidity levels that support new construction constitutes a significant success factor for the development activities. In addition, regarding renewable energy projects, it is important that the country or region wherein the CPV Group seeks to construct new projects have the possibility to generate additional revenues through sale of Renewable Energy Certificates (RECs). It is further noted that in the estimation of the CPV Group, additional factors that impact the development activities include, among others: obtaining sufficient control over the lands; the ability to connect to the electricity grid at a strategic connection point at a low connection cost; obtaining the permits required for construction of new projects, including compliance with all the environmental requirements; and the ability to raise sufficient debt and equity for construction of new projects.

²³ In general, the CPV Group views projects that in its estimation are in a period of up to two years or up to three years to the start of the construction as projects in the advanced development stage (as stated above there is no certainty the development projects, including projects in the advanced stage, will be executed). It is noted that that stated depends on the scope of the project and the technology, and could change based on specific characteristics of a certain project, as well as from external circumstances that are relevant to a certain project. It is clarified that in the early development stages, the scope of the projects and their characteristics are subject to changes, if and to the extent they reach advanced stages.

²⁴ All the capacities in the solar technology are denominated in MWdc. The capacities in the solar technology projects in the advanced development stages and in the early development stages are about 910 MWac and about 725 MWac, respectively.

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Main developments in the Company's activities in Israel in the period of the report and thereafter:

3. In December 2020 and during the period of the report and thereafter, replacement and renovation work was performed with respect to certain components of the gas turbines in the Hadera Power Plant as part of anticipated activities. In January 2021, the replacement and renovation work in one of the gas turbines was completed and in May 2021 the replacement and renovation work of the second gas turbine was completed and later during 2021 additional essential maintenance work is expected to be performed (hereinafter – “the Additional Work”) in the steam turbine. During performance of the work in 2021 and up to the publication date of the report, the Hadera Power Plant was partly operated for a period of about 65 days and during the Additional Work, the steam turbine will be operated for a period of time estimated at about 60 days.²⁵ The replacement and renovation work of certain components, as stated, which had been completed as at the publication date of the report and the performances of the gas turbines as a result of such work are in accordance with the expectations from these turbines. Partial activities or shutdown of the plant during extended periods of replacement and renovation work could impact Hadera's compliance with the plant's availability provisions (regarding this matter – see also Sections 8.10 and 8.12.3 to Part A (Description of the Company's Business) in the Periodic Report for 2020). It is noted that performance of the said replacement and renovation work without interruption could be impacted by traffic restrictions resulting from the Coronavirus crisis in light of the need for arrival of equipment and foreign work teams.

As at the publication date of this report, the Company estimates that part of the costs stemming from the delay in the commercial operation date of the 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 and based on the position of its legal advisors, 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 and compensation (limited in amount up to a ceiling stipulated in the construction agreement) in a case of non-compliance with the conditions provided in the agreement relating to the plant's performances. It is noted that the construction contractor has contentions that, among other things, Hadera has no grounds for charging it for the amounts stipulated in the agreement in respect of the delay and the plant's performances, as well as a contention that it is permitted to renew the guarantee it provided at a reduced amount. On May 26, 2021, a notification letter was received regarding a dispute from the construction contractor prior to taking legal action wherein the construction contractor contends that, among other things (1) Hadera has no ground for charging it for the amounts stipulated in the construction agreement relating to delay of the operation, and that the offset made by the Company from the payments due to the construction contractor, as stated below, deviates from the agreement; (2) Hadera has no ground for charging it for the amounts stipulated relating to the plant's performances; (3) the construction contractor has contentions regarding entitlement to additional consideration, in the amount of about €7 million, in excess of the consideration provided in the agreement (these claims were rejected by the Company, except with respect to an amount that is not material); and (4) absent a right on the part of Hadera, as contended by the contractor, to additional compensation for the delay and for the plant's performances as well as for other reasons it is entitled to reduce the bank guarantee it provided (which is valid up to the beginning of July 2021) from 20% of the amount of the aggregate consideration to 5% of the amount of the aggregate consideration. As also noted by the construction contractor in the warning letter, Hadera disputes the contentions of the construction contractor and, as stated, these contentions were rejected by it prior to receipt of the warning letter. As part of the warning letter, the contractor noted the timetables stipulated in the agreement for a response to the warning letter and agreed to extend the existing bank guarantee in the amount of 20% of the amount of the consideration by one month only – this being without detracting from its contentions in the aforesaid warning letter.

²⁵ That stated with reference to the Company's estimates of the duration of the additional work, includes “forward-looking” information, as defined in 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 reasons that are not under the Company's control, such as the manner of performance of the work by the contractor, technical breakdowns or other delays, including factors impacted by the Coronavirus crisis.

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Main developments in the Company's activities in Israel in the period of the report and thereafter: (Cont.)

3. (Cont.)

As noted Hadera rejects the construction contractor's contentions and is considering its steps as a result of the notification of the contractor, as stated, with its legal advisors.

As at the publication date of the report, no reimbursements have actually been received under the Company's insurance policy and/or compensation from the construction contractor (except for amount unilaterally offset by the Company from payments to the construction contractor, and the construction contractor has raised contentions regarding this matter in the above-mentioned notification). For details regarding compensation for the construction contractor – see Note 25D to annual consolidated financial statements for 2020. There is no certainty that the Company will be able to receive reimbursements and/or compensation in respect the full amount of its direct and indirect damages²⁶.

Further to that stated in Sections 8.5.1.2 and 8.5.3.1 to Part A of the Periodic Report for 2020, it is noted that as at the publication date of the report, the factory of Hadera Paper Mills had not yet been connected to the Hadera Power Plant, and as at that date there is no certainty regarding the completion date of the connection. Hadera is taking action with Hadera Paper Mills in this regard. Completion of the connection depends on, among other things, technical and operational factors and if the connection is not successfully completed, there could be an adverse impact on Hadera.

4. Further to that stated in Section 8.13.6 to Part A (Description of the Company's Business) of the Periodic Report for 2020 regarding the anticipated operation date of the Karish natural gas reservoir and possible delay of the said operation date, in May 2021 Energean sent Rotem and Hadera an update notification whereby due to a *force majeure* event, so Energean contends, the first gas from the Karish reservoir is expected in the middle of 2022.

Due to the delay in supply of the gas from the Karish reservoir compared with the original date, Rotem and Hadera will be required to acquire the quantity of gas it had planned to acquire from Energean for purposes of operation of the power plants at the present gas prices, which are provided in the agreements of Rotem and Hadera with Tamar and which are higher than the price stipulated in the Energean agreement. The delays in the commercial operation date of Energean and, in turn, a delay in supply of the gas from the Karish reservoir will have an unfavorable impact on the Company's profits. In this context it is noted that in the agreements with Energean compensation limited in amount for delays has been provided, as stated, the amount of which depends on the reasons for the delay, where the limit with respect to the compensation in a case where the damages caused is "*force majeure*" (in accordance with that stated in the agreement) is lower. Nonetheless, the damages (including lost profits) that will be caused to the Company stemming from a delay could well exceed the amount of the said compensation. As at the publication date of the report, Energean contends that the source of the delay is *force majeure*. The Company rejects Energean's contentions that a *force majeure* event is involved under the gas acquisition agreement with Energean.²⁷

²⁶ 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 and/or non-compliance with the plant's performances as provided in the agreement, includes "forward-looking" information, as defined in the Securities Law, which is based on the Company's estimates as at the publication 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 and/or regarding non-compliance with the plant's performances as provided in the agreement, 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 20.3 of Part A (Description of the Company's Business) in the Periodic Report for 2020.

²⁷ That stated above, regarding the commercial operation date of the Karish reservoir, and regarding supply of the gas to the Company and the acquisition terms of gas in the case of a delay, includes "forward-looking" information as defined in the Securities Law, which is based on the data received by the Company from Energean as at the submission date of this report and additional publicly-available data, and there is no certainty it will materialize. Ultimately, the expected impact on the project timetables or a delay in the operation date of the Karish reservoir may be delayed beyond the estimated time, and he impacts on the Company could be more than that stated above – this being due to factors that are not under the Company's control. In addition, there is no certainty regarding the amount of the compensation that will be received in respect of the delay (if any), which may not cover the full amount of the Company's damages.

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Main developments in the Company's activities in Israel in the period of the report and thereafter: (Cont.)

5. On January 1, 2021, the annual update of the electricity tariffs of the Electricity Authority for 2021 entered into effect, according to which the generation component, which declined at the rate of about 5.7%. The generation component constitutes about 86% of the load and time tariff ("TAOZ") at the highest-voltage summer peak, system costs constitute about 8% of the TAOZ at the highest-voltage summer peak, and infrastructure services constitute about 6% of the TAOZ at the highest-voltage summer peak. The said decline in the generation component is expected to have a negative impact on the Company's income in 2021 compared with 2020. For additional information regarding the generation component in prior years – see Note 25B to the consolidated financial statements for 2020, and see, among other things, section: Additional Details regarding the activities in Israel (Section 5) below. Regarding the factors impacting the generation component – see Section 7.7.1 of Part A (Description of the Company's Business) of the Periodic Report for 2020.
6. Further to that stated in Section 8.2.5A of Part A (Description of the Company's Business) of the Periodic Report for 2020 regarding National Infrastructure Plan 20 (NIP 20), a plan for construction of a power plant for generation of electricity using natural gas on land owned by Hadera Paper located adjacent to the Hadera Power Plant (in this Section – "NIP 20"), in January 2021, the National Planning and Building Board discussed NIP 20 and approved transfer of NIP 20 for comments of the District Planning Boards and objections of the public and in February 2021, NIP 20 was actually deposited, further to which dates were set for hearing the objections filed.²⁸

Further to that stated in Section 8.2.5B of Part A (Description of the Company's Business) of the Periodic Report for 2020 regarding National Infrastructure Plan 94 (NIP 94), a plan for construction of a power plant for generation of electricity using natural gas on land adjacent to Rotem, that is, AGS (hereinafter in this Section – "NIP 94"), in January 2021, the Subcommittee for Comments and Objections of the National Planning and Building Board for National Infrastructures held a discussion of comments and objections significant NIP 94, the objections to the Plan were rejected and AGS was requested to make technical corrections to the provisions of the said plan, which were made in the beginning of March 2021. **Approval of NIP 20B and NIP 94 (if approved) is subject to final approval of the National Infrastructures Committee in accordance with the above decision of the National Council and the National Infrastructures Committee, and approval to take effect of the Government of Israel.**
7. Further to that stated in Section 7.8.3 of Part A (Description of the Company's Business) of the Periodic Report for 2020 regarding the reform in Israel Electric Company (IEC) and the tender for sale of the Hagit generation site (part of the site), as part of an early classification process for acquisition of the Hagit East power plant published by IEC, in May 2021 the Company received a notification from IEC whereby the Company was declared a qualified participant in the tender. It is clarified that there is no certainty the Company will submit a bid in the tender and the matter is subject to the Company's discretion.

²⁸ Further to that stated in Section 7.8.1 to Part A (Description of the Company's Business) in the Periodic Report for 2020, regarding the Government's decision to advance renewable energy and decisions of the National Council and the Committee for National Infrastructures, it is noted that as at the submission date of the report there is no certainty regarding receipt of the approvals for the National Infrastructure Plans and completion of the necessary actions in connection with advancement of the projects the Company is advancing on the areas located adjacent to the Hadera Power Plant and the Rotem Power Plant.

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Main developments in the Company's activities in Israel in the period of the report and thereafter: (Cont.)

8. Opening of the supply area to suppliers that do not have means of generation ("virtual suppliers") and household consumers – on February 22, 2021, further to the principles provided in the decision of the Electricity Authority on August 5, 2020, the Electricity Authority made a decision regarding determination of an arrangement for suppliers that do not have means of generation and revised the Standards for existing suppliers, in order to gradually open the supply area in the electricity sector to new suppliers and supply to household consumers.²⁹ As part of the decision, the Electricity Authority determines Standards and tariffs that will apply to suppliers that do not have means of generation and that will allow them, subject to receipt of a supply license and provision of security, to purchase energy from the System Administrator for their consumers. The pricing will be based on a component that is based on the SMP price and components that are impacted by, among other things, the scope of the consumption at peak demand hours. The arrangement for suppliers that do not have means of generation is limited to a quota that was provided in the principles of the arrangement and customers having a consecutive meter only (about 36,000 household customers and about 15,000 household industrial/commercial customers). In addition, for purposes of opening the supply area to competition, as part of the decision the Electricity Authority revised the Standards for suppliers regarding, among other things, the manner of assigning the consumers to a private supplier, the manner of concluding transactions, moving from one supplier to another and payment of the account. On April 7, 2021, the Electricity Authority published for the public's comments the language of the license for suppliers as part of virtual supply and update of the timetables for opening the supply area to competition, according to which commencement of the said activities is expected to take place on September 1, 2021.
9. Further to that stated in Section 14.2.6.4 to Part A (Description of the Company's Business) of the Periodic Report for 2020 regarding application of the decision of the Electricity Authority with respect to deviations from Rotem's consumption plans, in May 2021 IEC notified Rotem according to its approach sale of energy to end-consumers in excess of the generation capacity of Rotem's power plant, deviates from the provisions of the PPA agreement between it and IEC (as stated in Section 8.14.5.1 to the Periodic Report for 2020). Rotem's position regarding the PPA agreement is different, and in any event to the best of Rotem's understanding the matter is expected to be impacted by supplementary arrangements that are to be determined by the Electricity Authority further to the decision of the Electricity Authority, as stated in Section 14.2.6.4 to Part A (Description of the Company's Business) of the Periodic Report for 2020. As at the publication date of the report, supplementary arrangements, as stated, had not yet been made.
10. On April 26, 2021, the Authority published a hearing regarding revision of the standards for purposes of implementation of the market model on the existing private generation and on the renewable energies according to which application of the market rules to the various types of generators is governed, including bilateral generators and generators with fixed availability (capacity) that operate in the framework of Regulation 241, and broad changes are proposed to the market rules. The Authority notes that it is proposed at this stage to exclude from application of the decision the generation unit of OPC Rotem, to which a special regulation applies that requires adjustments in a number of aspects, and that the Authority is presently examining all the changes required in the regulation that applies to this unit in order to create regulatory uniformity between it and the other private generation units, and in this regard it will also include consider application of the market rules to it. It is noted that according to the hearing, the transition to the market model is voluntary and can be implemented over a fixed period of time. The impact of the hearing on Rotem depends on the final arrangements that will be determined (if any) with reference to Rotem, which as at the publication date of the report had not yet been determined.

²⁹ <https://www.gov.il/he/departments/policies/60105>.

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Main developments in the Company's activities in Israel in the period of the report and thereafter: (Cont.)

11. In April 2021, the Company signed an agreement for acquisition of shares ("the Share Purchase Agreement") of Gnergy Ltd. ("Gnergy"), which is engaged in the area of charging services for electric vehicles (e-mobility) and construction of charging posts for electric vehicles. On May 9, 2021, completion of the Share Purchase Agreement was executed – this being after the preconditions for its execution were fulfilled, in such a manner that as at the publication date of this report, the Company holds about 27% of Gnergy's share capital. For details regarding Gnergy and its activities, and for details regarding completion of the Share Purchase Agreement (as amended) and with respect to signing of a shareholders' agreement with the founder of Gnergy, Mr. Ran Aluya, including regarding a purchase ("call") option granted to the Company by the developer, as stated, and with reference to the additional completion of the transaction scheduled for December 15, 2021 – see Note 10B to the consolidated financial statements and the Immediate Reports dated April 13, 2021 and May 10, 2021³⁰.
12. In May 2021, Hadera and Rotem received a notification from Nobel Energy in connection with emergency discontinuance of the activities of the Tamar Reservoir, commencing from May 11, 2021, due to the instruction of the Minister of Energy in light of the security situation existing in Israel. It was stated in the notification that according to Nobel Energy's position, the event constitutes a *force majeure* event pursuant to the gas agreements Hadera and Rotem signed with it. It is pointed out that as at the date of the report, supply of the gas to Hadera and Rotem during the shutdown period is continuing as usual from the Leviathan Reservoir. In addition, a *force majeure* notification with reference to the security events was also provided by Zomet's construction contractor. The Company is examining the notifications. It is noted that on May 22, 2021, the supply of gas from the Tamar Reservoir was resumed.
13. As part of the reorganization of the Company as a result of establishment of OPC Israel and transfer of the main activities of the Company in Israel to it, as stated in Section 2.2.1 to Part A (Description of the Company's Business) of the Periodic Report for 2020, the Deputy CEO of Business Development, the Deputy CEO of Operations and the Deputy CEO of Engineering and Projects moved over to serving as Deputy CEOs in OPC Israel in the aforesaid positions and are no longer Company officers.
14. In March 2020, the World Health Organization declared the Coronavirus to be a worldwide pandemic. Despite taking preventative measures in order to reduce the risk of spread of the virus, the virus continued to spread and to cause significant business and economic uncertainty and volatility in the global markets, which were partly caused by the preventative measures taken by various governmental entities worldwide. As at the publication date of the report, the virus is continuing to cause business and economic uncertainty and volatility in the global markets. Certain countries experienced additional waves of recurrence of the virus that were even more severe than the prior waves. At the same time, there a trend in recovery in the scope of the economic activities throughout the world, that is dependent on the pace of the recovery from the virus in the various countries. As at the publication date of the report, Israel, in particular, is showing a significant recovery and a broad reduction in the infection and death rates relating the Coronavirus, which has led to a significant relaxation (removal) of the restrictions put in place in order to prevent spread of the virus.

³⁰ Reference Nos.: 2021-01-062613 and 2021-01-081177.

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Main developments in the Company's activities in Israel in the period of the report and thereafter: (Cont.)

14. (Cont.)

As at the publication date of the report, the Coronavirus Crisis had not had a significant impact on the Company's results and activities in Israel. 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 the uncertainty regarding the measures that will be taken by governments and central banks, as at the publication date of the report, the Company is not able to estimate with any certainty 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. Nonetheless, the Company is continuing to take steps in order to ensure the health and safety of its employees in all of the Company's facilities and offices, to maintain the level of activities in all its various facilities in and outside of Israel, and to reduce the potential impact of the pandemic on its business. For additional details regarding the Coronavirus Crisis and its possible impact on the Company in Israel – see Note 1B to the Interim Statements. For details regarding the impact of the Coronavirus Crisis (according to the contentions of Energean) on the date of the flow of the gas from Karish Tanin reservoir – see Section 4 above.

It is noted that the activities of the Company's active power plants in Israel, as well as the construction activities of the Zomet Power Plant, are continuing in the restrictions' period since they are deemed to be essential activities while preparing the work teams and taking safety measures to prevent infections and outbreaks at the Company's sites. The continuity of the construction work on the Zomet Power Plant or the renovation work at the Hadera Power Plant could be impacted by the traffic (movement) limitations due to the Coronavirus Crisis in light of the need for arrival of equipment and foreign work teams.

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Main developments in the Company's activities in the United States in the period of the report and thereafter:

15. Further to that stated in Section 17.1.3 to Part A (Description of the Company's Business) in the Periodic Report for 2020, in the first quarter of 2021, the average price of natural gas in Henry Hub were about 80% higher than in the first quarter of 2020. In general, in the currently existing generation mix, to the extent the gas prices are higher the electricity margins of the CPV Group are expected to be higher. This impact is partly offset by the CPV Group's hedging plan, which is intended to reduce changes in the CPV Group's gross margin due to changes in the commodity prices³¹. The electricity price is a main factor in the profitability of the CPV Group. Many variables, such as the price of various fuels, the weather, an increase in burdens and unit capacity together impact the final electricity price and the Group's profitability. The following table summarizes average electricity prices in each of the main markets in which projects of the CPV Group are active in the first quarter of 2021 and of 2020. The electricity prices rose in the first quarter of 2021 compared with first quarter of 2020, due to, among other things, an increase in the natural gas prices and higher demand owing to the weather.

Region	First quarter 2021	First quarter 2020
ISO-NE Mass Hub	\$49.49/MW\h	\$22.21/MW\h
NY-ISO Zone G	\$40.68/MW\h	\$19.81/MW\h
PJM West	\$30.60/MW\h	\$20.19/MW\h
PJM AD Hub	\$30.33/MW\h	\$20.14/MW\h

Note: The average electricity prices are based on day-ahead prices as published by the ISO. The CPV Group did not make an independent examination.

16. On March 31, 2021, the President of the United States presented a proposal the target of which is construction of clean energy infrastructures. The proposal addresses many sectors in the U.S. economy, including energy infrastructures. This part of the proposal focuses on expansion of renewable energy generation facilities by means of "refundable tax credits"³² and a clean energy standard. In addition, the proposal includes financing for transmitting electricity and energy infrastructures that support generation of renewable energy and cancellation of tax benefits for generation and transmission of fossil fuels. As at the publication date of the report, there is uncertainty regarding signing of the proposal in order for it to become law, and if it does ultimately become law, there will likely be significant changes to the provisions thereof. To the extent the proposal does ultimately become law, it will probably have a material impact on the demand for electricity by means of advancement of reduced-carbon transportation and economy concurrent with raising the standards for generation of electricity using clean energy.³³

³¹ That stated regarding the impacts of the natural gas prices on the profitability of the CPV Group is "forward-looking" information, which is based on estimates of the CPV Group in accordance with the characteristics of its activities on the publication date of the report only, and there is no certainty it will be realized.

³² It is noted that an arrangement as stated (to the extent it is determined and subject to final arrangements) is expected to permit renewable energy projects to enjoy the tax benefits with no need for a Tax Equity partner.

³³ The Company's estimate, as stated above, regarding changes in the area of activities constitutes "forward-looking" information, as it is defined in the Securities Law, which is based on the Company's estimates as at the publication date of the report only and on publicly-known data and which is dependent and contingent on various factors. Accordingly, the said information may not be realized or may be realized in a manner significantly different than described above as a result of various matters that are not under the Company's control.

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Main developments in the Company's activities in the United States in the period of the report and thereafter: (Cont.)

17. Further to that stated in Section 17.2 to Part A (Description of the Company's Business) in the Periodic Report for 2020, in connection with a wind energy power plant having a capacity of 152 megawatts (Keenan) (in this Section – "the Project"), which is held (at the rate of 70% as at the date of the Periodic Report for 2020) by the CPV Group³⁴, on April 7, 2021 an agreement was signed for acquisition of the balance of the rights in the Project by the CPV Group (that is, the remaining 30%), in exchange for a consideration of about \$25 million. Upon completion of the acquisition, the CPV Group holds all of the rights in the Project. For details regarding the Project, including with respect to the Project's energy supply agreement (PPA) up to 2030 – see that stated with reference to the Project in the Periodic Report for 2020 and the Company's Immediate Reports dated September 29, 2020³⁵, which are presented herein by means of reference.
18. Further to that stated in Section 17.2 to Part A (Description of the Company's Business) in the Periodic Report for 2020, in connection with projects in advanced development of the CPV Group, in April 2021 an agreement was signed for sale of electricity (PPA) in the wind energy project Rogue's Wind for sale of all the Project's energy, availability (capacity) and Renewable Energy Certificates (RECs) of the project. For details – see that stated in the Periodic Report for 2020 with reference to the said project and the Company's Immediate Report dated April 11, 2021 (Reference No.: 2021-01-060825), which is presented herein by means of reference.³⁶
19. Further to that stated in Section 17.2 to Part A (Description of the Company's Business) in the Periodic Report for 2020, in connection with an advanced development project of the CPV Group, in May 2021, a commencement order was issued for the construction work on the Maple Hill project using solar energy, to the project's construction contractor. On this date, among other things, a construction agreement (EPC) was signed and rights in the project's lands were acquired. For additional details relating to the project – see that stated in Section 2 above and the Immediate Report dated May 12, 2021 (Reference No.: 2021-01-083409), which are presented by means of reference. For additional details relating to the project, including material agreements signed as at the publication date of the report – see Note 9I(3) to the Interim Statements.
20. Further to that stated in Section 17.10.3 to Part A (Description of the Company's Business) in the Periodic Report for 2020, in May 2021, Maryland signed a renewal of the terms of the credit framework agreement of the Term Loan B type, relating to the project. As part of renewal of the credit, Maryland signed a loan agreement, in the amount of about \$350 million, and accompanying frameworks, in the amount of about \$100 million. For details – see Note 7D to the Interim Statements.

³⁴ Which is held (about 70%) indirectly by the Company, as detailed in Section 17 to Part A of the Periodic Report for 2020.

³⁵ Reference Nos.: 2020-01-106002; 2020-01-105987 and 2020-01-105675.

³⁶ The information stated in the Immediate Report dated April 11, 2021, as stated, including regarding the Project's characteristics, construction and operation, the dates for their execution, characteristics of the Project's consumer, the scope of the expected revenues from the Project and its business results, constitutes "forward-looking" information as defined in the Securities Law, which is based solely on the estimates of the CPV Group and the Company as at the publication date of the Group, and which is dependent on fulfillment of various factors, including, completion of the development and licensing processes, receipt of permits, performance of the construction and connection work, signing of an agreement to assure the required financing, etc. The information stated in this report may not be realized or may be realized in a manner different than described, this being due to, among other things, non-fulfillment of one or more of the above-mentioned factors, changes in the construction and operation costs, delays in the timetables for completion of the construction and operation stages, changes in the estimates and assumptions regarding the Project's performances, costs or results, due to the impact of economic or regulatory factors on a project of this type, and as a result of occurrence of one or more of the risk factors to which the CPV Group or the Company is exposed, as stated in the Periodic Report for 2020.

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Main developments in the Company's activities in the United States in the period of the report and thereafter: (Cont.)

21. Further to that stated in Section 2.3.1 to Part A (Description of the Company's Business) of the Periodic Report for 2020, in May 2021 an adjustment was made to the consideration in the CPV acquisition transaction, where as a result of the said adjustment the sellers paid the CPV Group (the purchaser) an amount that is not material.
22. Further to that stated in Section 17.14.11 to Part A (Description of the Company's Business) in the Periodic Report for 2020, it is noted that the spread of the Coronavirus has a significant impact of the economy and financial markets in the United States and worldwide. During the Coronavirus crisis, the activities of the power plants of the CPV Group continued while making adaptations, such as, changes in the shifts of workers, change in the timetables for performance of the maintenance work, transfer of employees to working remotely, etc. In addition, the CPV Group is continuing to make adaptations for purposes of information security at the power plants. Furthermore, the Coronavirus crisis impacted the availability of suppliers and on the sectors involved in the development activities of the CPV Group. At this date, there is no certainty relating to the duration of the Coronavirus crisis, its force (scope) and its impacts on the markets or on factors relating to CPV's activities, and therefore the CPV Group is not able to estimate with any degree of certainty and completeness the impact of the Coronavirus crisis, and event of the outbreak of the virus and the (possible) spread thereof at the power plants of the CPV Group or restrictions on conducting business in the areas in which it operates, as well as the measures taken and that will be taken worldwide as a result thereof – which has impacted the economy and commodity markets in the U.S., in general, and the prices of electricity and natural gas, in particular – could impact CPV's activities (even significantly), thwart completion of the construction of projects (as detailed in Section 2 above) and the progress of development of the development projects of the CPV Group, and could also impact its ability to actually commence execution of its future projects. For details – see Note 1B to the Interim Statements.
23. For additional details regarding the area of the Company's activities in the United States – see the section Update of the Company's Business in the Report of the Board of Directors below and the notes to the Interim Statements that are attached to this report.

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 March 31, 2021 (in millions of NIS)

Category	3/31/2021	12/31/2020	Analysis
Current Assets			
Cash and cash equivalents	776	200	<p>Most of the increase stems from withdrawal of deposits and restricted cash, in the amount of about NIS 1,774 million, investments received from holders of non-controlling interests in the CPV Group, in the amount of about NIS 696 million, a receipt, in the amount of about NIS 136 million., in respect of repayment of partnership capital in light of sale of part of the holdings of the CPV Group in Three Rivers (for details – see Note 7A to the Interim Statements) and issuance of shares for net proceeds of about NIS 346 million. In addition, there was an increase in the cash balances as a result of the Company's current operating activities, in the amount of about NIS 77 million, and an increase of about NIS 62 million due to the impact of the fluctuations in the dollar exchange rate on the balances of cash and cash equivalents.</p> <p>This increase was partly offset by acquisition of the CPV Group, in the amount of about NIS 2,140 million, investments in the Zomet project, in the amount of about NIS 110 million, current debt repayments (including interest), in the amount of about NIS 220 million, and investments in property, plant and equipment in Israel, in the amount of about NIS 34 million.</p>
Short-term deposits	25	1,607	The decrease stems from withdrawal of the deposits for purposes of acquisition of the CPV Group. For details regarding the agreement covering acquisition of the CPV Group – see Note 6 to the Interim Statements.
Short-term deposits and restricted cash	49	207	Most of the decrease derives from release of collaterals in respect of hedging transactions, in the amount of about NIS 86 million, and release of collaterals, which were used for provision of bank guarantees in Israel, in the amount of about NIS 67 million (for additional details – see Note 9B 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.)

2. Financial Position as at March 31, 2021 (in millions of NIS)

Category	3/31/2021	12/31/2020	Analysis
Current Assets (Cont.)			
Trade receivables and accrued income	147	153	<p>Most of the decrease stems from a decrease in accrued income in Israel, in the amount of about NIS 32 million, mainly as a result of the impact of the seasonal factor on the sales and reduction of the generation component (as described in Note 9A(1) to the Interim Statements).</p> <p>On the other hand, there was an increase of about NIS 28 million due to the first time consolidation of the CPV Group (for details regarding the agreement covering acquisition of the CPV Group – see Note 6 to the Interim Statements).</p>
Receivables and debit balances	93	63	<p>Most of the increase, in the amount of about NIS 39 million, is due to the first time consolidation of the CPV Group (for details regarding the agreement covering acquisition of the CPV Group – see Note 6 to the Interim Statements).</p> <p>This increase was partly offset by a decrease in the balance receivable from Israel Electric Company, in the amount of about NIS 6 million.</p>
Short-term derivative financial instruments	3	–	The increase is in light of a change in the fair value of derivative financial instruments in Israel.
Total current assets	1,093	2,230	

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 March 31, 2021 (in millions of NIS) (Cont.)

Category	3/31/2021	12/31/2020	Analysis
Non-Current Assets			
Long-term deposits and restricted cash	182	231	Most of the decrease stems from release of collaterals in respect of interest SWAP contracts (as described in Note 22D to the consolidated financial statements for 2020, in the amount of about NIS 35 million, and release of a collateral, in the amount of about NIS 15 million, which was designated to secure a bank guarantee (for additional details see – Note 15D(4) to the consolidated financial statements for 2020).
Long-term prepaid expenses	152	143	Most of the increase stems from an increase in deferred expenses under the Group's financing agreement and credit frameworks in Israel, in the amount of about NIS 4 million. In addition, there was an increase, in the amount of about NIS 4 million, due to the first time consolidation of the CPV Group (for details regarding the agreement covering acquisition of the CPV Group – see Note 6 to the Interim Statements).
Investments in associated companies	1,834	–	The increase is the result of the initial consolidation of the CPV Group. For additional details regarding investments in associated companies – see Sections 1 and 6 to the Report of the Board of Directors and Notes 6 and 8 to the Interim Statements.
Deferred tax assets, net	31	24	Most of the increase stems from the first time consolidation of the CPV Group (for details regarding the agreement covering acquisition of the CPV Group – see Note 6 to the Interim Statements).
Long-term derivative financial instruments	15	1	The increase stems from an increase in the fair value of interest SWAP contracts, in the amount of about NIS 14 million (as described in Note 22D to the consolidated financial statements for 2020).
Property, plant and equipment	3,113	2,665	<p>Most of the increase stems from investments in the Zomet project, in the amount of about NIS 281 million, the amount of about NIS 180 million, is due to the first time consolidation of the CPV Group (for details regarding the agreement covering acquisition of the CPV Group – see Note 6 to the Interim Statements), and investments in projects involving energy generation facilities located on the consumer's premises, in the amount of about NIS 12 million.</p> <p>This increase was partly offset by depreciation expenses in respect of property, plant and equipment in Israel, in the aggregate amount of about NIS 33 million.</p>

OPC Energy Ltd.
Report of the Board of Directors

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

2. Financial Position as at March 31, 2021 (in millions of NIS) (Cont.)

Category	3/31/2021	12/31/2020	Analysis
Non-Current Assets (Cont.)			
Right-of use assets	309	276	The increase derives from the first time consolidation of the CPV Group (for details regarding the agreement covering acquisition of the CPV Group – see Note 6 to the Interim Statements).
Intangible assets	724	5	The increase derives from the first time consolidation of the CPV Group (for details regarding the agreement covering acquisition of the CPV Group – see Note 6 to the Interim Statements). The amount of about NIS 382 million (about \$117 million) is in respect of an agreement for sale of electricity in the Keenan project, and the amount of about NIS 322 million (about \$99 million) relates to goodwill created in light of acquisition of the CPV Group. In addition, there was an increase, in the amount of about NIS 16 million, as a result of a change in the exchange of the dollar.
Total non-current assets	6,360	3,345	
Total assets	7,453	5,575	

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 March 31, 2021 (in millions of NIS) (Cont.)

Category	3/31/2021	12/31/2020	Analysis
Current Liabilities			
Current maturities of long-term liabilities	167	149	<p>Most of the increase stems from update of current maturities of loans and debentures in accordance with the repayment schedule in Israel, in the amount of about NIS 39 million. In addition, there was an increase of about NIS 21 million, due to the first time consolidation of the CPV Group (for details regarding the agreement covering acquisition of the CPV Group – see Note 6 to the Interim Statements).</p> <p>This increase was partly offset by repayment of the senior debt in Israel, in the amount of about NIS 32 million and by repayment of debentures (Series B) of the Company, in the amount of about NIS 11 million.</p>
Trade payables	442	298	<p>Most of the increase derives from an increase in the balance to the Zomet construction contractor, in the amount of about NIS 175 million. There was also an increase of about NIS 18 million due to the first time consolidation of the CPV Group (for details regarding the agreement covering acquisition of the CPV Group – see Note 6 to the Interim Statements).</p> <p>This increase was partly offset by a decrease stemming from a decrease in the balance of Israel Electric Company, in the amount of about NIS 45 million, mainly due to timing differences and a decrease in purchases of electricity from Israel Electric Company.</p>
Payables and other credit balances	56	96	<p>Most of the decrease derives from a decline in expenses payable, in the amount of about NIS 40 million (mainly due to payment of transaction costs relating to acquisition of the CPV Group), and a decrease in the balance of the accrued interest payable in Israel, in the amount of about NIS 5 million.</p> <p>This decrease was partly offset by an increase, in the amount of about NIS 12 million, due to the first time consolidation of the CPV Group (for details regarding the agreement covering acquisition of the CPV Group – see Note 6 to the Interim Statements).</p>
Short-term derivative financial instruments	34	126	<p>Most of the decrease stems from repayment of hedging transactions that served to hedge the Company's investment in acquisition of the CPV Group. For additional details – see Note 22D to the consolidated financial statements for 2020.</p>

OPC Energy Ltd.
Report of the Board of Directors

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

2. Financial Position as at March 31, 2021 (in millions of NIS) (Cont.)

Category	3/31/2021	12/31/2020	Analysis
Current Liabilities (Cont.)			
Current maturities of lease liabilities	57	45	Most of the increase stems from an increase in the balance of Zomet's liabilities in respect of capitalization fees for the land, in the amount of about NIS 7 million, this being in light of a refund received from Israel Lands Authority in March 2021 (for additional details – see Note 9C(1) to the Interim Statements). In addition, there was an increase of about NIS 3 million due to the first time consolidation of the CPV Group (for details regarding the agreement covering acquisition of the CPV Group – see Note 6 to the Interim Statements).
Current taxes payable	2	–	
Total current liabilities	758	714	

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 March 31, 2021 (in millions of NIS) (Cont.)

Category	3/31/2021	12/31/2020	Analysis
Non-Current Liabilities			
Long-term loans from banks and others	2,397	1,851	Most of the increase, in the amount of about NIS 397 million, is due to the first time consolidation of the CPV Group, where the amount of about NIS 181 million, is in respect of the sellers' loan (as stated in Note 6 to the Interim Statements), and the amount of about NIS 216 million, is in respect of the Keenan project. In addition, for purposes of acquisition of the CPV Group, a loan was received from the holders of non-controlling interests. As at the date of the report, the loan from the holders of non-controlling interests amounts to about NIS 175 million. For additional details – see Section 7 below. This increase was partly offset by a decrease stemming from update of the current maturities of loans, in the amount of about NIS 27 million.
Debentures	941	952	The decrease stems from update of the current maturities of the debentures (Series B).
Long-term lease liabilities	45	14	The increase is due to the first time consolidation of the CPV Group (for details regarding the agreement covering acquisition of the CPV Group – see Note 6 to the Interim Statements).
Long-term derivative financial instruments	24	22	
Other long-term liabilities	99	2	The increase is due to the first time consolidation of the CPV Group (for details regarding the agreement covering acquisition of the CPV Group – see Note 6 to the Interim Statements), where about NIS 44 million (about \$13 million) is in respect of the liability of the CPV Group to a holder of non-controlling interests in Keenan (an equity tax partner), about NIS 19 million (about \$6 million) is an obligation relating to clearance and removal in the Keenan project and about NIS 33 million (about \$10 million) relates to deferred liabilities of additional projects.
Liabilities for deferred taxes, net	354	309	Most of the increase, in the amount of about NIS 32 million, is due to the first time consolidation of the CPV Group (for details regarding the agreement covering acquisition of the CPV Group – see Note 6 to the Interim Statements), and an increase of about NIS 13 million stemming from update of the deferred taxes as a result of Rotem's income for the period.
Total non-current liabilities	3,860	3,150	
Total liabilities	4,618	3,864	

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 three-month period ended March 31, 2021 (in millions of NIS)

- The Group's activities are subject to seasonal fluctuations. For additional details regarding seasonal impacts – see Note 1A to the Interim Statements.
- The expenses of active projects in the U.S., except for the Keenan project, are presented in the category "Company's share in income (losses) of associated companies".
- It is noted that the results of the CPV Group are consolidated in the Company Interim Statements commencing from the completion date of the transaction for acquisition of the CPV Group on January 25, 2021.
- For an analysis of proforma data – see Note 8 below.

Category	For the Three Months Ended		Analysis
	3/31/2021	3/31/2020	
Sales in Israel	350	313	For an explanation regarding the change in the sales in Israel – see Section 5, below.
Sales and provision of services in the U.S.	26	–	The result stems from the initial consolidation of the CPV Group (for details regarding the agreement covering acquisition of the CPV Group – see Note 6 to the Interim Statements). Revenues from operation of the power plant in the Keenan project amount to about NIS 16 million (about \$5 million). Revenues from provision of management services amount to about NIS 10 million (about \$3 million). It is noted that these revenues do not include revenues of projects that are not controlled by the CPV Group that are presented in the results of associated companies.
Cost of sales (less depreciation and amortization) in Israel	241	205	For an explanation regarding the change in the cost of sales – see Section 5, below.
Cost of sales (less depreciation and amortization) in the U.S.	18	–	The result stems from the initial consolidation of the CPV Group (for details regarding the agreement covering acquisition of the CPV Group – see Note 6 to the Interim Statements). The total cost of sales and provision of services in the U.S. includes expenses in the amount of about NIS 4 million (about \$1 million) in respect of operating costs and about NIS 14 million (about \$4 million) in respect of salaries and the cost of services.
Depreciation and amortization in Israel	34	23	Most of the increase stems from depreciation expenses of the Hadera Power Plant, in the amount of about NIS 10 million, as a result of the commercial operation in July 2020.
Depreciation and amortization in the U.S.	7	–	The result stems from the first time consolidation of the CPV Group (for details regarding the agreement covering acquisition of the CPV Group – see Note 6 to the Interim Statements) in respect of depreciation in the Keenan project.
Gross profit	76	85	
Administrative and general expenses in Israel	14	13	

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 three-month period ended March 31, 2021 (in millions of NIS) (Cont.)

Category	For the Three Months Ended		Analysis
	3/31/2021	3/31/2020	
Administrative and general expenses in the U.S.	10	–	The results stem from the first time consolidation of the CPV Group (for details regarding the agreement covering acquisition of the CPV Group – see Note 6 to the Interim Statements). The administrative and general expenses in the U.S. include wages of about NIS 5 million (about \$2 million), and office maintenance of about NIS 3 million (about \$1 million).
Share in losses of associated companies	(38)	–	The result stems from the first time consolidation of the CPV Group (for details regarding the agreement covering acquisition of the CPV Group – see Note 6 to the Interim Statements). The result includes a loss of about NIS 47 million (about \$14 million) in respect of changes in the fair value of derivative financial instruments relating mainly to hedge agreements on electricity margins of the RPO type. It is noted that the increase in the electricity prices was partly offset by the hedge plan of the CPV Group that was intended to reduce changes in CPV's gross margin due to changes in the commodity prices. (For additional details regarding the hedge agreements – see Note 7D(3) to the Interim Statements. For additional details regarding the results of associated companies – see Section 6 below and Note 7 to the Interim Statements).
Transaction expenses in respect of acquisition of the CPV Group	2	–	
Business development expenses in Israel	1	2	
Operating income	11	70	
Financing expenses, net, in Israel	(24)	(16)	Most of the increase stems from the financing expenses on Hadera's senior debt, in the amount of about NIS 9 million (including the results of the hedge of linkage to the CPI), as a result of the commercial operation of the Hadera Power Plant and discontinuance of capitalization of the financing expense to the cost of the asset under construction.
Financing income, net, in U.S.	6	–	The result stems from the first time consolidation of the CPV Group (for details regarding the agreement covering acquisition of the CPV Group – see Note 6 to the Interim Statements). The financing income, net, in the U.S. include exchange rate differences, in the amount of about NIS 12 million and interest expenses, in the amount of about NIS 6 million.
Income (loss) before taxes on income	(7)	54	

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 three-month period ended March 31, 2021 (in millions of NIS) (Cont.)

Category	For the Three Months Ended		Analysis
	3/31/2021	3/31/2020	
Taxes on income in Israel	9	16	The decrease derives from lower income in the first quarter of 2021 compared with the corresponding quarter last year.
Tax benefit in the U.S.	(16)	–	The result stems from the first time consolidation of the CPV Group (for details regarding the agreement covering acquisition of the CPV Group – see Note 6 to the Interim Statements).
Income for the period	–	38	
Income for the period after eliminating changes in the fair value of derivative financial instruments	47	38	
Income attributable to:			
The owners of the Company	7	28	
Non-controlling interests	(7)	10	

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, changes in the fair value of derivative financial instruments, 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.

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 (Cont.)

Calculation of the EBITDA (in millions of NIS):

	For the Three Months Ended March 31	
	2021	2020
Sales	376	313
Cost of sales (less depreciation and amortization)	(259)	(205)
Administrative and general expenses (less depreciation and amortization)	(22)	(13)
Transaction expenses relating to acquisition of the CPV Group	(2)	–
Business development expenses	(1)	(2)
Consolidated EBITDA*	92	93
Proportionate EBITDA of associated companies**	58	–
EBITDA (Total consolidated and the proportionate amount of associated companies)	150	93
Elimination of non-recurring expenses ³⁷	2	–
EBITDA (Total consolidated and the proportionate amount of associated companies) after elimination of non-recurring expenses	152	93

* Presented on the basis of 100% of the companies the financial results of which are consolidated in the Company's financial statements and commencing from the completion date of the acquisition of the CPV Group on January 25, 2021 (as stated in Section 1 above the Company does not hold full ownership of Rotem and the CPV Group).

** Presented based on the rate of the holdings of the CPV Group in the associated companies commencing from the completion date of the acquisition of the CPV Group on January 25, 2021. For detail of the results of the associated companies – see Section 6 below.

³⁷ The non-recurring expense in the three-month period ended March 31, 2021 is in respect of costs incurred relating to the transaction for acquisition of the CPV Group (for additional details regarding the transaction – see Note 6 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.)

4. EBITDA (Cont.)

Set forth below is the EBITDA data of the subsidiaries the results of which are consolidated in the Company's financial statements (in millions of NIS), which are presented based on 100%.

	For the Three Months Ended March 31	
	2021	2020
Rotem	91	100
Hadera	10	1
Keenan***	10	–
Others (less non-recurring expenses)	(17)	(6)
Total	94	93

*** Commencing from the date completion date of the acquisition of the CPV Group on January 25, 2021.

Set forth below is the EBITDA data of the associated companies. The EBITDA data presented below is based on results in accordance with IFRS and are presented in millions of NIS.

	EBITDA of associated company for the three-month period ended March 31 2021	Rate of holdings of the CPV Group	Proportionate EBITDA of associated company for the three-month period ended March 31 2021	Proportionate EBITDA of associated company for the period from January 25, 2021 ³⁸ and up to March 31, 2021
Fairview	69	25%	17	11
Towantic	111	26%	29	21
Maryland	37	25%	9	7
Shore	55	37.53%	21	16
Valley	14	50%	7	3
Total	286		83	58

³⁸ January 25, 2021 was the completion date of the acquisition of the CPV Group.

OPC Energy Ltd.
Report of the Board of Directors

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

5. Additional data regarding activities in Israel

Set forth below is detail of the Company's revenues from sales in Israel (in NIS millions):

	For the Three Months Ended March 31	
	2021	2020
Revenues from sale of energy generated to private customers that was generated and/or purchased from other generators (1)	240	225
Revenues from sale of energy purchased at the TAOZ for private customers (2)	9	1
Revenues from private customers in respect of infrastructures services (3)	70	60
Revenues from sale of energy to the System Administrator (4)	16	11
Revenues from sale of steam	15	16
Total revenues	350	313

In Israel, 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 2021, as published by the Electricity Authority, is NIS 0.2526 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 2020, the weighted-average of the generation component tariff was NIS 0.2678 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. The reduction in the generation component has had and is expected to have a negative impact on the Company's income in 2021 compared with 2020.

For the three-month periods ended March 31, 2021 and 2020:

- (1) Most of the increase stems from sales to private customers due to the commercial operation of the Hadera Power Plant, in the amount of about NIS 33 million, and an increase in the scope of consumption of customers of the Rotem Power Plant, in the amount of about NIS 6 million. On the other hand, there was a decrease, in the amount of about NIS 12 million, due to a decline in the generation component tariff and a decrease, in the amount of about NIS 12 million, as a result of unplanned maintenance of the Rotem Power Plant.
- (2) The increase stems from revenues from sale of energy purchased during the maintenance for customers of the Rotem Power Plant, in the amount of about NIS 4 million, and for customers of the Hadera Power Plant, in the amount of about NIS 4 million.
- (3) The increase derives from an increase, in the amount of about NIS 12 million, due to the commercial operation of the Hadera Power Plant, and an increase in consumption of Rotem's customers, in the amount of about NIS 1 million. On the other hand, there was a decrease, in the amount of about NIS 3 million, due to a decline in the infrastructure tariffs in 2021.
- (4) Most of the increase is due to sale of energy at a cogeneration tariff of the Hadera Power Plant to the System Administrator, in the amount of about NIS 9 million. On the other hand, there was a decrease in sale of energy to the System Administrator from Rotem, in the amount of about NIS 4 million, due to an increase in consumption of customers.

OPC Energy Ltd.
Report of the Board of Directors

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

5. Additional data regarding activities in Israel (Cont.)

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

	For the Three Months Ended March 31	
	2021	2020
Gas and diesel oil (1)	126	123
Expenses to IEC for infrastructure services and purchase of electricity (2)	86	61
Gas transmission costs	8	8
Operating expenses (3)	21	13
Total cost of sales (less depreciation and amortization)	241	205

For the three-month periods ended March 31, 2021 and 2020:

- (1) There was an increase in the gas expenses, in the amount of about NIS 15 million, due to the commercial operation of the Hadera Power Plant. On the other hand, there was a decrease deriving from generation of the electricity, in the amount of about NIS 5 million, due to unplanned maintenance work and load reduction in the Rotem Power Plant, in the amount of about NIS 7 million, due to a reduction in the gas price as a result a decline in the exchange rate of the dollar.
- (2) Most of the increase derives from the commercial operation of the Hadera Power Plant, in the amount of about NIS 22 million, and an increase in the scope of energy purchases, in the amount of about NIS 5 million, mainly due to maintenance and load reduction in the Rotem Power Plant. On the other hand, there was a decrease, in the amount of about NIS 2 million, relating to infrastructure expenses in Rotem.
- (3) Most of the increase stems from a current operating costs due to the commercial operation of the Hadera Power Plant.

OPC Energy Ltd.
Report of the Board of Directors

6. Additional data regarding activities in the United States

The Company believes that the following data provides full and effective information to investors when reviewing the operating performances of the associated companies and when comparing these operating performances to the operating performances of other companies in the same sector or other industries having different capital structures, debt levels and/or income tax rates. This data also serves the Company's management when reviewing the operating performances of the associated companies.

The following data includes balances as at March 31, 2021, presented in millions of New Israeli Shekels and representing the share of the CPV Group in the assets and liabilities of the associated companies:

Project	Rate of holdings of the CPV Group	Debt (including interest payable)	Cash and cash equivalents and deposits*
Fairview	25%	521	—
Towantic	26%	514	13
Maryland	25%	295	1
Shore	37.53%	589	—
Valley	50%	1,028	21
Total		2,947	35

(*) Including balances of restricted cash that serve for financing the current ongoing activities of the associated companies.

EBITDA results compared with the corresponding quarter last in 2020

Set forth below is the EBITDA data of the active projects in the CPV Group, based on the rates of holdings of the CPV Group in the projects. The following EBITDA data is based on results in accordance with U.S. generally accepted accounting principles (U.S. GAAP), for the three-month period ended March 31, 2021, in millions of NIS.

	For the Three Months Ended March 31	
	2021	2020
Fairview	16	13
Towantic	27	26
Maryland	8	7
Shore	19	16
Valley	5	5
Keenan*	10	2

(*) In the first quarter of 2021, the rate of holdings in Keenan is 70% (in light of the tax-equity reversal) compared with 10% the first quarter of 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.)

7. Liquidity and sources of financing (in NIS millions)

Category	For the Three Months Ended		Analysis
	3/31/2021	3/31/2020	
Cash flows provided by operating activities	78	83	<p>Most of the decrease stems from a decrease in the current operating activities (mainly in light of lower income) in the amount of about NIS 5 million, and a decrease in working capital, in the amount of about NIS 9 million.</p> <p>On the other hand, there was an increase in income from dividends from associated companies, in the amount of about NIS 9 million, due to the first time consolidation of the CPV Group (for details regarding the agreement covering acquisition of the CPV Group – see Note 6 to the Interim Statements).</p>
Cash flows used in investing activities	(376)	(311)	<p>Most of the increase derives from acquisition of the CPV Group, in the amount of about NIS 2,140 million (for details regarding the agreement covering acquisition of the CPV Group – see Note 6 to the Interim Statements).</p> <p>This increase was partly offset by a decrease deriving from release of short-term deposits, net, in the amount of about NIS 1,582 million, release of restricted cash, in the amount of about NIS 214 million, a decrease in investments the Zomet project, in the amount of about NIS 153 million, a receipt, in the amount of about NIS 136 million, in respect of repayment of partnership capital due to sale of part of the holdings of the CPV Group in Three Rivers (for details – see Note 7A to the Interim Statements).</p>
Cash flows provided by financing activities	812	123	<p>Most of the increase, in the amount of about NIS 696 million, stems from investments of holders of non-controlling interests in the CPV Group and issuance of shares, in the amount of about NIS 346 million, in 2021. In addition, in 2020 the Company acquired non-controlling interests in Zomet, in the amount of about NIS 26 million.</p> <p>This increase was partly offset by payment of a loan in the CPV Group, in the amount of about NIS 148 million. Also, in 2020 the Company took out short-term loans, in the aggregate amount of about NIS 219 million.</p>

* As at March 31, 2021, 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.)

7. 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 March 31, 2021 (in millions of NIS):

	<u>Solo</u>	<u>Rotem</u>	<u>Hadera</u>	<u>Zomet</u>	<u>Keenan</u>	<u>Others in Israel</u>	<u>Others in the U.S.</u>	<u>Consolidated</u>
Debt (including accrued interest)	963	1,074	691	184	236	1	357	3,506
Cash and cash equivalents and short-term deposits	347	156	12	19	38	3	226	801
Debt service reserves (out of the restricted cash)*	–	79	45	–	–	–	–	124

* Including funds serving for guarantee of the debt.

Main changes in the period of the Interim Statements:

- Rotem repaid the amount of about NIS 24 million (relating to principal only) of its loans.
- Hadera repaid the amount of about NIS 8 million (relating to principal only) of its loans.
- The Company repaid the amount of about NIS 10 million (relating to principal only) of its debentures (Series B).
- OPC Power Ventures LP received a loan from holders in non-controlling interests, in the amount of about NIS 165 million.
- For details regarding receipt of a seller's loan that was received by the CPV Group as part of the acquisition agreement – see Note 6 and Note 7A to the Interim Statements.
- Keenan repaid the amount of about NIS 9 million (about \$3 million) out of its loans. The amount relates solely to principal.

The following table details the debt, cash and cash equivalents, deposits and debt service reserves, as at December 31, 2020 (in millions of NIS):

	<u>Solo</u>	<u>Rotem</u>	<u>Hadera</u>	<u>Zomet</u>	<u>Others</u>	<u>Consolidated</u>
Debt (including accrued interest)	980	1,097	698	184	1	2,960
Cash and cash equivalents and short-term deposits	1,644	122	2	35	4	1,807
Debt service reserves (out of the restricted cash)*	25	78	44	–	–	147

The following table details the debt, cash and cash equivalents, deposits and debt service reserves, as at March 31, 2020 (in millions of NIS):

	<u>Solo</u>	<u>Rotem</u>	<u>Hadera</u>	<u>Zomet</u>	<u>Others</u>	<u>Consolidated</u>
Debt (including accrued interest)	507	1,166	660	25	1	2,359
Cash and cash equivalents	154	98	4	20	3	279
Debt service reserves (out of the restricted cash)*	67	137	–	–	–	204

* Including funds used for guaranteeing the debt.

OPC Energy Ltd.
Report of the Board of Directors

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

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

As at the date of the Report, the Company and the investee companies were in compliance with all the financial covenants stipulated in their financing agreements and trust certificates. Set forth below is detail of the Company's financial covenants for breach based on the actual results of the activities (material loans)³⁹:

As at March 31, 2021

Covenants applicable to the Company in connection with the trust certificate for the Company's debentures (Series B)

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

8.1

Minimum shareholders' equity of NIS 250 million

NIS 2,237 million

A ratio of shareholders' equity to total assets at a rate of not less than 17%

69%

Covenants applicable to the Company under additional credit frameworks of the Company

Minimum shareholders' equity of NIS 1,200 million

NIS 2,237 million

The ratio of shareholders' equity to total assets may not drop below 40%

69%

The historical debt coverage ratio may not drop below 1.20:1

2.17:1

Covenants applicable to the Company in connection with the agreement for investment of equity in Hadera

The Company's shareholders' equity, up to the end of the warranty period of the construction contractor may not drop below NIS 250 million

NIS 2,237 million

The ratio of the Company's shareholders' equity to total assets may not drop below 20%

69%

From the commercial operation date of Hadera up to the end of the warranty period of the construction contractor, the balance of the cash may not drop below NIS 50 million or a bank guarantee in the amount of NIS 50 million

Cash balance higher than NIS 50 million

Covenants applicable to Rotem

ADSCR (in the preceding 12 months) of not less than 1.1

1.63

Covenants applicable to Shore

Historical debt service coverage ratio (DSCR) (in the preceding 12 months) of not less than 1.1

2.32

³⁹ For a description of the material financial covenants of the Company and the subsidiaries – see Section 10.3 (Description of the Company's Business) in the Periodic Report for 2020.

OPC Energy Ltd.
Report of the Board of Directors

8. Explanations of the Board of Directors for the interim proforma data

Set forth below is data taken from the proforma interim financial statements for the three-month periods ended March 31, 2021 and March 31, 2020 (together – “the Proforma Periods”). The proforma interim financial statements were prepared in accordance with the provisions of Regulation 9A of the Reporting Regulations, and they relate to acquisition of the control of the CPV Group. The proforma interim financial statements are intended to retroactively reflect the consolidated results of the Company’s operations and the statement of comprehensive income for the Proforma Periods under the assumption that the acquisition transaction had been completed on January 1, 2018 based on the actual results of operations as received from the CPV Group – this being based on the assumptions detailed in Note 3 to the proforma interim financial statements. These explanations should be read carefully together with the proforma interim financial statements attached to this report. It is clarified that the proforma statements do not reflect the Company’s actual results but, rather, they were prepared in order to provide additional information – this being on the basis of various assumptions and estimates as detailed in the proforma statements. The data is presented in millions of New Israeli Shekels.

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. Explanations of the Board of Directors for the interim proforma statements (in millions of NIS) (Cont.)

Category	For the Three Months Ended		Analysis
	3/31/2021	3/31/2020	
Sales and services	391	336	In the activities in the United States, the increase, in the amount of about NIS 20 million, stems from the first-time consolidation of Kenaan in the fourth quarter of 2020. On the other hand, there was a decrease of about NIS 3 million as a result of a decline the exchange rate of the dollar. For an explanation regarding the change in the sales in the activities in Israel – see Section 5 above.
Cost of sales and services (less depreciation and amortization)	262	223	Most of the increase in the activities in the United States, in the amount of about NIS 6 million, stems from the first-time consolidation of Keenan in the fourth quarter of 2020. On the other hand, there was a decrease of about NIS 2 million, as a result of a decline the exchange rate of the dollar. For an explanation regarding the change in the cost of sales in the activities in Israel – see Section 5 above.
Depreciation and amortization	44	24	Most of the increase stems from depreciation expenses of the Hadera Power Plant, in the amount of about NIS 10 million, due to the commercial operation in July 2020.
Gross profit	85	89	
Administrative and general expenses	31	24	Most of the increase stems from the first time consolidation of Keenan in the fourth quarter of 2020.
Share in income (losses) of associated companies	(34)	100	Due to the improvement in the prices of the associated companies, there was a decrease caused by revaluation of derivative financial instruments (that were designated for an economic hedge), in the amount of about NIS 144 million. It is noted that the increase in the electricity margins was partly offset by the hedge plan of the CPV Group that was intended to reduce changes in CPV's gross margin due to changes in commodity prices. On the other hand, there was an increase in the results, in the amount of about NIS 3, million, due to a decline the exchange rate of the dollar.
Business development expenses	1	4	
Operating income	19	161	

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. Explanations of the Board of Directors for the interim proforma statements (in millions of NIS) (Cont.)

Category	For the Three Months Ended		Analysis
	3/31/2021	3/31/2020	
Financing expenses, net	14	12	Most of the increase stems from the financing expenses on Hadera's senior debt, in the amount of about NIS 9 million (including the results of the hedge of linkage to the CPI), as a result of the commercial operation of the Hadera Power Plant and discontinuance of capitalization of the financing expense to the cost of the asset under construction. This increase was offset by an increase in income from exchange rate differences on a loan to ICG, in the amount of about NIS 2 million, in the interest expenses on debentures in light of replacement of (Series A) with (Series B) in October 2020.
Income before taxes on income	5	149	
Taxes on income (tax benefit)	(2)	41	The decrease derives from lower income in Israel in the first quarter of 2021 compared with the corresponding quarter last year.
Income for the period	7	108	
Income for the period less changes in the fair value of derivative financial instruments in the United States	56	7	
Attributable to:			
The Company's shareholders	13	79	
Non-controlling interests	(6)	29	

OPC Energy Ltd.
Report of the Board of Directors

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

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

For details – see Section 1–13 to the Report of the Board of Directors and Notes 1, 6, 7, 8, 9 and 10 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 (including expansion of the series made in October 2020)	NIS 956 million par value
Nominal value on the date of the report	NIS 946 million par value
Nominal value after revaluation based on the linkage terms	NIS 946 million par value
Amount of the interest accrued as included in the financial statements as at March 31, 2021	–
The fair value as included in the financial statements as at March 31, 2021	About NIS 1,072 million.
Stock market value on March 31, 2021	About NIS 1,072 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.)

Set forth below are details regarding the Company's 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 iIA- by S&P Global Ratings Maalot Ltd. ("Maalot") from February 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), which are included by means of reference.
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 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.

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

12. Corporate Governance

Contributions

As part of the Company's policies with respect to contributions, in the period of the report the Company paid about NIS 72 thousand to the Ramot Yehuda Society and about NIS 50 thousand to the Friends of the Kaplan Medical Center.

13. Update of the Periodic Report for 2020 regarding the Company's Business⁴⁰

In addition to that stated in this report, 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 2020, on March 24, 2021 and up to publication of this Report:

13.1 Section 2 to Part A of the Periodic Report for 2020

For details regarding an agreement for acquisition of shares of the Gnergy company, which is engaged in the area of charging services for electric vehicles (e-mobility) and construction of charging posts for electric vehicles and with respect to signing a shareholders' agreement with Gnergy's founder, Mr. Ran Aluya, including in connection with a purchase ("call") option granted to the Company by the developer, as stated, and for details regarding Gnergy and the area of its activities – see the Company's Immediate Report dated April 13, 2021 (Reference No.: 2021-01-062613), which is included by means of reference. In addition, for details regarding fulfillment of preconditions for completion of the transaction, amendment of the acquisition agreement and completion of the transaction for acquisition of about 27% of the shares of Gnergy, including with reference to the additional closing for the transaction that was set for up to December 15, 2021 – see the Company's Immediate Report dated May 10, 2021 (Reference No.: 2021-01-081177), which is included by means of reference.

13.2 Section 9.6 to Part A of the Periodic Report for 2020

On April 29, 2021, the Company published a Report Summoning a General Meeting, where on its Day's Agenda is: (1) update of the remuneration policy for officers of the Company; and (2) update of the service and employment conditions of Mr. Giora Almog as the Company's CEO, in accordance with the Company's updated remuneration policy, subject to its approval. The General Meeting is scheduled to convene subsequent to the submission date on June 15, 2021 (after postponement in order to complete discussions with representatives of the shareholders). For details – see the Company's Immediate Report dated April 29, 2021 (Reference No.: 2021-01-074751), the Material Private Offer Report in connection with granting of options to the Company's CEO, in the language of the Report Summoning a General Meeting, as stated above – see the Company's Immediate Report dated April 29, 2021 (Reference No.: 2021-01-074754) and the Immediate Report dated May 24, 2021 regarding postponement of the General Meeting.

⁴⁰ 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 2020 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 2020 regarding the Company's Business (Cont.)

13.3 Section 17 to Part A of the Periodic Report for 2020

- 13.3.1 Further to that stated in Section 17.6 to Part A (Description of the Company's Business), which is included in the Periodic Report for 2020, additional lands have been added in connection with the solar site of the Maple Hill project, which is located in Cambria County in Pennsylvania. The rights in the said lands are freehold (ownership) rights and contractual rights of beneficial enjoyment. The area of the lands is about 3,132,300 square meters (774 acres).
- 13.3.2 Further to that stated in Section 17 to Part A which is included in the Periodic Report for 2020, for details regarding profit participation units allotted by the CPV Group to employees and managers – see Note 10 to the Interim Statements.
- 13.3.3 Further to that stated in section 17.2 (Activities of the CPV Group) to Part A of the Periodic Report for 2020:
- A. For details regarding acquisition of the balance of the rights in the wind-energy power plant with a capacity of 152 megawatts (Keenan), which is held (at the rate of 70%) by the CPV Group⁴¹ (that is, the remaining 30%), on April 7, 2021 – see the Company's Immediate Report dated April 8, 2021 (Reference No.: 2021-01-059787), which is included by means of reference.
 - B. For details regarding an agreement for sale of electricity (PPA) in the Rogue's Wind project, for sale of all the electricity, availability (capacity) and Renewable Energy Certificates (RECs) – see the Company's Immediate Report dated April 11, 2021 (Reference No.: 2021-01-060825), which is included by means of reference.⁴²
 - C. Regarding a report of the Company with respect to commencement of the construction stage of the Maple Hill solar project – see the Company's Immediate Report dated May 12, 2021 (Reference No.: 2021-01-083409).

⁴¹ Which is held (about 70%) indirectly by the Company, as detailed in Section 17 to Part A (Description of the Company's Business) of the Periodic Report for 2020.

⁴² The information stated in the Immediate Report dated April 11, 2021, as stated, including regarding the characteristics of the project, its construction and operation and the dates for their execution, characteristics of the project's consumer/s, the scope of the revenues expected from the project and its business results, constitutes "forward-looking" information as it is defined in the Securities Law, which is based on estimates of the CPV Group and of the Company as at the publication of the report only, and that is dependent on fulfillment of a number of items, including completion of development and licensing processes, receipt of permits, performance of the construction and connection work, signing of an agreement to assure the required financing, etc. The said information in this report may not materialize and/or may materialize in a manner different than that stated, this being due to, among other things, non-fulfillment of one or more of the above-mentioned items, changes in the construction and operation costs, delays in the timetables for completion of development and construction stages, changes in the estimates and assumptions with reference to the project's performances, its costs or its results, from the impact of economic or regulatory conditions on a project of this type, and as a result of existence of one or more of the risk factors to which the CPV Group or the Company are exposed to as stated in the Periodic Report for 2020.

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

13. Update of the Periodic Report for 2020 regarding the Company's Business (Cont.)

13.3 Section 17 to Part A of the Periodic Report for 2020 (Cont.)

- 13.3.4 Further to that stated in Section 17.14 to Part A of the Periodic Report for 2020, it is noted that the CPV Group makes use of technical information, communications' and data processing systems for purposes of its current ongoing activities. Physical or logical harm to the management and/or operating systems, as stated, for whatever reason, could expose CPV Group to delays and interruptions with respect to provision of electricity, including causing damage to information or stealing of information. In addition, the CPV Group could be required to bear significant expenses in order to protect against harm to the information systems, as well as to repair any damage that is caused by such harmful items, including, for example, establishment of an internal system-protection system, implementation of additional security measures against a cyber threat, protection against lawsuits as a result of cyber-attacks, payment of compensation or taking of other correctional steps vis-à-vis third parties. Even though the CPV Group takes measures to increase the information security, among other things, through use of monitoring and control systems for the networks, strengthening hardware and operating systems, back-up, written policies and procedures, restricting access, employee training, etc., there is no certainty regarding its ability to prevent cyber-attacks or harm to the Group's information systems.

Regulation 24A (Authorized, Issued and Paid-Up Capital and Convertible Securities) and Regulation 24B (List of Shareholders) to Part D of the Periodic Report for 2020

- A. For details regarding changes in the Company's capital and securities after the date of the Periodic Report for 2020, in connection with a partial principal repayment of the Company's debentures (Series B) – see the Company's Immediate Report dated March 31, 2021 (Reference No.: 2021-01-052971).
- B. For details regarding a Report Summoning a General Meeting, which includes a Material Private Offer Report in connection with granting of options to the Company's CEO – see update to Section 9.6 (Additional Information relating to Remuneration paid to the Company's officers and Senior Management Employees) to Part A of the Periodic Report for 2020.

Yair Caspi
Chairman of the Board of Directors

Giora Almog
CEO

Date: May 27, 2021

OPC Energy Ltd.

Condensed Consolidated Interim Financial Statements

At March 31, 2021

(Unaudited)

OPC Energy Ltd.
Condensed Consolidated Interim Financial Statements
At March 31, 2021
Unaudited
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Somekh Chaikin KPMG

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17 Ha'arba'a St., POB 609, Tel-Aviv
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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 March 31, 2021 and the condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended. The Board of Directors and Management are responsible for the preparation and presentation of financial information for this interim period in accordance with IAS 34 “Financial Reporting for Interim Periods”, and are also responsible for the preparation of financial information for this interim period 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 this interim period 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.)

May 27, 2021

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

OPC Energy Ltd.
Condensed Consolidated Interim Statements of Financial Position

	At March 31		At December 31
	2021	2020	2020
	(Unaudited)		(Audited)
	In Millions of New Israeli Shekels		
Current Assets			
Cash and cash equivalents	776	279	200
Short-term deposits	25	–	1,607
Short-term restricted deposits and cash	49	79	207
Trade receivables and accrued income	147	101	153
Other receivables and debit balances	93	115	63
Short-term derivative financial instruments	3	1	*–
Total current assets	1,093	575	2,230
Non-Current Assets			
Long-term restricted deposits and cash	182	325	231
Long-term prepaid expenses	152	309	143
Investments in companies	1,834	–	–
Deferred tax assets, net	31	5	24
Long-term derivative financial instruments	15	9	1
Property, plant and equipment	3,113	2,421	2,665
Right-of-use assets	309	56	276
Intangible assets	724	4	5
Total non-current assets	6,360	3,129	3,345
Total assets	7,453	3,704	5,575

* Amount less than NIS 1 million.

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 March 31		At December 31
	2021	2020	2020
	(Unaudited)		(Audited)
	In Millions of New Israeli Shekels		
Current Liabilities			
Short-term loans and current maturities of long-term liabilities	167	375	149
Trade payables	442	120	298
Other payables and credit balances	56	39	96
Short-term derivative financial instruments	34	23	126
Current maturities of lease liabilities	57	2	45
Current tax liabilities	2	10	—
Total current liabilities	758	569	714
Non-Current Liabilities			
Long-term loans from banks and others	2,397	1,726	1,851
Debentures	941	252	952
Long-term lease liabilities	45	16	14
Long-term derivative financial instruments	24	29	22
Other long-term liabilities	99	2	2
Liabilities for deferred taxes, net	354	288	309
Total non-current liabilities	3,860	2,313	3,150
Total liabilities	4,618	2,882	3,864
Equity			
Share capital	2	1	2
Premium on shares	2,061	635	1,714
Capital reserves	139	16	(74)
Retained earnings	35	113	28
Total equity attributable to the Company's owners	2,237	765	1,670
Non-controlling interests	598	57	41
Total equity	2,835	822	1,711
Total liabilities and equity	7,453	3,704	5,575
<div style="display: flex; justify-content: space-between; margin-top: 20px;"> <div style="text-align: center;"> <hr style="width: 200px; margin: 0 auto;"/> Yair Caspi Chairman of the Board of Directors </div> <div style="text-align: center;"> <hr style="width: 200px; margin: 0 auto;"/> Giora Almog CEO </div> <div style="text-align: center;"> <hr style="width: 200px; margin: 0 auto;"/> Tzahi Goshen CFO </div> </div>			

Approval date of the financial statements: May 27, 2021

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		
	Three Months Ended		Year Ended
	March 31		December 31
	2021	2020	2020
	(Unaudited)		(Audited)
	In Millions of New Israeli Shekels		
Sales and provision of services	376	313	1,325
Cost of sales and services (net of depreciation and amortization)	259	205	968
Depreciation and amortization	41	23	114
Gross profit	76	85	243
Administrative and general expenses	24	**13	52
Share in losses of associated companies	(38)	–	–
Transaction expenses in respect of acquisition of the CPV Group	2	–	42
Business development expenses	1	**2	7
Other income, net	*–	*–	1
Operating income	11	70	143
Financing expenses	39	21	173
Financing income	21	5	1
Financing expenses, net	18	16	172
Income (loss) before taxes on income	(7)	54	(29)
Taxes on income (tax benefit)	(7)	16	13
Income (loss) for the period	*–	38	(42)
Income (loss) attributable to:			
The Company's owners	7	28	(57)
Non-controlling interests	(7)	10	15
Income (loss) for the period	*–	38	(42)
Income (loss) per share attributable to the Company's owners			
Basic income (loss) per share (in NIS)	0.03	0.19	(0.37)
Diluted income (loss) per share (in NIS)	0.03	0.19	(0.37)

* Amount less than NIS 1 million.

** 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		
	Three Months Ended		Year Ended
	March 31		December 31
	2021	2020	2020
	(Unaudited)		(Audited)
	In Millions of New Israeli Shekels		
Income (loss) for the period	*_	38	(42)
Components of other comprehensive income (loss) that after the initial recognition in the statement of comprehensive income were or will be transferred to the statement of income			
Effective portion of the change in the fair value of cash-flow hedges	32	(40)	(156)
Net change in fair value of derivative financial instruments used for hedging cash flows recorded to the cost of the hedged item	106	3	10
Net change in fair value of derivative financial instruments used to hedge cash flows transferred to the statement of income	5	8	22
Group's share in other comprehensive income of associated companies	24	—	—
Foreign currency translation differences in respect of foreign activities	83	—	—
Tax benefit (taxes) in respect of items of other comprehensive income (loss)	(4)	*_	5
Total other comprehensive income (loss) for the period, net of tax	246	(29)	(119)
Total comprehensive income (loss) for the period	246	9	(161)
Total comprehensive income (loss) attributable to:			
The Company's owners	220	(1)	(176)
Holders of non-controlling interests	26	10	15
Total comprehensive income (loss) for the period	246	9	(161)

* Amount less than NIS 1 million.

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	Translation reserve for foreign activities	Capital reserve for transactions with shareholders	Capital reserve for share-based payments	Retained earnings	Total		
	In Millions of New Israeli Shekels										
For the three-month period ended March 31, 2021 (Unaudited)											
Balance at January 1, 2021	2	1,714	(25)	(132)	–	78	5	28	1,670	41	1,711
Issuance of shares (less issuance expenses)	*–	346	–	–	–	–	–	–	346	–	346
Investments from holders of non-controlling interests in equity of subsidiary	–	–	–	–	–	–	–	–	–	531	531
Share-based payment	–	–	–	–	–	–	1	–	1	–	1
Realization of shares issued to employees and officers	*–	1	–	–	–	–	(1)	–	–	–	–
Merger capital reserve in respect of transfer of ICG Energy	–	–	*–	–	–	–	–	–	*–	–	*–
Other comprehensive income for the period, net of tax	–	–	–	154	59	–	–	–	213	33	246
Income (loss) for the period	–	–	–	–	–	–	–	7	7	(7)	*–
Balance at March 31, 2021	2	2,061	(25)	22	59	78	5	35	2,237	598	2,835

* Amount less than NIS 1 million.

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

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

	Attributable to the owners of the Company								Non-controlling interests	Total equity
	Share capital	Premium on shares	Capital reserve for transactions with non-controlling interests and in respect of merger	Hedging reserve	Capital reserve for transactions with shareholders	Capital reserve for share-based payments	Retained earnings	Total		
In Millions of New Israeli Shekels										
For the three-month period ended March 31, 2020 (Unaudited)										
Balance at January 1, 2020	1	635	(4)	(13)	78	4	85	786	69	855
Acquisition of non-controlling interests	–	–	(21)	–	–	–	–	(21)	*–	(21)
Share-based payment	–	–	–	–	–	1	–	1	–	1
Dividends to holders of non-controlling interests	–	–	–	–	–	–	–	–	(22)	(22)
Other comprehensive loss for the period, net of tax	–	–	–	(29)	–	–	–	(29)	–	(29)
Income for the period	–	–	–	–	–	–	28	28	10	38
Balance at March 31, 2020	1	635	(25)	(42)	78	5	113	765	57	822
For the year ended December 31, 2020 (Audited)										
Balance at January 1, 2020	1	635	(4)	(13)	78	4	85	786	69	855
Issuance of shares (less issuance expenses)	1	1,077	–	–	–	–	–	1,078	–	1,078
Acquisition of non-controlling interests	–	–	(21)	–	–	–	–	(21)	*–	(21)
Share-based payment	–	–	–	–	–	3	–	3	–	3
Realization of shares issued to employees and officers	*–	2	–	–	–	(2)	–	–	–	–
Issuance of capital notes to holders of non-controlling interests	–	–	–	–	–	–	–	–	*–	*–
Dividends to holders of non-controlling interests	–	–	–	–	–	–	–	–	(43)	(43)
Other comprehensive loss for the year, net of tax	–	–	–	(119)	–	–	–	(119)	–	(119)
Income (loss) for the year	–	–	–	–	–	–	(57)	(57)	15	(42)
Balance at December 31, 2020	2	1,714	(25)	(132)	78	5	28	1,670	41	1,711

* Amount less than NIS 1 million.

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		
	Three Months Ended		Year Ended
	March 31		December 31
	2021	2020	2020
	(Unaudited)		(Audited)
	In Millions of New Israeli Shekels		
Cash flows from operating activities			
Income (loss) for the period	*_	38	(42)
<u>Adjustments:</u>			
Depreciation, amortization and consumption of diesel oil	44	29	133
Financing expenses, net	18	16	172
Taxes on income (tax benefit)	(7)	16	13
Share in losses of equity-accounted investee companies	38	—	—
Gain on sale of subsidiary	—	—	(1)
Share-based payment transactions	1	1	3
	<u>94</u>	<u>100</u>	<u>278</u>
Change in trade and other receivables	*_	6	(47)
Change in trade and other payables	(25)	(23)	131
	<u>(25)</u>	<u>(17)</u>	<u>84</u>
Dividends received from associated companies	9	—	—
Net cash provided by operating activities	<u>78</u>	<u>83</u>	<u>362</u>
Cash flows from investing activities			
Interest received	*_	*_	1
Short-term restricted deposits and cash, net	1,724	36	(1,696)
Withdrawals from long-term restricted cash	51	7	134
Deposits in long-term restricted cash	(1)	(65)	(108)
Acquisition of subsidiary, less cash acquired	(2,140)	—	—
Proceeds in respect of payment partnership capital	136	—	—
Deferred consideration from sale of subsidiary less cash sold	—	*_	1
Long-term advance deposits and prepaid expenses	(3)	(188)	(199)
Acquisition of property, plant and equipment	(148)	(51)	(255)
Reimbursement in respect of right-of-use asset	6	—	—
Deferred consideration in respect of acquisition of subsidiary	—	(47)	(47)
Acquisition of intangible assets	—	—	(1)
Payments in respect of derivative financial instruments	(2)	(3)	(19)
Receipts in respect of derivative financial instruments	1	—	5
Net cash used in investing activities	<u>(376)</u>	<u>(311)</u>	<u>(2,184)</u>

* Amount less than NIS 1 million.

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		
	Three Months Ended		Year Ended
	March 31		December 31
	2021	2020	2020
	(Unaudited)		(Audited)
	In Millions of New Israeli Shekels		
Cash flows from financing activities			
Proceeds from issuance of shares, net of issuance expenses	346	—	1,078
Proceeds from issuance of debentures, net of issuance expenses	—	—	974
Receipt of long-term loans from banks and others	165	25	251
Investments of holders of non-controlling interests in the in the capital of a subsidiary	531	—	*—
Receipt of short-term loans from banks, net	—	219	—
Interest paid	(35)	(15)	(85)
Costs paid in advance in respect of taking out of loans	(4)	(13)	(30)
Dividends paid to holders of non-controlling interests	—	(22)	(43)
Payment of early repayment commission for debentures (Series A)	—	—	(38)
Repayment of long-term loans from banks and others	(175)	(40)	(134)
Repayment of debentures	(10)	—	(286)
Acquisition of non-controlling interests	—	(26)	(26)
Payment in respect of derivative financial instruments	(5)	(5)	(21)
Repayment of principal of lease liabilities	(1)	*—	(1)
Net cash provided by financing activities	812	123	1,639
Increase (decrease) in cash and cash equivalents	514	(105)	(183)
Cash and cash equivalents at beginning of the period	200	385	385
Impact of changes in the currency exchange rate on the balances of cash and cash equivalents	62	(1)	(2)
Cash and cash equivalents at end of the period	776	279	200

* Amount less than NIS 1 million.

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 March 31, 2021

Note 1 – General

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’s consolidated interim financial statements as at March 31, 2021 include the financial statements of the Company and its subsidiaries as well as rights in associated companies (hereinafter – “the Group”).

The Company is a publicly-held company, and its securities are traded on the stock exchange. As at the date of the report (commencing from January 2021), the Group is engaged in two reportable business segments: (1) generation and supply of electricity and energy in Israel; and (2) maintenance, development, construction and management of renewable energy and conventional (powered by natural gas) power plants in the United States. In these activity segments, the Group is engaged in generation and supply of electricity and energy to private customers, Israel Electric Company Ltd. (hereinafter – “IEC”) and the System Administrator, in initiation, development, construction and operation of power plants and facilities for the generation of energy and provision of management services for power plants in the United States that are owned by third parties. The Group manages its activities in Israel under one operational roof and its activities in the United States under another operational roof by means of the CPV Group (as described in Note 6).

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
At March 31, 2021

Note 1 – General (Cont.)

A. The Reporting Entity (Cont.)

In Israel, the Group operates 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); the Hadera Power Plant, which is wholly owned by OPC Hadera Ltd. (hereinafter – “Hadera”), which operates using cogeneration technology and having an installed capacity of up to 144 MW. Furthermore, Hadera holds the Energy Center (boilers and turbines on the site of Hadera Paper Mills Ltd.), which serves as back-up for the supply of steam. In addition, the Company holds full ownership of Zomet Energy Ltd. (hereinafter – “Zomet”), which is taking action to construct a power plant which runs 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. Furthermore, the Company is taking action to construct and operate facilities for generation of energy on the consumer’s premises, which generate electricity using natural gas and renewable energy, and arrangements for supply and sale of energy to consumers, and it has signed an agreement whereby it will supply the equipment and will construct, operate and maintain the Sorek B Generation Facility and will supply the energy required by the Sorek B Desalination Facility, as stated in Note 24A(10) to the annual financial statements.

The Group’s activities in Israel 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.

In the United States, the Group operates through the CPV Group, which is held by the Company (indirectly) at the rate of 70%, power plants in the conventional area powered by natural gas (of the open-cycle type from an advanced generation) and in the area of renewable energy. As at the approval date of the financial statements, CPV’s share of the natural gas-powered power plants is about 1,290 megawatts out of 4,045 megawatts (5 power plants), and in wind energy CPV’s share is about 152 megawatts (1 power plant).

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
At March 31, 2021

Note 1 – General (Cont.)

A. The Reporting Entity (Cont.)

In addition, the CPV Group holds rights in power plants running on natural gas and using solar technology in the construction stages having a capacity of about 1,258 megawatts and 126 megawatts, respectively (CPV's share as at the approval date of the financial statements is about 126 megawatts and 126 megawatt, respectively). In addition, the CPV Group has a list (backlog) of projects using solar (photovoltaic) technology in advanced development stages having an aggregate scope of about 1,164 megawatts, and a number of projects in the initial development stage having an aggregate scope of about 943 megawatts. Furthermore, the CPV Group holds a list of projects using wind technology in the initiation stage having an aggregate scope of about 175 megawatts and projects using integrated cycle technology in the advanced development stages having an aggregate scope of about 3,955 megawatts.

The electricity market in the United States has both Federal oversight (wholesale sale of electricity and interstate transmission) and State oversight (retail sale of electricity and distribution services to end consumers). The primary federal regulator is Federal Energy Regulatory Commission (FERC), alongside separate state-level Public Service Commissions exercising additional regulatory oversight. The electric marketplace in the United States operates within the framework of several regional or state market operators, known as Regional Transmission Organizations (RTO) or Independent System Operator (ISO). ISOs/RTOs are responsible for the day-to-day operation of the transmission system, the administration of the wholesale markets in the regions in which they operate, and for the long-term transmission planning and resource adequacy functions.

The activities of the CPV Group are subject to, among other things changes in federal and state legislation, federal and state energy regulations and federal and state environmental protection laws and regulations. These laws impact the ability of the facilities of the CPV Group to operate, the prices of the products they produce and the costs and charges involved with their production. Therefore, regulations, laws and decisions of the federal and state authorities, particularly public service committees, a federal energy regulatory committee and environmental protection authorities, have a direct and indirect impact on the CPV Group's activities.

The revenues of the CPV Group from generation of electricity are seasonal and are impacted by variable demand, gas prices and electricity prices, as well as the weather. In general, with respect to plants running on natural gas, there is higher profitability in periods of the year wherein the temperatures are the highest and the lowest, which are usually in the summer and the winter.

B. Impacts of the Spread of the Coronavirus

Due to the spread of the Coronavirus (COVID-19) ("the Coronavirus Crisis") in 2020 and 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.

Note 1 – General (Cont.)

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

The operations of the Company's active power plants in Israel, 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. The continuity of the construction work on the Zomet Power Plant or the renovation work at the Hadera Power Plant could be impacted by the traffic (movement) limitations due to the Coronavirus Crisis in light of the need for arrival of equipment and foreign work teams. As at the date of the report, the Coronavirus Crisis did not have a significant impact on the Company's results and activities in Israel.

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) 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.

Upon approval of use of the vaccine against the Coronavirus by the competent authorities of every country at the end of 2020, along with vaccination of the population based on age groups (at an accelerated rate in Israel compared with other countries) and removal of limitations in the period of the report, in the period of the report new mutations of the virus broke out that caused a quick spread of the virus in many countries and a tightening of traffic restrictions along with additional restrictions in order to prevent spread of the virus, including continuation of the restrictions on business activities. As at the date of the report, there is no certainty regarding the success of the vaccination activities against spread of the virus in Israel and worldwide development of additional mutations.

The spread of the Coronavirus had a significant impact on the economy and financial markets in the USA and the world. The activities of the power plants of the CPV Group continued during the Coronavirus crisis, after making certain adjustments as stated below. The Coronavirus crisis caused a change in the time schedules for the shifts of the employees of the CPV Group, a reduction of self-initiated shutdowns for purposes of periodic maintenance, extension of the length of the unplanned periodic maintenance period, adaptations on the part of the Group with respect to employees working from home and other adaptations required in the work-place. Also, the Group was and continues to be required to make adjustments relating to information security at the power plants. In addition, the Corona crisis affects the availability of suppliers and factors involved in the development and construction processes of CPV Group's projects.

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
At March 31, 2021

Note 1 – General (Cont.)

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

It is noted that as at the approval date of this report there is no certainty relating to the duration of the Coronavirus crisis, its force (scope) and its impacts on the markets or on factors relating to CPV's activities, and therefore the CPV Group is not able to estimate with any degree of certainty and completeness the impact of the Coronavirus crisis. The outbreak of the virus and the (possible) spread thereof at the power plants of the CPV Group or restrictions on conducting business in the areas in which it operates, as well as the measures taken and that will be taken worldwide as a result thereof – which has impacted the economy and commodity markets in the U.S., in general, and the prices of electricity and natural gas, in particular – could impact CPV's activities (even significantly), thwart completion of the project under construction (as detailed in Note 7A) and delay advancement of CPV's projects under development, and could also impact the ability to actually commence execution of its future projects.

Note 2 – Basis of Preparation of the Financial Statements

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

The condensed consolidated interim financial statements were prepared in accordance with International Accounting Standard 34 (hereinafter – “IAS 34”), “Financial Reporting for Interim Periods” and do not include all of the information required in complete, annual financial statements. These statements should be read together with the financial statements for the year ended December 31, 2020 (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 May 27, 2021.

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 Statement, except as stated below.

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
At March 31, 2021

Note 2 – Basis of Preparation of the Financial Statements (Cont.)

C. Use of estimates and judgment (Cont.)

Allocation of acquisition costs – the Group calculates estimates with respect to allocation of excess cost to tangible and intangible assets and to liabilities. In addition, in determination of the depreciation rates of the tangible, intangible assets and liabilities, the Group estimates the expected life of the asset or liability. These estimates are based on, among other things, an independent appraiser.

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 amount of NIS 2 million for the three months ended March 31, 2020.

Note 3 – Significant Accounting Policies

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

B. Accounting policies for new transactions or events

1. Basis of consolidation

Business combinations

The Group implements the acquisition method to all business combinations. The acquisition date is the date on which the acquirer obtains control over the acquiree. Control exists when the Group is exposed, or has rights to variable returns from its involvement with the acquiree and it has the ability to affect those returns through its power over the acquiree. Substantive rights held by the Group and others are taken into account when assessing control. On the acquisition date the acquirer recognizes a contingent liability assumed in a business combination if there is a present obligation resulting from past events and its fair value can be reliably measured. The consideration transferred includes the fair value of the assets transferred to the previous owners of the acquiree, the liabilities incurred by the acquirer to the previous owners of the acquiree and equity instruments that were issued by the Group. In addition, goodwill is not updated in respect of utilization of tax loss carryforwards that existed on the date of the business combination.

Costs associated with the acquisition incurred by the acquirer in respect of a business combination, such as: brokers’ commissions, consultants’ commissions, legal commissions, valuations and other commissions relating to professional services or consulting services, except for those relating to issuance of debt or equity instruments in connection with the business combination, are recognized as expenses in the period in which the services were received.

Note 3 – Significant Accounting Policies (Cont.)

B. Accounting policies for new transactions or events (Cont.)

1. Basis of consolidation (Cont.)

Goodwill

The Group recognizes goodwill on acquisition according to the fair value of the consideration transferred less the net amount of the identifiable assets acquired and the liabilities assumed. Goodwill is initially recognized as an asset based on its cost, and is measured in succeeding periods based on its cost less accrued losses from impairment of value.

For purposes of examining impairment of value, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergy of the business combination. Cash-generating units to which goodwill was allocated are examined for purposes of assessment of impairment of their value every year or more frequently where there are signs indicating a possible impairment of value of the unit, as stated. Where the recoverable amount of a cash-generating unit is less than the carrying value in the books of that cash-generating unit, the loss from impairment of value is allocated first to reduction of the carrying value in the books of any goodwill attributed to that cash-generating unit. Thereafter, the balance of the loss from impairment of value, if any, is allocated to other assets of the cash-generating unit, in proportion to their carrying values in the books. A loss from impairment of value of goodwill is not reversed in subsequent periods.

Investment in associated companies

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is the power to participate in making of decisions relating to the financial and operational policies of the investee company. In assessing significant influence, potential voting rights that are currently exercisable or convertible into shares of the investee are taken into account.

Investments in associated companies are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. The cost of the investment includes transaction costs. Transaction costs that are directly attributable to an expected acquisition of an associate or joint venture are recognized as an asset as part of the item of deferred expenses in the statement of financial position. These costs are added to the cost of the investment on the acquisition date. The consolidated financial statements include the Group's share of the income and expenses in profit or loss and of other comprehensive income of associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. Where the Group realizes part of an investment that is an associated company that includes foreign activities while maintaining significant influence, the proportionate part of the cumulative amount of the exchange rate differences is reclassified to the statement of income.

Note 3 – Significant Accounting Policies (Cont.)

B. Accounting policies for new transactions or events (Cont.)

2. Foreign currency

Foreign activities

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to NIS at exchange rates at the reporting date. The income and expenses of foreign operations are translated to NIS at exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income and are presented in equity in the foreign currency translation reserve (hereinafter – “translation reserve”). When the foreign operation is a non-wholly-owned subsidiary of the Company, then the relevant proportionate share of the foreign operation translation difference is allocated to the non-controlling interests.

Generally, foreign currency differences from loans received from or provided to a foreign operation, including foreign operations that are subsidiaries, are recognized in profit or loss in the consolidated financial statements.

Foreign exchange gains and losses arising from loans received from or provided to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income, and are presented within equity as part of the translation reserve.

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

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 is 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.

Note 3 – Significant Accounting Policies (Cont.)

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

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”.

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
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Note 3 – Significant Accounting Policies (Cont.)

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

4. **Amendment to IAS 12, Income Tax: Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

The amendment reduces the applicability of the exemption from recognition of deferred taxes as a result of provisional differences created on the date of initial recognition of assets and/or liabilities, so that such exemption will not apply to transactions that create equal and offset provisional differences. As a result, entities will be required to recognize a deferred tax asset or liability in respect of such provisional differences on the date of initial recognition of transactions that create equal and offset provisional differences, such as lease transactions and provisions for dissolution and rehabilitation.

The amendment will be applied from the annual reporting period starting on January 1, 2023, by amending the opening balance of excesses or as an adjustment to the other equity item in a period in which the amendment is adopted. It will be applied as early as possible.

The Group has not yet started examining the implications of the amendment on its financial statements.

OPC Energy Ltd.
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Note 4 – Financial Instruments

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

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

Fair value

	At March 31, 2021	
	Book	Fair
	Value*	Value
	In Millions of NIS	
Loans from banks and others (Level 2)	1,950	2,289
Debentures (Level 1)	963	1,072
	2,913	3,361
	At March 31, 2020	
	Book	Fair
	Value*	Value
	In Millions of NIS	
Loans from banks and others (Level 2)	1,853	2,246
Debentures (Level 1)	286	336
	2,139	2,582
	At December 31, 2020	
	Book	Fair
	Value*	Value
	In Millions of NIS	
Loans from banks and others (Level 2)	1,979	2,360
Debentures (Level 1)	980	1,056
	2,959	3,416

* Includes current maturities and accrued interest.

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
At March 31, 2021

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.

The Group 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.

In addition, in the reporting period, loans used to acquire the CPV Group and loans that were initially consolidated as part of the business combination were added to the Group. These loans are the same or near to their fair value in light of the short period since the acquisition of the CPV Group and the variable interest rates in some of the loans.

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

	<u>CPI</u> <u>(in points)</u>	<u>Exchange</u> <u>rate of</u> <u>the dollar</u> <u>against</u> <u>shekel</u>	<u>Exchange</u> <u>rate of</u> <u>the euro</u> <u>against</u> <u>shekel</u>
March 31, 2021	100.3	3.334	3.913
March 31, 2020	100.3	3.565	3.900
December 31, 2020	100.2	3.215	3.944
<u>Change during the three-month period ended:</u>			
March 31, 2021	0.1%	3.7%	(0.8)%
March 31, 2020	(0.5)%	3.1%	0.6%
<u>Change during the year ended:</u>			
December 31, 2020	(0.6)%	(7.0)%	1.7%

OPC Energy Ltd.
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Note 5 – Revenues from Contracts with Customers

Breakdown of the revenues from sales:

	For the		
	Three Months Ended		Year Ended
	March 31		December 31
	2021	2020	2020
	(Unaudited)		(Audited)
	In Millions of New Israeli Shekels		
Revenues from sale of electricity	352	297	1,269
Revenues from sale of steam	15	16	56
Revenues from provision of services	9	–	–
	<u>376</u>	<u>313</u>	<u>1,325</u>

Note 6 – Subsidiaries

Business Combination Occurring in the Period of the Report

Further to that stated in Note 25L to the annual consolidated financial statements, on January 25, 2021 the transaction was completed for acquisition of 70% of the rights and holdings in the CPV Group (hereinafter – “the Transaction Completion Date”). The transaction was executed through a limited partnership, CPV Group LP (hereinafter – “the Purchaser”), which is held, indirectly, by the Company (about 70% as a limited partner). The entities in the CPV Group acquired are: 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 CPV Group is engaged in the development, construction and management of power plants using renewable energy and conventional energy (power plants running on natural gas of the advanced-generation combined-cycle type) in the United States through subsidiaries and associated companies. The CPV Group holds rights in active power plants that it initiated and developed – both in the area of conventional energy and in the area of renewable energy. In addition, through an asset management group the CPV Group is engaged in provision of management services to power plants in the United States using a range of technologies and fuel types, by means of signing asset-management agreements, usually for short/medium periods.

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
At March 31, 2021

Note 6 – Subsidiaries (Cont.)

Business Combination Occurring in the Period of the Report (Cont.)

On the Transaction Completion Date, in accordance with the mechanism for determination of the consideration as defined in the acquisition agreement, the Buyer paid the Sellers a consideration that was set at the total amount of about \$648 million (constituting a purchase price of \$630 million and certain adjustments to working capital, the cash balance and the debt balance), and about \$5 million for a deposit, in the same amount, which remains in the CPV Group. Subsequent to the date of the report, in May 2021, the consideration for the CPV Group acquisition transaction was adjusted, as a result of which the Sellers paid CPV Group an immaterial amount. It is noted that in respect of an interest of 17.5% in the rights in Three Rivers construction project (hereinafter – “the Construction Project”), a sellers’ loan, in the amount of \$95 million (hereinafter – “the Sellers’ Loan”) was provided to the CPVH Group. The Seller’s Loan is for a period of up to two years from the Transaction Completion Date, bears interest at the annual rate of 4.5%, which is to be paid quarterly and is secured by a lien on shares of the holding company that owns the rights in the project under construction and rights pursuant to the management agreement of the project under construction. For details regarding changes in the holdings in the project and in the Seller’s loan in the period of the report – see Note 7A.

The Company partially hedged its exposure to changes in the cash flows from payments in dollars in connection with the agreement for acquisition of the CPV Group by means of forward transactions and dollar deposits. The Company chose to designate the forward transactions as an accounting hedge. On the completion date of the transaction, the Company recorded the amount of about NIS 103 million that was accrued in a hedge capital reserve to the cost of the investment in the CPV Group. This cost was recorded in the “goodwill” category and increased the cost of the acquisition by about \$32 million.

The contribution of the CPV Group to the Group’s revenues and loss from the acquisition date and up to March 31, 2021 amounted to NIS 26 million and NIS 36 million, respectively. Management estimates that if the acquisition had already been made as at January 1, 2021, the amount of the revenues in the consolidated statement of income for the three-months period ended March 31, 2021 would have been NIS 391 million and the consolidated income for that period would have been NIS 7 million.

Determination of fair value of provisionally identified assets and liabilities:

Acquisition of the CPV Group was accounted for according to the provisions of IFRS 3, Business Combinations. Therefore, on the Transaction Completion Date, the Company included the CPV Group’s net assets at fair value. By the approval date of the financial statements, the Company had not yet completed allocation of the acquisition cost to the identified assets and liabilities, in light of the short time from the date of the business combination to the date approval of the proforma financial statements. As a result, some of the fair value figures are still provisional and there may be changes that will affect the data included in these financial statements.

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
At March 31, 2021

Note 6 – Subsidiaries (Cont.)

Business Combination Occurring in the Period of the Report (Cont.)

Presented below is the fair value of the identified assets and liabilities acquired (based on provisional values):

	<u>In Millions of NIS</u> <u>(Translated)</u>	<u>In Millions of \$</u>
Cash and cash equivalents	94	29
Trade and other receivables	50	15
Long-term restricted deposits and cash	2	1
Investments in associated companies	1,944	595
Property, plant and equipment	166	51
Right-of-use assets	34	10
Intangible assets	390	119
Trade and other payables	(19)	(6)
Derivative financial instruments	(39)	(12)
Loans and credit	(551)	(169)
Lease liabilities	(34)	(10)
Other long-term liabilities	(93)	(28)
Liabilities for deferred taxes	(32)	(9)
Identified assets, net	1,912	586

Combined cash flows provided to the Group as a result of the acquisition transaction:

	<u>In Millions of NIS</u> <u>(Translated)</u>	<u>In Millions of \$</u>
Cash and cash equivalents paid	2,131	653
Hedging costs	103	32
Cash and cash equivalents acquired	(94)	(29)
	2,140	656

Goodwill:

Goodwill created as part of the business combination reflects the backlog of projects under development, future backlog, and potential future activities of the CPV Group in the market in which it operates. The Group expects that part of the goodwill will be allowed as a deduction for tax purposes. Due to the acquisition, goodwill was recognized provisionally as follows:

	<u>In Millions of NIS</u> <u>(Translated)</u>	<u>In Millions of \$</u>
Consideration transferred	2,131	653
Plus – hedging costs	103	32
Less – fair value of identified assets, net	(1,912)	(586)
Goodwill	322	99

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
At March 31, 2021

Note 6 – Subsidiaries (Cont.)

Business Combination Occurring in the Period of the Report (Cont.)

Costs relating to the business combination:

In the period of the report and in 2020, the Group incurred legal expenses and costs of a due diligence examination attributable to the acquisition, in the amounts of about NIS 2 million and about NIS 42 million, respectively. These costs were recorded in the statement of income in the said periods in the "transaction expenses in respect of acquisition of the CPV Group" category.

The project companies of the CPV Group:

The CPV Group holds rights in active power stations and in power stations under construction and in the development stage – both in the conventional area as well as in the renewable energy area, through subsidiaries and associated companies. Set forth below are details regarding the main projects held through subsidiaries of the CPV Group. For details relating to associated companies the CPV Group – see Note 7. For information about the main agreements of the subsidiaries of the CPV Group – see Note 9I.

Name of entity	Year of commercial operation	Technology	Capacity (MW)	Rate of holdings as at March 31 *2021	Location of power plant
CPV Keenan II Renewable Energy Company, LLC ("Keenan")	2010	Wind	152	70%	Oklahoma
CPV Maple Hill, LLC ("Maple Hill")	Under construction. Commercial operation expected in 2 nd – 3 rd quarter 2022	Solar	126	100%	Pennsylvania
CPV Rogue's Wind, LLC ("Rogue's Wind")	Under construction. Commercial operation expected in 2 nd quarter 2023	Wind	114	100%	Pennsylvania

* The rate of holdings is the rate of holdings of the CPV Group, which is a subsidiary of the Company and is held by the Company, indirectly, at the rate of 70%.

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
At March 31, 2021

Note 7 – Associated Companies

A. Condensed information regarding significant associated companies

General information

The Company, through CPV Group, holds interests in active power plants and power plants under construction, which it initiated and constructed in recent years, both in the conventional segment and the renewable energy segment. Below are the main details in respect of the active projects and project under construction of CPV Group's associated companies:

Name of Company	Year of commercial operation	Capacity (MW)	Rate of holdings as at March 31 *2021	Location of power plant
CPV Fairview LLC ("Fairview")	2019	1,050	25.0%	Pennsylvania, U.S.
CPV Maryland LLC ("Maryland")	2017	745	25.0%	Maryland, U.S.
CPV Shore Holdings LLC ("Shore")	2016	725	37.5%	New Jersey, U.S.
CPV Towantic LLC ("Towantic")	2018	805	26.0%	Connecticut, U.S.
CPV Valley Holdings LLC ("Valley")	2018	720	50.0%	New York, U.S.
CPV Three Rivers LLC ("Three Rivers") (1)	Under construction	1,258	10.0%	Illinois, U.S.

* The rate of holdings is the rate of holdings of the CPV Group held by the Company, indirectly, at the rate of 70%.

- (1) Three Rivers is a project under construction, the commercial operation date of which is expected to be in May 2023 and the total construction cost (in respect of 100% of the project) is expected to amount to about NIS 4,311 million (about \$1,293 million).

Further to that stated in Note 25L to the annual consolidated financial statements regarding acquisition of the CPV Group, on February 3, 2021, the transaction for sale of 7.5% of the rights in CPV Three Rivers LLC (hereinafter – "Three Rivers") was completed, for a consideration of about \$41 million (which served for repayment of part of the Seller's Loan). As a result of the sale, the CPV Group did not realize and gain or loss. The Seller's Loan will continue to exist with respect to the amount of about \$54 million (about NIS 181 million) in connection with the consideration relating to 10% of the rights in Three Rivers that is held by the CPV Group, pursuant to the conditions stated in Note 6.

The Company accounts for the holdings in Three Rivers through use of the equity method of accounting since the Company has material influence due to representation on the Board of Directors of Three Rivers.

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
At March 31, 2021

Note 7 – Associated Companies (Cont.)

B. Attachment of financial statements

The Group attaches to these condensed consolidated interim financial statements the condensed interim financial statements of CPV Valley Holdings LLC.

The presentation currency in the statements of the associated companies is not the NIS but, rather, the dollar. For details regarding the changes in the currency exchange rate of the dollar in the period of the report – see Note 4.

- C. Condensed financial information regarding the financial position as at March 31, 2021 and results of operations for the period commencing from completion date of acquisition of the CPV Group, January 25, 2021 and up to March 31, 2021:

	Fairview	Maryland	Shore	Towantic	Valley	Three Rivers
	In millions of New Israeli Shekels					
	(Unaudited)					
As at March 31, 2021						
Current assets	72	61	55	109	211	7
Non-current assets	3,280	2,172	2,839	3,140	2,520	1,685
Total assets	3,352	2,233	2,894	3,249	2,731	1,692
Current liabilities	216	1,195	77	240	283	76
Non-current liabilities	1,987	16	1,719	1,858	1,940	1,371
Total liabilities	2,203	1,211	1,796	2,098	2,223	1,447
Net assets	1,149	1,022	1,098	1,151	508	245
Rate of holdings	25.0%	25.0%	37.5%	26.0%	50.0%	10.0%
Share of the Company	287	255	412	299	254	190
Fair value adjustments made on the acquisition date	276	(56)	(197)	90	(6)	28
Book value of the investment	563	199	215	389	248	218

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
At March 31, 2021

Note 7 – Associated Companies (Cont.)

- C. Condensed financial information regarding the financial position as at March 31, 2021 and results of operations for the period commencing from completion date of acquisition of the CPV Group, January 25, 2021 and up to March 31, 2021: (Cont.)

	<u>Fairview</u>	<u>Maryland</u>	<u>Shore</u>	<u>Towantic</u>	<u>Valley</u>	<u>Three Rivers</u>
	<u>In millions of New Israeli Shekels</u>					
	<u>(Unaudited)</u>					
For the period from January 25, 2021 through March 31, 2021						
Revenues	123	85	95	229	111	–
Change in fair value of derivative financial instruments	(39)	(10)	(16)	(8)	(53)	1
Total revenues	84	75	79	221	58	1
Operating expenses	(94)	(68)	(73)	(168)	(118)	(6)
Operating income (loss)	(10)	7	6	53	(60)	(5)
Financing expenses, net	(18)	(15)	(15)	(17)	(21)	(2)
Net income (loss)	(28)	(8)	(9)	36	(81)	(7)
Other comprehensive income	25	2	20	25	9	75
Comprehensive income (loss)	(3)	(6)	11	61	(72)	68
Rate of holdings	25.0%	25.0%	37.5%	26.0%	50.0%	10.0%
Share of Company in net income (loss)	(7)	(2)	(3)	9	(40)	(1)
Share of Company in comprehensive income	6	1	8	7	5	8
Reductions in income and loss due to adjustments to fair value on the acquisition date	(1)	2	3	1	1	–
Share of Company in income (losses) of associated companies	(8)	–	–	10	(39)	(1)
Share of Company in other comprehensive income of associated companies in the books	6	1	8	7	5	8
Depreciation and amortization (based on rate of holdings)	17	10	21	18	13	–

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
At March 31, 2021

Note 7 – Associated Companies (Cont.)

Set forth below is detail of main agreements of the associated companies (hereinafter – “the Project Companies”) in the CPV Group:

D. Loans of the project companies in the CPV Group:

Each CPV project company has arranged senior debt under similar, single asset, non-recourse, project financing structures. At financial closing, debt and equity capital is committed in an amount sufficient to fund the project's projected capital costs during construction, along with revolving ancillary credit facilities. The ancillary credit facilities are provided by a subset of the project's lenders and are comprised of letter of credit (LC) facilities, which support collateral obligations under the financing arrangements and commercial arrangements, and a working capital revolver facility, which supports the project's ancillary credit needs. The senior credit facilities are generally structured such that subject to certain conditions precedent, they convert from construction facilities to long-term facilities (term loans) with maturity dates generally tied to the term of the commercial agreements anchoring projected operating cash flows. For the gas-fired projects, the tenors generally span the construction period plus 5-7 years after commercial operations (hereinafter – “Mini-Perm Financing”). The Mini-Perm Financing is repaid based on the combination of scheduled amortization and result-based metrics, which in the aggregate, result in a partial repayment profile with a balance at maturity that must be refinanced or repaid.

The practice of the CPV Group is to opportunistically refinance the credit facilities depending on market conditions and in all cases prior to the scheduled maturity. The credit facilities in place during construction are sourced from consortiums of international financiers (10-20 in each gas fired project, fewer for renewables projects with lower capital needs) and executed in the “Term Loan A” market, which is substantially comprised of commercial banks, investment banks, institutional lenders, insurance companies, international funds, and equipment supplier credit affiliates. CPV has executed refinancings for its gas-fired projects in both the Term Loan A market and the Term Loan B market, which includes mainly institutional lenders, international funds, and a number of commercial banks.

While the credit facility terms and conditions have certain provisions specific to the project being financed, an overwhelming majority of the standard key terms and conditions (first lien security, covenants, events of default, equity cure rights, distribution restrictions, reserve requirements, etc.) are similar across the CPV project Term Loan A financings, while the Term Loan B market refinancing terms are slightly less restrictive. In each market and often within each financing, lenders to CPV's projects have funded either on a credit spread over London Inter-Bank Offered Rate (“LIBOR”)/Base Rate basis or on a fixed rate basis. To minimize exposure to potential interest rate risk, CPV executes interest rate hedges for the main exposure at each project level, whereby the project companies pay the major financial institutions fixed rate interest and receive variable interest payments to hedge the term loans. For the LIBOR-based loans, the credit agreements and interest rate swap arrangements include market-standard provisions to accommodate the eventual replacement of LIBOR as a reference rate.

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
At March 31, 2021

Note 7 – Associated Companies (Cont.)

D. Loans of the project companies in the CPV Group: (Cont.)

Set forth below is a summary the main commercial conditions of the senior debt frameworks of the Project Companies in the CPV Group. The balances are presented in millions of dollars, represent 100% of the debt balance of each project and include fair-value adjustments that were made on the acquisition date of the CPV Group. The amounts of the loans under the "Term Loan" are presented as at the date noted, and to the extent they are withdrawn and repaid they may not be withdrawn again.

It is noted that the main financing agreements include, among other things, terms that are standard and customary in agreements for projects of this type, provisions regarding mandatory prepayments, various grounds for repayment, commissions in respect of credit frameworks, annual commissions relating to issuance of LC and additional customary terms. In addition, as part of the financing agreements collaterals provided and liens were placed on all the project assets. It is further noted that as at the approval date of the report, there are no grounds for calling any of the financing agreements for immediate repayment.

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
At March 31, 2021

Note 7 – Associated Companies (Cont.)

D. Loans of the project companies in the CPV Group: (Cont.)

Identity of loan	Date of completion of refinancing / financing agreement	Linkage basis	Interest rates and mechanisms	Payment dates and final repayment date	Financial covenants and limitations on distributions	Grounds for calling for early repayment	Balance of loan as at 3/31/2021
Fairview	March 24, 2017 (as amended in February 2020)	Dollar	<ul style="list-style-type: none"> Variable interest of LIBOR plus a margin in the range of 2.50%–2.75% per year. Fixed interest at the rate of 5.78% per year. 	The final repayment date is June 30, 2025. The rate and scope of the repayment of the loan principal varies until the final repayment, in accordance with an integration of a repayment schedule and cash sweep repayment mechanisms (“mini-perm” financing).	Execution of a distribution is subject to the project company complying with a number of conditions, including, compliance with a minimum debt service coverage ratio of 1.2 during the 4 quarters that preceded the distribution, compliance with reserve requirements (pursuant to the terms of the financing agreement), compliance with the debt balances target defined in the agreement, and that no ground for repayment or breach event exists (as defined in the financing agreement).	The main grounds for calling for immediate repayment / event of default: the financing agreement includes grounds for repayment that are standard in agreements of this type, including, among others – breach of representations and covenants that have a material adverse impact, non-payment events, non-compliance with certain obligations, various insolvency events, termination of the activities of the project or termination of significant parties in the project (as defined in the agreement), occurrence of certain events relating to the regulatory situation of the project and maintaining of government approvals, certain changes in ownership of the project, certain events in connection with the project, existence of legal proceedings relating to the project, and a situation wherein the project is not entitled to receive payments for capacity and electricity – all in accordance with and subject to the conditions, definitions and cure periods detailed in the financing agreement.	NIS 2,084 million (about \$625 million).
Towantic	March 11, 2016 (as amended in July 2019)	Dollar	<ul style="list-style-type: none"> LIBOR plus a margin in the range of 3.25%–3.75%. 	The final repayment date is June 30, 2025. The rate and scope of the repayment of the loan principal varies until the final repayment, in accordance with an integration of a repayment schedule and cash sweep repayment mechanisms (“mini-perm” financing).			NIS 1,997 million (about \$593 million)

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
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Note 7 – Associated Companies (Cont.)

D. Loans of the project companies in the CPV Group: (Cont.)

Identity of loan	Date of completion of refinancing / financing agreement	Linkage basis	Interest rates and mechanisms	Payment dates and final repayment date	Financial covenants and limitations on distributions	Grounds for calling for early repayment	Balance of loan as at 3/31/2021
Shore	Credit of the Term Loan B type dated December 27, 2018.	Dollar	LIBOR plus a margin of 3.75% per year for the Term Loan and a margin of 3% for the credit frameworks.	Final repayment date of the loans and accompanying credit frameworks: Term Loan – December 27, 2025; accompanying credit frameworks – December 27, 2023. The rate and scope of the repayment of the loan principal varies until the final repayment, in accordance with an integration of amortization and cash sweep repayment mechanisms (“mini perm” financing).	Historical debt service coverage ratio of 1:1 during the 4 quarters. Execution of a distribution is conditional on the project company complying with a number of conditions, including, compliance with a reserve requirements (as provided in the agreement), and that no ground for repayment or breach event exists in accordance with the financing agreement.	The main grounds for calling for immediate repayment / event of default: the financing agreement includes grounds for repayment that are standard in agreements of this type, including, among others – breach of representations and covenants that have a material adverse impact, non-payment events, non-compliance with certain obligations, various insolvency events, termination of the activities of the project or termination of significant parties in the project (as defined in the agreement), occurrence of certain events relating to the regulatory situation of the project and maintaining of government approvals, certain changes in ownership of the project, certain events in connection with the project, existence of legal proceedings relating to the project, and a situation wherein the project is not entitled to receive payments for capacity and electricity – all in accordance with and subject to the conditions, definitions and cure periods detailed in the financing agreement.	NIS 1,577 million (about \$473 million)

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
At March 31, 2021

Note 7 – Associated Companies (Cont.)

D. Loans of the project companies in the CPV Group: (Cont.)

Identity of loan	Date of completion of refinancing / financing agreement	Linkage basis	Interest rates and mechanisms	Payment dates and final repayment date	Financial covenants and limitations on distributions	Grounds for calling for early repayment	Balance of loan as at 3/31/2021 in the books of the Project Companies
Maryland	August 2014 (renewal of credit in May 2021 as part of a Term Loan B type in the amount of about \$350 million)	Dollar	<p>Loan interest: LIBOR plus a margin of 4.25% (after renewal of the credit in May 2021 a margin of 4%).</p> <p>Interest on accompanying frameworks: LIBOR plus a margin of 4.25% (after renewal of the credit in May 2021 a margin of 2.75%).</p>	<p>Final repayment date will be on March 31, 2022 (after renewal of the credit the final repayment date of the term loan is May 2028 and the accompanying credit frameworks is November 2027).</p> <p>The rate and scope of the repayment of the loan principal varies until the final repayment, in accordance with an integration of amortization and cash sweep repayment mechanisms ("mini perm" financing).</p>	<p>Execution of a distribution is conditional on compliance by the project company with several conditions, including meeting a minimum debt-service coverage ratio of 1.2 during the 4 quarters preceding the distribution, compliance with reserve requirements (in accordance with the terms of the financing agreement), compliance with a debt balance target defined in the agreement and no grounds for repayment or breach event (as defined in the financing agreement). After renewal of the Term Loan B facility, historical debt service coverage ratio of 1:1 during the 4 quarters. Execution of a distribution is conditional on the project company complying with a number of conditions, including, compliance with a reserve requirements (as provided in the agreement), and that no ground for repayment or breach event exists in accordance with the financing agreement.</p>	<p>The main grounds for calling for immediate repayment / event of default: the financing agreement includes grounds for repayment that are standard in agreements of this type, including, among others – breach of representations and covenants that have a material adverse impact, non-payment events, non-compliance with certain obligations, various insolvency events, termination of the activities of the project or termination of significant parties in the project (as defined in the agreement), occurrence of certain events relating to the regulatory situation of the project and maintaining of government approvals, certain changes in ownership of the project, certain events in connection with the project, existence of legal proceedings relating to the project, and a situation wherein the project is not entitled to receive payments for capacity and electricity (as applicable) – all in accordance with and subject to the conditions, definitions and cure periods detailed in the financing agreement. In addition, for projects under construction the grounds for calling for immediate repayment include – breach by investors of shareholders' equity to invest monies during the construction.</p>	NIS 1,180 million (about \$354 million)

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
At March 31, 2021

Note 7 – Associated Companies (Cont.)

D. Loans of the project companies in the CPV Group: (Cont.)

Identity of loan	Date of completion of refinancing / financing agreement	Linkage basis	Interest rates and mechanisms	Payment dates and final repayment date	Financial covenants and limitations on distributions	Grounds for calling for early repayment	Balance of loan as at 3/31/2021
Valley	June 2015	Dollar	LIBOR interest plus a margin of 3.50% – 3.75%.	<p>The final repayment date is June 30, 2023. The rate and scope of the repayment of the loan principal varies until the final repayment, in accordance with an integration of amortization and cash sweep repayment mechanisms (“mini perm” financing).</p> <p>Subsequent to the date of the report, in April 2021 certain leniencies were received in connection with the accompanying credit frameworks in exchange for a commitment to invest shareholders’ equity in the cumulative amount of \$10 million by the investors in the project (\$5 million was provided in April 2021 by the CPV Group). The matter of the leniencies – waiver of the annual repayment obligation of the working capital loans and release of \$5 million of restricted working capital due to a regulatory permit matter, as stated in Section 17 to the Periodic Report for 2020.</p>	Execution of a distribution is subject to the project company complying with a number of conditions, including, compliance with a minimum debt service coverage ratio of 1.2 during the 4 quarters that preceded the distribution, compliance with reserve requirements (pursuant to the terms of the financing agreement), compliance with requirements for receipt of a certain permit as stated in Section 17.9 to the Periodic Report for 2020, compliance with the debt balances target defined in the agreement, and that no ground for repayment or breach event exists (as defined in the financing agreement).	The main grounds for calling for immediate repayment / event of default: the financing agreement includes grounds for repayment that are standard in agreements of this type, including, among others – breach of representations and covenants that have a material adverse impact, non-payment events, non-compliance with certain obligations, various insolvency events, termination of the activities of the project or termination of significant parties in the project (as defined in the agreement), occurrence of certain events relating to the regulatory situation of the project and maintaining of government approvals, certain changes in ownership of the project, certain events in connection with the project, existence of legal proceedings relating to the project, and a situation wherein the project is not entitled to receive payments for capacity and electricity (as applicable) – all in accordance with and subject to the conditions, definitions and cure periods detailed in the financing agreement. In addition, for projects under construction the grounds for calling for immediate repayment include – breach by investors of shareholders’ equity to invest monies during the construction.	NIS 2,054 million (about \$616 million)

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
At March 31, 2021

Note 7 – Associated Companies (Cont.)

D. Loans of the project companies in the CPV Group: (Cont.)

Identity of loan	Date of completion of refinancing / financing agreement	Linkage basis	Interest rates and mechanisms	Payment dates and final repayment date	Financial covenants and limitations on distributions	Grounds for calling for early repayment	Balance of loan as at 3/31/2021
Three Rivers	August 2020	Dollar	<ul style="list-style-type: none"> – Variable interest is annual LIBOR plus a margin in the range of 3.5%–4% per year. – Fixed interest is at the annual rate of 4.75% per year. 	The final repayment date is June 30, 2028. The rate and scope of the repayment of the loan principal varies until the final repayment, in accordance with an integration of amortization and cash sweep repayment mechanisms (“mini perm” financing).	Execution of a distribution is subject to the project company complying with a number of conditions, including, compliance with conditions for conversion of the loan from a construction loan to an operating loan, and after the conversion compliance with a minimum debt service coverage ratio of 1.2 during the 4 quarters that preceded the distribution, compliance with reserve requirements (pursuant to the terms of the financing agreement), compliance with the debt balances target defined in the agreement, and that no ground for repayment or breach event exists (as defined in the financing agreement).	The main grounds for calling for immediate repayment / event of default: the financing agreement includes grounds for repayment that are standard in agreements of this type, including, among others – breach of representations and covenants that have a material adverse impact, default on the part of the investors of the shareholders’ equity to invest monies during the construction period, payment default events, non-compliance with certain obligations, various insolvency events, termination of the activities of the project or termination of the activity of significant parties in the project (as defined in the agreement), occurrence of certain events relating to the regulatory status of the project and maintaining of government approvals, certain changes in ownership of the project, certain events in connection with the project, existence of legal proceedings relating to the project, and a situation wherein the project is not entitled to receive payments for capacity and electricity – all in accordance with and subject to the conditions, definitions and cure periods detailed in the financing agreement.	NIS 1,370 million (about \$411 million).

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
At March 31, 2021

Note 7 – Associated Companies (Cont.)

E. Main agreements of the project companies in the CPV Group:

1. Partners' agreements in the project companies:

In general, each of the associated companies that holds the active projects and projects under construction in the CPV Group entered into a limited liability company agreement with the other project equity owners setting forth each partner's rights, duties and obligations with respect to the applicable project (each, an "LLC Agreement"). Each LLC Agreement is customary for projects similar to the CPV projects and generally contains customary provisions restricting the transfer of rights, including conditions for permissible transfers, minimum equity percentage transfer requirements and rights of first offer. CPV is also often required to maintain at least a minimum ten percent (10%) equity ownership in a project company for up to five (5) years after closing of construction financing. Each project company is governed by a board of managers selected by the members. Material and certain other key decisions typically require unanimous or supermajority approval by the board of managers, including, decisions, among others, declaring bankruptcy, initiating dissolution and liquidation, selling assets or merging the company, entering into or amending material agreements, taking on indebtedness, initiating or settling litigation, engaging critical service providers, approving the annual budget or obligating the company for expenditures beyond those contemplated by the budget, and adopting hedging strategies and risk management policies. The project companies of the CPV Group do not have employees. All the project companies of the CPV Group are operated by means of a series of agreements, among other things, as detailed in this section below.

2. Activities of natural gas projects:

The CPV conventional operating projects are all merchants and participate in the sale of capacity, electricity and ancillary services in their respective ISO/RTO. Every day, CPV begins the process of forecasting and planning for the next operating day. After making preparations from the standpoint of purchases of natural gas to support the expected electricity generation activities, offers are submitted to the Day-Ahead market. In addition, revisions are made throughout the day for actual operations occurring that day (the Real-Time market), which include purchases and sales of natural gas and optimizing generation output based upon the Real-Time market price.

3. RPO agreements:

Fairview, Maryland and Valley signed economic hedging agreements on the electricity margins of the Revenue Put Option ("RPO") type. The RPO is intended to provide the companies a minimum margin from sale of electricity in the market for the period of the agreement. Calculation of the amount of the minimum margin is determined on the basis of a contract year where the actual settlement dates take place once every three months in respect of a partial amount and an annual adjustment is made to the calculation of the total annual margin each year. For purposes of calculating the minimum margin, the agreement makes use of specific parameters, such as utilization, expected generation levels, electricity and gas prices and other specific project operating costs. The RPO periods are up to May 31, 2025 in Fairview, up to February 28, 2022 in Maryland and up to May 31, 2023 in Valley.

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
At March 31, 2021

Note 7 – Associated Companies (Cont.)

E. Main agreements of the project companies in the CPV Group: (Cont.)

4. Asset management agreements:

Fairview, Towantic, Maryland, Shore and Valley signed an asset management agreement with CPVI (a related party) whereby CPVI provides construction and asset management services. The consideration includes a fixed annual payment, a performance-based payment and reimbursement of certain expenses, including expenses relating to construction management services (work hours of the building's work team, expenses and expenses incurred to third parties).

The periods of the agreements are as follows:

Fairview – seven years from the completion of construction of the power plant, and the agreement may be extended by an additional year. One of the other investors in the project has the right to replace CPVI as the asset manager under an asset management agreement – this being after one year of commercial operation, in coordination with CPVI and after CPVI agrees that the partner has the appropriate capabilities to manage the asset.

Towantic – ten years commencing from the completion date of construction of the power plant, which may be extended for an additional period of three years.

Maryland – up to December 31, 2028.

Shore – up to December 31, 2030.

Valley – five years commencing from the completion date of construction of the power plant, which may be extended for an additional period of three years.

The project companies have signed the main agreements detailed below. It is noted that with respect to the asset-management agreements and the energy-management agreements with CPV Group companies, the said agreements include provisions regarding early conclusion of the agreements under conditions provided therein. In addition, additional agreements provide the possibility of early conclusion under the conditions stipulated in those agreements.

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
At March 31, 2021

Note 7 – Associated Companies (Cont.)

E. Main agreements of the project companies in the CPV Group: (Cont.)

5. Other main agreements of associated companies (hereinafter – “the Project Companies”) in the CPV Group:

The Project Companies have signed main agreements as detailed below. It is noted that with respect to the asset management agreements and the energy management agreements with the companies in the CPV Group, the agreements include provisions regarding early conclusion of the agreements under circumstances spelled out in the agreements. In addition, additional agreements provide the possibility for early conclusion under the circumstances provided therein.

Fairview

Fairview signed a Base Contract for purchase of natural gas (GSPA) of gas in a quantity of up to 180,000 MMBtu per day at a price that is linked to market prices as provided in the agreement. Pursuant to the agreement, the gas supplier is responsible for transport of natural gas to the designated supply point and is permitted to supply ethane in place of natural gas up to a rate of 25% of the agreed supply quantity. The agreement commenced upon the commercial operation of the power plant and ends on May 31, 2025.

Fairview signed a services agreement with its original equipment manufacturer, for supply of parts and maintenances services for the fire turbines. The agreement went into effect on December 27, 2016 (“the Effective Date”) and ends on the earlier of: (A) 25 years from the Effective Date; or (B) when specific milestones are reached on the basis of use and wear and tear. Fairview pays a fixed and a variable amount commencing from the date of the commercial operation.

Fairview signed an agreement for operation and maintenance of the facility. The period of the agreement is three years from the completion date of construction of the facility. The agreement includes an extension/renewal clause for a period of one year, unless one of the parties gives notice of termination of the agreement based on its terms.

Fairview signed an energy management agreement with CPV Energy and Marketing Services, LLC (CEMS), a related party of the CPV Group, to receive consulting services regarding formulation of energy management plans, risk management and performance strategy. The period of the agreement is up to December 31, 2025, along with two option periods of five years each.

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
At March 31, 2021

Note 7 – Associated Companies (Cont.)

E. Main agreements of the project companies in the CPV Group: (Cont.)

5. Other main agreements of associated companies (hereinafter – “the Project Companies”) in the CPV Group: (Cont.)

Towantic

Towantic signed an agreement for transmission of gas based on the availability of the system (interruptible service). The agreement does not require but, rather, allows Towantic to transmit gas from Iroquois to Algonquin Gas Transmission at interruptible transmission rates. In addition, Towantic signed a services agreement pursuant to which Towantic is guaranteed gas transmission of 2,500 MMBtu per day, at the AFT 1 Tariff price. The initial period of the agreement commenced on August 1, 2018 and runs up to March 31, 2022. The agreement renews automatically for periods of year each time, unless one of the parties terminates the agreement.

Towantic signed an agreement for the supply of natural gas with a North American company. Pursuant to the agreement, up to 115,000 MMBtu per day will be supplied at a price linked to market prices. Supply of the gas runs up to March 31, 2023.

Towantic signed a maintenance agreement with its original equipment manufacturer, for provision of maintenance services for the fire turbines. In consideration for the maintenance services, Towantic pays a fixed and a variable amount commencing from the date stipulated in the agreement. The period of the agreement is 20 years.

Towantic signed an agreement for operation and maintenance (O&M) of the facility. Towantic pays a fixed and a variable amount for the services provided a performance-based payment and is required to reimburse employment expenses, including payroll and taxes, subcontractor costs and other costs as provided in the agreement. The period of the agreement is three years from commencement of facility's activities and up to June 1, 2021. The agreement includes an extension/renewal clause for a period of one year, unless one of the parties gives notice in accordance with that provided in the agreement.

Towantic signed an energy management agreement (EMA) for consulting to Towantic regarding formulation of energy-management plans, risk-management and performance strategy. The period of the agreement is up to December 31, 2021, with an extension option to Towantic. Towantic gave notice of conclusion of the existing agreement in March 2021, and therefore on March 31, 2021 the agreement was terminated. Towantic signed a replacement agreement with CEMS to provide similar services for a term up to March 31, 2026, along with two option periods of five years each.

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
At March 31, 2021

Note 7 – Associated Companies (Cont.)

E. Main agreements of the project companies in the CPV Group: (Cont.)

5. Other main agreements of associated companies (hereinafter – “the Project Companies”) in the CPV Group: (Cont.)

Maryland

Maryland signed an agreement for the supply of natural gas with a North American company. Pursuant to the agreement, up to 180,000 MMBtu per day will be supplied at a price linked to market prices. Supply of the gas runs up to October 31, 2022.

Maryland signed a natural gas transmission agreement for guaranteed daily capacity in respect quantities of gas determined. The agreement period is 20 years, which commenced on May 31, 2016, with an option for Maryland to extend for an additional 5 years. The annual payment under the agreement is approx. \$5 million.

Maryland signed a services agreement with its original equipment manufacturer. Maryland can acquire additional services under the agreement, as needed. The payments under the agreement consist of minimum annual fixed payments, variable quarterly payments based on operating parameters of the defined equipment, and quarterly management fees. Aside from the minimum annual payment, the rest of the payments increase by 2.5% every year. The agreement ends on the earlier of: (A) the date on which the equipment reaches a defined milestone; or (B) 25 years from the signing date on – Aug. 8, 2014.

Maryland signed an agreement with for operation and maintenance of the facility. Maryland pays fixed annual management fees, a performance-based bonus, and reimburses for employment expenses, payroll and taxes, subcontractor costs and other costs as provided in the agreement.

Maryland signed an energy management agreement with CEMS for provision of certain services relating to sale of merchant energy, capacity and ancillary services. The consideration includes a fixed monthly payment, plus reimbursement of expenses during the agreement period. In addition, the agreement includes provisions for reimbursement of expenses to CEMS in respect of services provided by third parties for Maryland. The period of the agreement is from December 15, 2020 up to December 31, 2025, where Maryland has an option to extend the period of the agreement twice for five additional years, at its discretion.

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
At March 31, 2021

Note 7 – Associated Companies (Cont.)

E. Main agreements of the project companies in the CPV Group: (Cont.)

5. Other main agreements of associated companies (hereinafter – “the Project Companies”) in the CPV Group: (Cont.)

Shore

Shore signed an agreement for purchase of natural gas. Pursuant to the agreement, the gas supplier is to supply gas in a quantity of 120,000 MMBtu per day at a price linked to the market. The period of the agreement is up to October 31, 2022.

Shore signed a number of agreements with an inter-state pipeline company (a services agreement, a connection agreement, a construction agreement and an operating agreement). Pursuant to the agreements, natural gas connection and transmission services are provided to Shore by means of a pipe the start of which is an existing inter-state pipe and reaches the facility's connection point. Shore paid an advance deposit to the supplier for the services under the gas agreements. The period of the gas transmission agreement is 15 years (up to April 2030), and there is an option to extend the agreements twice for ten years. The annual payment under the agreement is approx. \$6 million.

Shore signed an agreement with an interstate gas pipeline company for connection of a second unilateral gas pipeline to serve the power plant. According to the provisions of the agreement, the interstate pipeline company will take action to construct, install, own, operate and maintain the pipeline leading to the power plant. Shore expects the construction of the pipeline to be completed in mid-2021. Upon completion, it will start paying usage fees.

On December 22, 2017, Shore signed an amended services agreement with its original equipment manufacturer. Shore may acquire additional services under the agreement, as needed. The consideration consists of a fixed minimum annual payment, variable quarterly payments based on operating parameters of the defined equipment, and quarterly management fees. Aside from the minimum annual payment, the rest of the payments increase by 2.5% every year. The agreement ends on the earlier of: (A) the date on which the equipment reaches a defined milestone; or (B) 20 years from the signing date.

Shore signed an agreement for operation and maintenance of the facility (O&M). The consideration includes fixed annual management fees, a performance-based bonus and reimbursement of employment expenses, including, payroll and taxes, subcontractor costs and other costs as provided in the agreement.

Shore signed an energy management agreement for with CEMS for provision of certain services relating to sale of merchant energy, capacity and ancillary services. The agreement includes a fixed monthly payment, plus reimbursement of expenses during the agreement period. The agreement also includes provisions for reimbursement of expenses to CEMS in respect of services provided by third parties for Shore. The period of the agreement is from December 15, 2020, up to December 31, 2025, where Shore has an option to extend the period of the agreement twice for five additional years, at its discretion.

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
At March 31, 2021

Note 7 – Associated Companies (Cont.)

E. Main agreements of the project companies in the CPV Group: (Cont.)

5. Other main agreements of associated companies (hereinafter – “the Project Companies”) in the CPV Group: (Cont.)

Valley

Valley signed an agreement for the supply of natural gas of up to 127,200 MMBtu per day at a price linked to the market. Pursuant to the agreement, the supplier is responsible for transmission of natural gas to the designated supply point. The period of the agreement is up to May 31, 2023.

Valley signed an agreement with an inter-state pipeline company for the licensing, construction, operation and maintenance of a pipe and measurement and regulating facilities, from the inter-state pipeline system for transmission of natural gas up to the facility. The supplier provides 127,200 MMBtu per day of firm natural gas transportation at an agreed price during a period that ends on March 31, 2033. In addition, Valley signed an agreement for provision of transmission services (firm) in a quantity of 35,000 MMBtu per day, for a period of 15 years ending on March 31, 2033. The annual payment under the agreement is approx. \$21 million.

Valley signed an agreement with its original equipment manufacturer, for maintenance services for the fire turbines. The consideration includes fixed and variable amounts from the first operation date of the turbines. The period of the agreement is up to the earlier of: (A) 132,800 equivalent base load hours; or (B) the lapse of 29 years starting from June 9, 2015.

Valley signed an operation and maintenance agreement (O&M) with one of the partners in the project. The consideration includes fixed annual management fees, an operation bonus, and reimbursement of certain costs defined in the agreement that were incurred by the third party. The period of the agreement is five years from the completion date of construction of the facility, and the agreement may be renewed for an additional three years.

Valley signed an energy management agreement for the provision of management services in connection with fuels, electricity management, risk management and additional defined services. The consideration includes a fixed monthly payment and reimbursement of certain costs. The period of the agreement is up to October 31, 2022 and Valley may extend the agreement.

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
At March 31, 2021

Note 7 – Associated Companies (Cont.)

E. Main agreements of the project companies in the CPV Group: (Cont.)

5. Other main agreements of associated companies (hereinafter – “the Project Companies”) in the CPV Group: (Cont.)

Three Rivers

Three Rivers signed two agreements for the supply of natural gas. The agreements supply 139,500 MMBtu per day to the facility from the operation date of the facility and for a period of five years, and a reduced quantity of 25,000 MMBtu per day from the fifth year of operation of the facility and up to the tenth year. The price of natural gas delivered under these agreements is tied to the day-ahead electricity price at the connection point to the grid in the ComEd region within PJM. The agreements include an obligation to purchase a minimum amount/scope of natural gas (TOP), and Three Rivers has the right to resell gas it does not need.

Three Rivers signed two connection agreements for transmission of gas, where each of them is sufficient for the full demand of the facility. One agreement is an interconnect agreement with an inter-state pipeline company for transmission of natural gas. The agreement sets forth the responsibility of the parties in connection with the design, construction, ownership, operation and management of a pipe and connection and pressure equipment. Based on the agreement, Three Rivers will bear the costs of all the said facilities, which costs are included in total expected cost in the above table. The second agreement is an additional inter-connect agreement with an inter-state pipeline company for transmission of natural gas. As part of the agreement, the counterparty is responsible for the design and construction to the existing pipe. The other party to the agreement will remain the owner of these facilities and will operate them and Three Rivers will bear the development and construction costs, which costs are included in the construction cost.

Three Rivers signed an agreement for transmission of gas with an inter-state pipeline company and its Canadian affiliate, for firm transmission of natural gas from Alberta, Canada to the facility. The agreements include capacity of 36.2 MMcf per day, at agreed prices. The agreement period of 11 years from the signing date of the agreement on November 1, 2020. The counterparty is permitted to extend the agreement for an additional year by means of prior notice of 12 months.

Three Rivers signed an agreement for acquisition of equipment for generation of electricity (power generation equipment) and related services, with an international company specializing in design and manufacture of equipment, including that required for an electricity generation facility. The said equipment includes two units, where each of them consists of the following main components: a gas or fire turbine; a heat recovery steam generator; a steam turbine; generator/producer; continuous control system for emissions and additional related required equipment. The equipment supplier is responsible for supply and installation in accordance with that stipulated in the agreement. In addition, the supplier is to provide technical consulting services to Three Rivers in order to support the installation process, commissioning, examinations and operation of all the equipment. Pursuant to the terms of the agreement, Three Rivers will pay the third party, in installments based on reaching milestones.

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
At March 31, 2021

Note 7 – Associated Companies (Cont.)

E. Main agreements of the project companies in the CPV Group: (Cont.)

5. Other main agreements of associated companies (hereinafter – “the Project Companies”) in the CPV Group: (Cont.)

Three Rivers (Cont.)

Three Rivers signed a construction, engineering, acquisition and construction agreement with an international engineering, acquisition and construction contractor. Pursuant to the agreement, the contractor will design and construct the required components of the facility, to integrate all the equipment required for the power plant.

Three Rivers signed a services agreement with its original equipment manufacturer, for maintenance services for the fire turbines. The consideration includes a fixed and a variable amount commencing from the date of the commercial operation. The period of the agreement is from August 21, 2020 (the “Effective Date”) up to the earlier of: (A) 25 years from the Effective Date; or (B) when specific milestones are reached on the basis of use and wear and tear.

Three Rivers signed an agreement for operation and maintenance of the power plant. The consideration includes fixed annual management fees, a performance-based bonus, and reimburses for employment expenses, payroll and taxes, subcontractor costs and other costs as provided in the agreement. The period of the agreement will commence during the construction period, and will run up to about 3 years from the date of completion of construction of the power plant.

Three Rivers signed an asset management agreement CPVI, whereby CPVI provides construction services and asset management services. The consideration includes an annual fixed payment, incentive fees during operation, and provisions regarding reimbursement of certain expenses. The agreement includes provisions regarding reimbursement of expenses of CPVI incurred in connection with construction management services, which include the work hours of CPVI’s team, and expenses and amounts paid to third parties. The period of the agreement is up to ten years after completion of the construction of the facility, where the agreement may be extended for an additional year.

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
At March 31, 2021

Note 8 – Segment Reporting

As a result of acquisition of the CPV Group in January 2021 (as stated in Note 6), which is engaged in development, construction and management of renewable energy and conventional (powered by natural gas of the open-cycle type from an advanced generation) power plants in the United States, commencing from the first quarter of 2021 the Group presents two geographic activity sectors that constitute strategic business units of the Group. These strategic business units include products and services and are managed separately for purposes of allocation of resources and evaluation of performance due to the fact that they are located in different geographic regions. For each strategic business unit, the chief operational decision maker regularly reviews the internal managerial reports. In addition, the segment's results are based on the Company's profit (loss) before depreciation and amortization, changes of the fair value of derivative financial instruments, net financing expenses or income, and income taxes attributed to the Group's reportable segments ("Adjusted EBITDA"). The information of investee companies in this note are included as proportionate consolidation at the CPV Group's rate of holding. The information on subsidiaries in this note is presented fully without adjustment to the rate of holdings. The adjustment column adjusts the results to the income statement mainly as a result of presenting the data of investee companies. Set forth below is a brief description of the business activities of each of the Group's activity sectors:

- Israel – Holding, generation and supply of electricity and energy in Israel segment. In this activity segment, the Group is engaged in generation and supply of electricity and energy to private customers, Israel Electric Company and the System Administrator, and in initiation, development, construction and operation of power plants and facilities for generation energy.
- U.S. – Development, construction and management of renewable energy and conventional (powered by natural gas) power plants in the United States. In this activity segment, the Group is engaged in maintenance, development, construction and management of renewable energy and conventional (powered by natural gas) power plants in the United States and holding of rights in active power plants and a power plant under construction – both in the conventional area and in the area of renewable energy. Furthermore, the Company is engaged in provision of management services to power plants in the United States that are owned by third parties.

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
At March 31, 2021

Note 8 – Segment Reporting (Cont.)

The Company manages its activities in Israel under one operational roof, mainly through OPC Israel Ltd., and its activities in the United States under another operational roof through the CPV Group.

	For the three months ended March 31, 2021			
	Israel	U.S.	Adjustments	Total consolidated
			(Unaudited)	
	In Millions of New Israeli Shekels			
Revenues from sales and services	350	182	(156)	376
Adjusted EBITDA for the period	100	58	(6)	152
Depreciation and amortization	(35)	(34)	26	(43)
Financing expenses, net	(29)	(33)	44	(18)
Loss from revaluation of financial instruments	–	(47)	47	–
Reductions of profit and loss in respect of adjustments to fair value made on the acquisition date	–	6	(6)	–
Share in losses of associated companies	–	–	(96)	(96)
Transaction expenses in respect of acquisition of the CPV Group	–	(2)	–	2
	(64)	(110)	15	(159)
Income (loss) before taxes on income	36	(52)	9	(7)
Taxes on income (tax benefit)	(9)	16	–	7
Net income (loss)	27	(36)	9	*–

* Amount less than NIS 1 million.

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
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Note 9 – Additional Information

A. General

1. In December 2020, the Electricity Authority published a decision that entered into effect on January 1, 2021, regarding update of the tariffs for 2021, whereby the rate of the generation component was reduced by 5.7% from NIS 267.8 per MWh to NIS 252.6 per MWh. A decrease in the generation component, as stated, is expected to have a negative impact on the Company's profits in 2021 compared with 2020.
2. In the three-month periods ended March 31, 2021 and 2020, the Group acquired property, plant and equipment not for cash, in the amounts of about NIS 179 million and about NIS 13 million, respectively.

B. The Company

1. In January 2021, the Company's Board of Directors approved (after approval of the Company's Audit and Remuneration Committee) the service and employment conditions of Mr. Yair Caspi as Chairman of the Company's Board of Directors, which include, among others, issuance of 367,252 options. In February 2021, the General Meeting of the Company's shareholders approved Mr. Caspi's service conditions in accordance with the approval of the Board of Directors. In March 2021, approval was received from the Stock Exchange for registering for trading of 367,252 shares that will derive from exercise of the options, and the options were actually issued to Mr. Caspi shortly thereafter on March 10, 2021.

The options are non-marketable, where each one may be exercised for one ordinary share of the Company and in total for 367,252 ordinary shares of NIS 0.01 par value each of the Company. The options were issued in accordance with the Company's options' plan, as stated in Note 17B to the annual financial statements, and 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 Options are as follows:

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

The exercise price of each option issued is NIS 32.78 (unlinked). The exercise price is subject to certain adjustments, including in respect of distribution of dividends, issuance of rights, etc.

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
At March 31, 2021

Note 9 – Additional Information (Cont.)

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

1. (Cont.)

The average fair value of the options on the approval date of the issuance by the Board of Directors, using the Black and Scholes model, was NIS 13.07 per option. The calculation is based on the monthly standard deviation of 38.8%, an annual risk-free interest rate for the period of 0.2% to 0.4%, an expected life of 4 to 6 years and share price of a Company share on January 10, 2021 which was NIS 36.01.

The cost of the benefit embedded in the offered securities, which is based on the fair value on the date of their issuance, amounted to about NIS 5 million. This amount will be recorded in the statement of income over the vesting period of each tranche.

In addition, further to that stated in Note 17B(2) to the annual consolidated financial statements, in January 2021, the Company issued an additional 101,989 ordinary shares of the Company to Group officers as a result of net exercise notifications of 187,760 options. The weighted-average price per share on the exercise date of the options was NIS 36.45.

2. In January 2021, the Company issued to Altschuler Schaham Ltd. (hereinafter – “Altschuler”) and entities managed by Altschuler (hereinafter together in this Section – “the Offerees”), 10,300,000 ordinary shares of NIS 0.01 par value each. The price of the shares issued to the Offerees is NIS 34 per ordinary share, which was determined in negotiations between the Company and the Offerees, and the gross proceeds from the issuance amounted to about NIS 350 million. The issuance expenses amounted to about NIS 4 million.
3. Changes in the Company’s significant guarantees:
 - a. Further to that stated in Note 15D(3) to the annual consolidated financial statements regarding an agreement for investing capital of Zomet in the period of the report, in light of provision of the balance of the shareholders’ equity to Zomet, the bank guarantee provided by the Company, in the amount of about NIS 85 million, was cancelled, and the deposit, in the amount of about NIS 43 million, which served as security for the said guarantee, was released.
 - b. Further to that stated in Note 24A(3) to the annual consolidated financial statements regarding a compromise agreement in respect of the amount of development levies to the Shafir Regional Council, in the period of the report, the guarantee, in the amount of about NIS 21 million, expired.
 - c. Further to that stated in Note 15D(2) to the annual consolidated financial statements regarding Hadera’s financing agreement, in the period of the report, a bank guarantee, in the amount of about NIS 50 million, which was provided by the Company in favor of the lenders, was cancelled, and the collateral, in the amount of about NIS 25 million, that was provided in respect of this guarantee, was released.

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
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Note 9 – Additional Information (Cont.)

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

4. In January 2021, a subsidiary of the parent company transferred to the Company, for no consideration, all its shares and rights (100%) in IC Green Energy Inc. (its former name – Primus Green Energy Inc.), a company incorporated in New Jersey in the United States (hereinafter – “ICG Energy”), which up until recently held activities in the area of renewable energy.

During the years 2005–2020, ICG Energy recorded net operating losses for tax purposes, which as at December 31, 2020 amounted to about \$108 million, and usable tax credits in the amount of about \$1.7 million, which may be offset for tax purposes in the United States against future income in the United States, subject to complying with the conditions of the law, some of which are not under the Company’s control and, therefore, the Company did not recognize deferred tax assets in respect thereof.

Transfer of ICG Energy to the Company was approved by the Company’s Board of Directors and Audit Committee as a transaction that is only for the Company’s benefit, pursuant to Section 1(2) of the Companies Regulations (Leniencies in Transactions with an Interested Party), 2000.

In addition, in January 2021, after transfer of ICG Energy to the Company, the Company transferred its rights and loans in the limited partnership, OPC Power Ventures LP (hereinafter – “OPC Power”) (for details regarding OPC Power and the rights of the Company therein – see Note 25M to the annual consolidated financial statements and Note 10H below) to ICG Energy for a consideration of a loan, in the amount of about NIS 472 million, and capital notes issued by ICG Energy to the Company, in the amount of about NIS 1,188 million. The loan is denominated in shekels, is not linked to the CPI and bears interest at the annual rate of 7%. The loan principal will be repayable at any time that will be agreed to between the parties, but not later than January 2028. Accrued interest is to be paid on a quarterly basis. To the extent the payment made by ICG Energy is lower than the amount of the accrued interest, the payment in respect of the balance will be postponed to the next quarter, but not later than January 2028. The capital notes are repayable not before 5 years from their issuance date, are denominated in shekels, are not linked to the CPI and are to be repaid based on the decision of ICG Energy.

Transfer of the shares of ICG Energy to the Company will permit the Company to manage its activities in the United States under ICG Energy. Among other things, the said transfer (subject to compliance with the conditions) will permit a tax savings with respect to profits, if any, from the business activities in the United States.

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
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Note 9 – Additional Information (Cont.)

B. The Company (Cont.)

5. Further to that stated in Note 25K to the annual consolidated financial statements, as at the approval date of the financial statements, the Company signed a number of agreements including construction and operation of facilities for production of energy on the consumer's premises that generate electricity by means of natural gas and that are connected to the distribution and transmission network (hereinafter – "the Generation Facilities") with a cumulative scope of about 90 megawatts, and construction and supply agreements covering motors for the Generation Facilities, with an aggregate capacity of about 55 megawatts.

C. Zomet

1. Further to that stated in Note 11A to the annual consolidated financial statements regarding land on which the Zomet Power Plant is being constructed in January 2021, a final assessment was received from Israel Lands Authority (hereinafter – "ILA") in respect of the land, whereby the value of the usage fees in the land, for a period of 25 years, for construction of a power plant having a capacity of 396 megawatts, amounts to NIS 200 million (hereinafter – "the Final Assessment"). It is noted that in February 2021, the Joint Company submitted a legal appeal of the amount of the Final Assessment and it intends to submit an appraiser's appeal in accordance with ILA's procedures. In March 2021, a reimbursement was received, in the amount of about NIS 7 million, including linkage differences and interest, in respect of the difference between the capitalized fees actually paid and the amount of the Final Assessment.
2. Further to that stated in Note 24A(3) to the annual consolidated financial statements regarding a compromise agreement in respect of the amount of the development levies to the Local Council of Shapir (hereinafter – "the Council"), in February 2021 the legal process came to an end by means of a compromise. As part of the compromise, the Council agreed to reduce the amount of the levies to about NIS 20 million, in such a manner that Zomet is required to pay to the Council, beyond the NIS 13 million already paid, as stated above, an additional amount of about NIS 7 million, where such amount includes levies in respect of a built-up area of 11,600 square meters, which has not yet been built, and Zomet has the right to construct it with no additional payment of levies. In February 2021, the compromise arrangement was submitted to the Court that heard the petition and it was given the force of a court decision.
3. Further to that stated in Note 25F to the annual consolidated financial statements regarding a gas transmission agreement in Zomet, in January 2021 Israel Natural Gas Lines Ltd. updated the budget for the total connection fees to the amount of about NIS 31.7 million.
4. Subsequent to the date of the report, in April 2021, Zomet made an additional withdrawal, in the amount of about NIS 76 million, from the long-term loan framework, as described in Note 15D(3) to the annual consolidated financial statements.

Note 9 – Additional Information (Cont.)

D. Hadera

In December 2020 and during and after the period of the report, replacement and renovation work was performed in the gas turbines in the Hadera Power Plant as part of anticipated activities. In January 2021, replacement and renovation work in one of the gas turbines was completed and in May 2021 replacement and renovation work with respect to certain components in the second gas turbine was completed. Later on in 2021, additional mandatory maintenance work (hereinafter – “the Additional Work”) is expected to be performed in the steam turbine. During performance of the work in 2021 and up to the publication date of the report, the Hadera power plant was operated on a partial basis for a period of about 65 days, and during performance of the Additional Work the steam turbine will be shut down for period of time estimated to be about 60 days. The replacement and renovation work of certain components, as stated, which had been completed as at the approval date of the financial statements and the performances of the gas turbine/s as a result of such work are in accordance with the expectations of these turbines.

Further to that stated in Note 25D of the annual financial statements, according to the construction agreement and based on the position of its legal counsel, Hadera is entitled to liquidated damages (limited to the maximum specified in the construction agreement) from the construction contractor for delay of the delivery date and damages (limited to an amount up to the maximum specified in the construction agreement) in the event of non-compliance with conditions set out in the agreement in connection with the performance of the power plant. It is noted that the construction contractor alleges, among other things, that Hadera does not have any grounds for charging the amounts specified in the agreement in respect of the delay and the performance of the power plant and also claims that he may renew the guarantee provided in a reduced amount.

On May 26, 2021, a notice letter of a dispute before taking legal action was received from the construction contractor alleging, among other things, that (1) Hadera does not have grounds for charging him the amounts specified in the construction agreement for the actual delay, and that the offsetting carried out by the Company from the payments due to the construction contractor as set out below deviates from the agreement; (2) Hadera does not have grounds for charging him the amounts specified in respect of the performance of the power plant; (3) the construction contractor has allegations regarding eligibility to additional consideration of EUR 7 million beyond the consideration specified in the agreement (these allegations were rejected by the Company, except with respect to a non-material amount); (4) in the absence of Hadera's right, as alleged by the contractor, to additional damages for the delay and the performance of the power plant and for other reasons, he may decrease the bank guarantee provided (which is valid until the beginning of July 2021) from 20% of the total consideration to 5% of the total consideration. As also noted by the construction contractor in the warning letter, Hadera disputes the construction contractor's allegations and as stated, such claims were rejected by it before receiving the warning letter. In the warning letter, the contractor noted the timetables set out in the agreement for a response to the warning letter and agreed to extend the existing bank guarantee in an amount of 20% of the consideration by one month only, without derogating from his allegations in the above warning letter. As aforesaid, Hadera rejects the construction contractor's allegations and is considering its measures following the contractor's notice with its legal counsel.

OPC Energy Ltd.
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Note 9 – Additional Information (Cont.)

E. Rotem

Further to that stated in Note 25C to the annual consolidated financial statements regarding an agreement for acquisition of electricity in Rotem, on March 17, 2021, Rotem received a letter from IEC (in its position as the System Administrator), which includes the open matters between the parties and their positions regarding these matters as IEC views them. In this regard, IEC raises contentions regarding past accountings in respect of the acquisition cost of energy for Rotem customers in a case of a load reduction of the plant by the System Administrator, and collection differences due to non-transfer of meter data in the years 2013 through 2015, in amounts that are not material to the Company. In addition, IEC stated its position with respect to additional matters in the arrangement between the parties relating to the acquisition price of surplus energy and the acquisition cost of energy by Rotem during performance of tests. Rotem's position regarding the matters referred to by IEC, based on its legal advisors, is different and talks are being held between the parties. As at the approval date of the financial statements, the open matters, as stated, had not yet been resolved and there is no certainty regarding formulation of consents between the parties. To the extent the open matters are not resolved there will be no choice other than to turn to the courts.

Further to that stated in Note 25J to the annual consolidated financial statements regarding application of the decision of the Electricity Authority with respect to deviations from Rotem's consumption plans, in May 2021 Israel Electric Company (IEC) notified Rotem that according to its approach, sale by Rotem of energy to end-consumers in excess of the power plant's generation capacity deviates from the provisions of the electricity acquisition agreement between it and IEC (as stated in Note 25C to the annual consolidated financial statements). Rotem's position regarding the electricity acquisition agreement is different, and in any event according to Rotem's position the matter is expected to be impacted by supplementary arrangements that are to be determined further to the decision of the Electricity Authority, as stated in Note 25J to the annual consolidated financial statements. As at the date of the report, supplementary arrangements, as stated, had not yet been provided.

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
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Note 9 – Additional Information (Cont.)

F. AGS Rotem

Further to that stated in Note 24A(6) to the annual consolidated financial statements, in January 2021, the Subcommittee for Comments and Objections of the National Planning and Building Committee of the NIP held a discussion regarding comments and objections with respect to NIP 94. The objections to the plan were rejected and AGS was requested to make technical revisions to the provisions of the plan, which were made in the beginning of March 2021. Approval of NIP 94 (if approved) is subject to final approval of the National Infrastructures Committee in accordance with the above decision of the National Council and the National Infrastructures Committee, and approval to take effect of the State of Israel.

G. OPC Hadera Expansion

Further to that stated in Note 24A(9) to the annual consolidated financial statements regarding a survey of the impact on the environment of OPC Hadera Expansion Ltd., in January 2021 the National Infrastructures Committee discussed a plan and transferred it for comments of the District Committees and objections of the public, and in February 2021 the plan was actually deposited. Approval of NIP 20 (if approved) is subject to final approval of the National Planning Board in accordance with the decisions of the National Council and the National Planning Board, as above, and approval to take effect by the Government of Israel.

H. OPC Power Ventures LP

OPC Power is a designated partnership the purpose of which is acquisition of the CPV Group through the Buyer and making of additional agreements in the Buyer and in the CPV Group. For additional details regarding OPC Power – see Note 25M to the annual consolidated financial statements.

In January 2021, the Company and the holders of non-controlling interests provided OPC Power investments in partnership capital and loans, in the amount of about \$556 million (about NIS 1,770 million) and about \$173 million (about NIS 549 million), respectively, and in accordance with their proportionate holdings. The loans are denominated in dollars and bear interest at the annual rate of 7%. The loan principal will be repayable at any time as will be agreed to between the parties, but not later than January 2028. The accrued interest is payable on a quarterly basis. To the extent the payment made by OPC Power is less than the amount of the accrued interest, payment in respect of the balance will be postponed to the following quarter – but not later than January 2028.

It is noted that upon transfer of ICG Energy to the Company (as described in Note 9B(4) below), the Company transferred all the loans and rights of OPC Power to ICG Energy.

The total amount investment commitments and owners' loans of all of the partners is \$815 million. The said amount is designated for acquisition of all the rights in the CPV Group and for financing additional investments in order to execute certain projects on the list (backlog) of the projects of the CPV Group in the upcoming years. As at the approval date of the financial statements, investments were made and owners' loans were provided in the aggregate amount of about \$736 million.

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
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Note 9 – Additional Information (Cont.)

1. Partners' agreements in the Project Companies

For details regarding partners' agreements in the active projects of the CPV Group – see Note 7 above.

2. Management agreements

CPV Group is engaged in provision of management services to power plants in the United States with respect to a variety of technologies and fuel types – this being in an overall scope, as at the submission date of the report, of about 7,911 megawatts (about 5,455 megawatts for projects in which it holds equity rights, as stated in Section 7 above, and about 2,456 megawatts for projects for third parties) by means of signing asset management agreements and energy management agreements, usually for short/medium periods. As at the submission date of the report, the average balance of the period of all the management agreements (in projects wherein CPV holds rights and in projects of third parties) is about 4 years, where the average balance of the period in the management agreements for projects in which CPV holds rights is about 6 years (all of this subject to the provisions of the relevant agreement regarding the possibility of early conclusion of the agreements or possibilities for renewal thereof for additional periods, as applicable). The management services are provided in exchange for annual management and incentive fees. The management services include, among others, project management and compliance with regulations, supervision of operation of the project, management of the energy generated, including optimization and management of exposures, management of the project's debt and credit, management of undertakings in the agreements, licenses and contractual liabilities, management of budgets and financial matters, project insurance, etc.

3. Main agreements of Keenan:

Keenan signed a wind power energy agreement for sale of renewable energy. Pursuant to the terms of the agreement, the purchaser is to receive all the energy generated in the wind farm, to credits, certificates, similar rights or other environmental allotments. The consideration includes a fixed payment. The period of the agreement is 20 years, ending in 2030. The purchaser is permitted, under certain circumstances, to extend the agreement for a period of an additional five years, and to acquire an option to purchase the project at the end of the agreement period at its fair market value as defined in the agreement and pursuant to the terms stipulated. The annual income of the agreement to the project is at scope of approx. \$27 million.

Keenan signed a services agreement and an operations agreement with its original equipment manufacturer for the operation, maintenance and repair of the facility. The consideration includes fixed annual fees, performance-based bonus and reimbursement of expenses. The agreements run up to February 2031. For the most recent two calendar years, Keenan incurred approximately \$6 million annually under these agreements.

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
At March 31, 2021

Note 9 – Additional Information (Cont.)

I. The CPV Group (Cont.)

3. Main agreements of Keenan; (Cont.)

Keenan signed an asset management agreement with CPVI. The management services include management of the project documents; negotiations with respect to additional project agreements; compliance and control; management of financial documents; financing; management of accounts and payments; taxes; budgets; insurance; government permits and regulation; etc. The consideration includes a fixed monthly payment and reimbursement of expenses. The period of the agreement is up to March 31, 2025, with an option for Keenan, under certain circumstances, to terminate the agreement early.

Keenan's financing agreement was completed on February 12, 2010. As at March 31, 2021, Keenan's balance of the debt (after adjustment to fair value due to the business combination described in Note 6) was about NIS 236 million (\$71 million). Final repayment of the Term Loan – December 31, 2028 and of the accompanying credit facilities – December 31, 2021 (the amortization schedule of the Term Loan is based on the December 2030 maturity date, however with a 100% cash sweep mechanism starting March 2027, so that the term loan is expected to be repaid in full by the December 2028 maturity date). The annual interest rate is LIBOR plus margin in the range of 2.25%–2.75% in respect of the Term Loan, and a margin of 1% in respect of accompanying credit frameworks. Execution of a distribution is subject to the project company complying with a number of conditions, including, compliance with a minimum debt service coverage ratio of 1.2 during the 4 quarters that preceded the distribution, compliance with reserve requirements (pursuant to the terms of the financing agreement), compliance with the debt balances target defined in the agreement, and that no ground for repayment or breach event exists (as defined in the financing agreement). The main grounds for calling for immediate repayment / event of default: the financing agreement includes grounds for repayment that are standard in agreements of this type, including, among others – breach of representations and covenants that have a material adverse impact, non-payment events, non-compliance with certain obligations, various insolvency events, termination of the activities of the project or termination of significant parties in the project (as defined in the agreement), occurrence of certain events relating to the regulatory situation of the project and maintaining of government approvals, certain changes in ownership of the project, certain events in connection with the project, existence of legal proceedings relating to the project, and a situation wherein the project is not entitled to receive payments for electricity – all in accordance with and subject to the conditions, definitions and cure periods detailed in the financing agreement.

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
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Note 9 – Additional Information (Cont.)

I. **The CPV Group (Cont.)**

4. **Main agreements of Maple Hill:**

CPV Maple Hill Solar LLC (hereinafter – “Maple Hill”) entered into a transaction for sale of Renewable Energy Certificates (RECs) for a period of 5 years. In addition, the project is expected to sign an electricity hedge agreement or a PPA agreement for sale of electricity for a period of 8 to 12 years.

Subsequent to the date of the report, in May 2021, a commencement order for the construction work was issued to the project’s construction contractor.

Set forth below are details of the significant agreements of the Maple Hill:

- A. Maple Hill signed an agreement for acquisition of solar panels with an international supplier. The consideration includes payment of a fixed price for acquisition of solar modules, plus the shipping (delivery) cost to the plant.
- B. Maple Hill signed an agreement for acquisition of a generator switch (transformer) with an international supplier. The consideration includes payment of a fixed price for acquisition of the generator switch, supply, installation and order.
- C. Maple Hill signed a construction, purchase and engineering agreement with an international supplier. Pursuant to the agreement, the contractor is to plan and construct the required components for the power plant in order to integrate all the required equipment for the power plant.
- D. Maple Hill signed an asset-management agreement with CPVI, for construction and asset-management services. The consideration includes a fixed annual payment and a payment for reimbursement of expenses. The agreement includes reimbursement of expenses incurred by CPVI, expenses and amounts paid to third parties. The period of the agreement is up to ten years from the completion date of the plant, and the agreement may be renewed for an additional year.

As at the date of the report, the expected cost of the investment in Maple Hill is estimated at about \$158 million. It is noted that the construction agreement and the equipment agreement constitute most of the aforesaid cost.

5. **Main agreements of Rogue’s Wind:**

Subsequent to the date of the report, in April 2021, the CPV Group signed an agreement for sale of all the energy, availability (capacity) and Renewable Energy Certificates (RECs) of the wind energy project Rogue’s Wind (hereinafter in this Section – “the Project”). The Agreement was signed for a period of 10 years commencing from the commercial operation date and it is expected to generate annual income for the Project estimated at about \$15 million. The CPV Group deposited the amount of about \$8.5 million as security for its liabilities under the Agreement.

OPC Energy Ltd.
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Note 10 – Events Occurring Subsequent to the Date of the Report

- A. In April 2021, the CPV Group signed an agreement for acquisition of the balance of 30% of the rights in Keenan for a consideration of about \$25 million. Keenan owns a wind energy power plant with a capacity of 152 megawatts. After the acquisition, the CPV Group holds all of the rights in the project.
- B. In April 2021, the Company an agreement for acquisition of shares of Gnergy Ltd. (hereinafter – “Gnergy”), which is engaged in the area of charging of electric vehicles (e-mobility) and construction of charging posts for electric vehicles.

Gnergy was established in 2008 and is engaged in the area of charging of electric vehicles (e-mobility). Gnergy offers and develops a number of solutions, along with charging and energy management services. As at the approval date of the financial statements, Gnergy’s activities are concentrated in Israel. The solutions advanced by Gnergy include: (1) public charging network – Gnergy owns a public charging network spread out through the entire State. Gnergy intends to continue expanding the said public charging network with emphasis on quick charging posts in strategic areas; (2) sale and installation of charging posts, including by means of framework agreements with the leading vehicle importers; (3) charging and energy management services for condominiums (apartment complexes) and holistic charging services for the business sector and vehicle fleets based on Gnergy’s technological developments.

As part of the agreement (including the said amendment), the Company will acquire shares subject to fulfillment of preconditions, on dates and in amounts as follows – shares of Gnergy constituting 51% of Gnergy’s share capital in exchange for a consideration in the aggregate amount of about NIS 67 million, as follows:

1. On the completion date of the transaction, the Company invested the amount of about NIS 19.8 million in Gnergy against issuance of shares of Gnergy to the Company. In addition, the Company acquired from Mr. Ran Aluya, the Company’s founder and the party that up to the completion date of the transaction was the 100% owner of Gnergy’s shares (hereinafter – “the Developer”), in exchange for a consideration of NIS 5.2 million, in such a manner that upon completion of the transaction, the Company will hold about 27% of Gnergy’s share capital and the Developer will hold about 73% of its share capital.
2. During a period ending on December 15, 2021, the Company is to invest in Gnergy an additional amount of about NIS 29 million, against issuance of additional shares of Gnergy. In addition, on December 15, 2021 the Company is to acquire additional shares from the Developer, in exchange for an aggregate consideration of NIS 13 million (part of which is expected to be paid in installments that will bear interest at the annual rate of 5%), in such a manner that upon completion of acquisition of the additional shares, as stated, the Company will hold about 51% of Gnergy’s share capital and the Developer will hold about 49% of its share capital (“the Additional Closing”).

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
At March 31, 2021

Note 10 – Events Occurring Subsequent to the Date of the Report (Cont.)

B. (Cont.)

Concurrent with the Share Acquisition Agreement, a shareholders' agreement was signed that governs the relationship between the Company and the Developer after completion of the transaction (hereinafter – "the Shareholders' Agreement"). As part of the Shareholders' Agreement, the Company is granted an option to acquire the balance of the Developer's shares and to reach a holding of 100% of Gnergy's shares (hereinafter – "the Purchase Option"). The exercise price of the Purchase Option will be derived from the fair value of Gnergy on the exercise date, assuming an agreed-to rate, but not less than a price based on the value of the original transaction. The exercise period of the Purchase Option will be the period of time determined after approval of the financial statements for each of the years 2024–2026. To the extent the entire exercise period of the Purchase Option passes without the Company exercising the Purchase Option, and on the assumption that no capital investments have been made in Gnergy in such a manner that dilutes the Developer's share and subject to additional conditions stipulated in the Shareholders' Agreement, the Developer has an option to acquire shares of Gnergy from the Company such that after the acquisition he will hold 2% more than the Company in Gnergy's share capital, and will return to holding the majority of Gnergy's share capital. In addition, to the extent the Company did not exercise the Purchase Option within the first period for exercise of the Purchase Option, and the Developer will hold less than 15% of Gnergy's share capital, the Developer will have an option to require the Company purchase his shares based on the fair value that will be determined in accordance with that stated in the Shareholders' Agreement at a discount rate as provided in the agreement. The Company will be permitted to pay the consideration for the said "put" option of the Developer and, in certain circumstances, part of the consideration for exercise of the Purchase Option of the Company, by means of issuance of shares of the Company to the Developer. In addition, the Shareholders' Agreement determines, among other things, the rights of the shareholders in connection with appointment of directors to Gnergy's Board of Directors, the voting power (rights) of each of them will reflect the rates of ownership of the parties in Gnergy's share capital (except with respect to the period up to the Additional Closing during which the representatives appointed by each of the parties (the Company, on the one hand, and the Developer, on the other hand) will have equal voting power (50%) on Gnergy's Board of Directors).

On May 9, 2021, the said transaction for acquisition of Gnergy's shares was completed – this being after the preconditions were fulfilled (including receipt of notifications of the Competition Authority regarding exemption from the need to submit a merger notification). Accordingly, as at the date of this report, the Company holds about 27% of Gnergy's share capital.

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
At March 31, 2021

Note 10 – Events Occurring Subsequent to the Date of the Report (Cont.)

- C. In April 2021, CPV Group LP, the purchaser of the CPV Group (hereinafter in this Section – “the Partnership”), issued 6.5% of the participation rights in the Partnership’s income in favor of allocation to employees in the CPV Group (hereinafter in this Section – “the Offerees”), as part of the long-term equity remuneration and in accordance with arrangements determined as part of the partnership agreement. The participation rights of the Offerees are with respect to income and increase in value after return of the investment amounts to investors, and subject to vesting periods, which may be accelerated in certain cases such as a merger, sale activities, conclusion of the transaction under certain circumstances, etc. As part of the grant certificates issued to the Offerees events, among other things, were provided that upon their occurrence the Partnership will purchase the rights of the Offerees. Included in that stated above, subject to the vesting, as stated, the Offerees will be entitled to require the Partnership to acquire their rights on exercise dates that fall after three and five years from the grant date at the rates and under the conditions defined, and in certain cases of sale of rights in the Partnership by the Company (including a change in control). In addition, the Partnership is entitled to acquire rights of the Offerees under certain circumstances, such as conclusion of the transaction and the passage of five years.
- D. In April 2021, Rotem distributed a dividend, in the amount of NIS 40 million. The share of the Company and of the holders of the non-controlling interests amounts to NIS 32 million and NIS 8 million, respectively.
- E. In April 2021, the Company’s Board of Directors approved (after receiving approval of the Company’s Remuneration Committee) update of the service conditions of Mr. Giora Almog as the Company’s CEO including, among other things, allotment of 1,358,492 options. The said allotment is subject to approval of the General Meeting, which is expected to be convened on June 15, 2021.

The options are non-marketable, exercisable each one for one ordinary share of the Company and in total for 1,358,492 ordinary share of the Company of NIS 0.01 par value each. The options will be allotted in accordance with the Company’s updated remuneration policy subject to approval of the General Meeting, as stated above, and under the Capital Track (with a trustee) pursuant to Section 102 of the Income Tax Ordinance, in four equal tranches. The vesting conditions and expiration dates of the options are as follows:

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

The exercise price of each option is NIS 34.46 (unlinked). The exercise price is subject to certain adjustments (including in respect of distribution of dividends, issuance of rights, etc.).

The average fair value of the options on the date of approval of the allotment by the Board of Directors, using the Black and Scholes model, is NIS 9.54 per option. The calculation is based on a standard deviation of 35% an annual risk-free interest rate for the period of 0.35% to 0.59% an expected life of 4 to 6 years and a closing price of the share on the last trading day prior to the date of the decision of the Board of Directors of NIS 33.05.

OPC Energy Ltd.
Notes to the Unaudited Interim Consolidated Financial Statements
At March 31, 2021

Note 10 – Events Occurring Subsequent to the Date of the Report (Cont.)

E. (Cont.)

The cost of the benefit embedded in the securities offered, which is based on the fair value on the date of their allotment, amounted to about NIS 13 million. This amount will be recorded in the statement of income over the vesting period of each tranche.

- F. In May 2021, Hadera and Rotem received a notification from Nobel Energy in connection with emergency discontinuance of the activities of the Tamar Reservoir, commencing from May 11, 2021, due to the instruction of the Minister of Energy in light of the security situation existing in Israel. It was stated in the notification that according to Nobel Energy's position, the event constitutes a *force majeure* event pursuant to the gas agreements Hadera and Rotem signed with it. It is pointed out that the supply of the gas to Hadera and Rotem during the shutdown period continued as usual from the Leviathan Reservoir. In addition, Zomet's construction contractor also issued a *force majeure* notice in respect of security events. The Company is examining the notices. It is noted that on May 22, 2021, the supply of gas from the Tamar reservoir was resumed.
- G. Further to that stated in Note 25G of the annual financial statements regarding the Group's agreements with Energean Israel Limited ("Energean"), in May 2021 Energean sent Rotem and Hadera an updated notice that due to *force majeure* events, alleged by Energean, initial gas from the Karish reservoir is expected in mid-2022.

OPC Energy Ltd.

**Proforma Condensed Consolidated
Interim Financial Statements**

At March 31, 2021

(Unaudited)

OPC Energy Ltd.
Proforma Consolidated Interim Financial Statements
At March 31, 2021
(Unaudited)

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

Introduction

We have reviewed the accompanying proforma financial information of OPC Energy Ltd. and its subsidiaries, including and the condensed consolidated interim proforma statements of income and comprehensive income for the three-month period then ended. The Board of Directors and Management are responsible for the preparation and presentation of proforma financial information for this interim period in accordance with Regulation 38B of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on the proforma financial information for this interim period 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 proforma financial information is not complete, in all material respects, in accordance with the provisions of Regulation 38B of the Securities Regulations (Periodic and Immediate Reports), 1970 – this being on the basis of the proforma assumptions detailed in Note 3.

Sincerely,

Somekh Chaikin
Certified Public Accountants (Isr.)

May 27, 2021

^{*}Somekh Chaikin, an Israeli partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

OPC Energy Ltd.
Proforma Consolidated Interim Statements of Income

	For the Three Months Ended March 31						For the Year Ended December 31, 2020		
	2021			2020			2020		
	Before Proforma Event	Adjustments in respect of Proforma Data	Proforma Data	Before Proforma Event	Adjustments in respect of Proforma Data	Proforma Data	Before Proforma Event	Adjustments in respect of Proforma Data	Proforma Data
	In Millions of New Israeli Shekels						(Audited)		
	(Unaudited)			(Unaudited)			(Audited)		
Sales and services	376	15	391	313	23	336	1,325	267	1,592
Cost of sales and services (net depreciation and amortization)	259	3	262	205	18	223	968	73	1,041
Depreciation and amortization	41	3	44	23	1	24	114	19	133
Gross profit	76	9	85	85	4	89	243	175	418
Administrative and general expenses	24	7	31	13	11	24	52	46	98
Share in income (losses) of associated companies	(38)	4	(34)	–	100	100	–	(6)	(6)
Transaction expenses in respect of acquisition of the CPV Group	2	(2)	–	–	–	–	42	(42)	–
Business development expenses	1	–	1	2	2	4	7	5	12
Other income (expenses), net	*–	–	*–	*–	–	–	1	(63)	(62)
Operating income	11	8	19	70	91	161	143	97	240
Financing expenses	39	2	41	21	12	33	173	89	262
Financing income	21	6	27	5	16	21	1	*–	1
Financing income (expenses), net	18	(4)	14	16	(4)	12	172	89	261
Income (loss) before taxes on income	(7)	12	5	54	95	149	(29)	8	(21)
Taxes on income (tax benefit)	(7)	5	(2)	16	25	41	13	*–	13
Income (loss) for the period	*–	7	7	38	70	108	(42)	8	(34)
Attributable to:									
The Company's owners	7	6	13	28	51	79	(57)	3	(54)
Holders of non-controlling interests	(7)	1	(6)	10	19	29	15	5	20
Income (loss) for the period	*–	7	7	38	70	108	(42)	8	(34)
Income (loss) per share attributable to the Company's owners									
Basic income (loss) per share (in NIS)	0.03	0.04	0.07	0.19	0.36	0.55	(0.37)	0.07	(0.30)
Diluted income (loss) per share (in NIS)	0.03	0.04	0.07	0.19	0.36	0.55	(0.37)	0.07	(0.30)

* Amount less than NIS 1 million.

Yair Caspi
Chairman of the Board of Directors

Giora Almog
CEO

Tzahi Goshen
CFO

Approval date of the financial statements: May 27, 2021

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

OPC Energy Ltd.
Proforma Consolidated Interim Statements of Comprehensive Income

	For the Three Months Ended March 31						For the Year Ended December 31, 2020		
	2021			2020			2020		
	Before Proforma Event	Adjustments in respect of Proforma Data	Proforma Data	Before Proforma Event	Adjustments in respect of Proforma Data	Proforma Data	Before Proforma Event	Adjustments in respect of Proforma Data	Proforma Data
	In Millions of New Israeli Shekels								
	(Unaudited)			(Unaudited)			(Audited)		
Income (loss) for the period	*—	7	7	38	70	108	(42)	8	(34)
Components of other comprehensive income (loss) that after their initial recognition in the statement of comprehensive income were or will be transferred to the statement of income									
Effective portion of change in the fair value of cash-flow hedges	32	15	47	(40)	—	(40)	(156)	91	(65)
Net change in fair value of derivative financial instruments used for hedging cash flows recorded to the cost of the hedged item	106	(103)	3	3	—	3	10	—	10
Net change in fair value of derivative financial instruments used to hedge cash flows transferred to the statement of income	5	—	5	8	—	8	22	—	22
Foreign currency translation differences in respect of foreign activities	83	(17)	66	—	65	65	—	(144)	(144)
Share of Group in other comprehensive income of equity-accounted investee companies, net of tax	24	—	24	—	(75)	(75)	—	(20)	(20)
Taxes on income (tax benefit) in respect of items of other comprehensive loss	(4)	—	(4)	—	—	—	5	42	47
Total other comprehensive income (loss) for the period, net of tax	246	(105)	141	(29)	(10)	(39)	(119)	(31)	(150)
Total comprehensive income (loss) for the year	246	(98)	148	9	60	69	(161)	(23)	(184)
Attributable to:									
The Company's owners	220	(95)	125	(1)	42	41	(176)	10	(166)
Holders of non-controlling interests	26	(3)	23	10	18	28	15	(33)	(18)
Total comprehensive income (loss) for the year	246	(98)	148	9	60	69	(161)	(23)	(184)

* Amount less than NIS 1 million.

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

OPC Energy Ltd.
Notes to the Proforma Consolidated Interim Financial Statements
At March 31, 2021

Note 1 – General

- A. These proforma consolidated interim financial statements (hereinafter – “the Proforma Statements”) were prepared in accordance with the provisions of Regulation 38B of the Securities Regulations (Periodic and Immediate Reports), 1970, and they relate to acquisition of the control of the CPV Group (as detailed in Note 2A below).
- B. The Proforma Statements were prepared on the basis of the data of the Company and the financial data of the activities acquired as described in Note 2 below (hereinafter – “the Acquired Activities”) for the three-month periods ended on March 31, 2021 and 2020 and for the year ended December 31, 2020.
- C. The Proforma Statements are intended to retroactively reflect the consolidated results of operations and the consolidated statement of comprehensive income for three-month periods ended on March 31, 2021 and 2020 and for the year ended December 31, 2020, under the assumption that the acquisition transaction was completed on January 1, 2018, based on the actual results of operations as received from the CPV Group (as defined in Note 2) and under the assumptions spelled out in Note 3.
- D. The Proforma Statements do not include proforma consolidated statements of cash flows since there is no requirement to attach them and since they would not add significant information to the information presented in other parts of the Proforma Statements.
- E. The significant accounting principles applied in the Proforma Statements, subject to the main assumptions and adjustments included therein as described in Note 3 below, are consistent with those used in preparation of the Company’s consolidated interim financial statements as at March 31, 2021 and for the three-month then ended (hereinafter – “the Interim Statements”), on which the Proforma Statements presented above are based. Therefore, these Proforma Statements must be read together with the Company’s consolidated financial statements for the relevant periods.
- F. The Proforma Statements, by their very nature, are based on assumptions, estimates and assessments, as detailed in Note 3 below, and accordingly the proforma data included in these Proforma Statements may not be viewed as if they necessarily reflect the results of the current and/or future operations of the Company after completion of the transaction for acquisition of the CPV Group. These Proforma Statements are intended to serve the users of the Company’s consolidated interim financial statements as proforma comparative data for future periods.

Note 2 – The Proforma Event

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”).

OPC Energy Ltd.
Notes to the Proforma Consolidated Interim Financial Statements
At March 31, 2021

Note 2 – The Proforma Event (Cont.)

The CPV Group is engaged in the development, construction and management of power plants using renewable energy and conventional energy (power plants running on natural gas of the advanced-generation combined-cycle type) in the United States. The CPV Group holds rights, mainly through associated companies, in active power plants that it initiated and developed – both in the area of conventional energy and in the area of renewable energy. In addition, through an asset management group the CPV Group is engaged in provision of management services to power plants in the United States using a range of technologies and fuel types, by means of signing asset-management agreements, usually for short/medium periods. The acquisition was made through a limited partnership. CPV Group LP (hereinafter – “the Buyer”) which is held indirectly at the rate of 70% by the Company (limited partner), at the rate of 30% by financial investors (limited partners).

For purposes of financing the acquisition, the Company raised capital on the Tel-Aviv Stock Exchange and by means of a private issuance in October 2020, in the amount of about NIS 1,077 million, and it also raised capital through sale of debentures (Series B) on the Tel-Aviv Stock Exchange in October 2020, in the amount of about NIS 250 million. The balance of the amount was financed from the Company’s own sources.

The completion date of the transaction, which was subject to preconditions and receipt of various regulatory approvals, took place on January 25, 2021.

On the Transaction Completion Date, in accordance with the mechanism for determination of the consideration as defined in the Acquisition Agreement, the Buyer paid the Sellers the amount of about \$648 million (which constitutes the acquisition price of about \$630 million and certain adjustments to working capital, the cash balance and the debt balance), and the amount of about \$5 million with respect to a deposit in the same amount remaining in the CPV Group. It is noted that in respect of an interest of 17.5% in the rights in Three Rivers, a project under construction (hereinafter – “the Project Under Construction”), a seller’s loan was provided to CPVH, in the amount of US\$95 million (hereinafter – “the Seller’s Loan”). The Seller’s Loan is for a period of up to two years from the closing date of the transaction, bears interest at the annual rate of 4.5%, which is to be paid on a quarterly basis, and is secured by a lien on shares of a holding company that owns the rights in the project under construction and rights in the framework of a management agreement for the project under construction. On February 3, 2021, sale of 7.5% of the rights in CPV Three Rivers, LLC (hereinafter – “Three Rivers”) was completed, for a consideration of about \$41 million (which served for repayment of part of the Seller’s Loan). As a result of the sale, the CPV Group did not realize and gain or loss. The Seller’s Loan will continue to exist with respect to the amount of about \$54 million (about NIS 181 million) in connection with the consideration relating to 10% of the rights in Three Rivers that is held by the CPV Group, pursuant to certain conditions. It is noted that the transaction costs for acquisition of the CPV Group amounted to a total of about NIS 44 million.

The Company partially hedged its exposure to changes in the cash flows from payments in dollars in connection with the acquisition agreement by means of forward transactions. The Company chose to designate the forward transactions as an accounting hedge. In addition, on the completion date of the transaction the Buyer provided guarantees in place of the guarantees provided by the Sellers prior to the completion date of the transaction in favor of third parties in connection with projects of the CPV Group that are in the development stage.

OPC Energy Ltd.
Notes to the Proforma Consolidated Interim Financial Statements
At March 31, 2021

Note 2 – The Proforma Event (Cont.)

The CPV Group holds rights in power plants powered by natural gas and solar technology in the construction stages having capacities of 1,258 megawatts and 126 megawatts, respectively (the share of the CPV Group as at the approval date of the financial statements is about 126 megawatts and about 126 megawatts, respectively). In addition, the CPV Group has a list (backlog) of projects using solar (photovoltaic) technology in advanced development stages, with a total cumulative scope of about 1,164 megawatts, and a number of other projects in initial development stages with a total cumulative scope of 943 megawatts. In addition, the CPV Group has a list (backlog) of wind technology projects in advanced initiation stages with a total cumulative scope of about 175 megawatts, and combined-cycle projects in the development stage with a total cumulative scope of about 3,955 megawatts.

Note 3 – Main Assumptions that served as the Basis for Preparation of the Proforma Statements

A. In the Proforma Statements, which include the proforma statements of income and the proforma statements of comprehensive income for each of the three-month periods ended on March 31, 2021 and 2020 and the year ended December 31, 2020, adjustments and classifications were made regarding the manner of presentation of certain items in the financial data of Acquired Activities in order to conform the manner of their presentation to that of the Company, including to International Financial Reporting Standards (IFRS).

B. **Functional currency**

The functional currency of the companies acquired is the Dollar, which is different than the Company's functional currency, which is the shekel and for purposes of consolidation of the Proforma Statements the statements of the companies acquired were translated from the Dollar into shekels. The translation differences relating to the investment in the equity were included in the statement of comprehensive income and translation differences in respect of a loan the Company provided to the Buyer were recorded as exchange rate differences in the "financing expenses" category.

As a practical result, in the proforma statements of income for the three-month periods ended on March 31, 2021 and March 31, 2020, income from exchange rate differences was included, in the amounts of about NIS 17 million and about NIS 15 million, respectively, and for the year ended December 31, 2020 expenses from exchange rate differences were included, in the amount of about NIS 39 million. In the proforma statements of comprehensive income for the three-month periods ended on March 31, 2021 and March 31, 2020, positive translation differences were included in the amounts of about NIS 66 million and about NIS 65 million respectively, and for the year ended December 31, 2020, negative translation differences were included in the amount of about NIS 144 million.

OPC Energy Ltd.
Notes to the Proforma Consolidated Interim Financial Statements
At March 31, 2021

Note 3 – Main Assumptions that served as the Basis for Preparation of the Proforma Statements (Cont.)

C. Determination of the fair value of identified assets and liabilities in a provisionally manner

The acquisition was accounted for in accordance with the provisions of IFRS 3 “Business Combinations”. Therefore, on the completion date of the transaction the Company included the assets of the CPV Group, net, in accordance with their fair values. The Company’s share in the acquisition consideration amounted to about \$457 million. The excess cost created on the acquisition of the CPV Group amounted to about \$20 million and was allocated provisionally (in accordance with IFRS 3). Up to the approval date of the financial statements, the Company had not yet completed allocation of the acquisition cost to the identified assets and liabilities, this being due to the short period of time that passed from the date of the business combination and up to the approval date of the proforma financial statements. In light of that stated, part of the fair value data is still temporary and there could be changes that will impact the data that is included in the Proforma Statements.

In the Proforma Statements, the excess cost was allocated partly to the property, plant and equipment of the associated companies and partly to goodwill. The excess cost allocated to the associated companies was amortized in the Proforma Statements over the balance of the useful life of the property, plant and equipment (33 years). Accordingly, in the proforma consolidated statement of income for the three months ended March 31, 2020 and for the year ended December 31, 2020, amortization of excess cost expenses were recorded in the category “Company’s share in income of affiliated companies”, in the amounts of about NIS 0.4 million and about NIS 1.5 million, respectively. For the three months ended March 31, 2021, it was assumed that the fair-value adjustments as presented in Note 6 to the consolidated interim financial statements as at March 31, 2021 and that were determined on a temporary (non-final) basis are the same as the adjustments that would have been made if the acquisition had taken place on January 1, 2021.

As stated above, the Company partly hedged (accounting hedge) the exposure to changes in the cash flows due to payments in the Dollar in connection with the acquisition agreement by means of forward transactions. Costs deriving to the Company as a result of the said hedge in the Company’s statements for the three months ended March 31, 2021 and for the year ended December 31, 2020, in the amounts of about NIS 15 million and about NIS 88 million, which were recorded in other comprehensive income, were eliminated in the proforma statements of comprehensive income.

D. Transaction costs

It was assumed that acquisition costs, in the amounts of about NIS 2 million and about NIS 42 million, which were included in the Company’s statements of income for the three months ended March 31, 2021 and for the year ended December 31, 2020, respectively, were recognized in the period immediately preceding completion of the transaction for purposes of the Proforma Statements, that is, January 1, 2018, and therefore they are not included in the operating expenses in proforma statements of income. The tax impacts were included as applicable.

OPC Energy Ltd.
Notes to the Proforma Consolidated Interim Financial Statements
At March 31, 2021

Note 3 – Main Assumptions that served as the Basis for Preparation of the Proforma Statements (Cont.)

E. Financing of the acquisition cost and recording of financing expenses in connection with the Acquired Activities

As stated above, the acquisition transaction was financed through raising of capital, in the amount of NIS 1,077 million, which took place in October 2020, and by means of selling debentures (Series B), in the amount of NIS 377 million, which took place in April and October 2020. Since the proforma event in statements of income is reflected as if the acquisition had been made on January 1, 2018, the Company's results of activities as included in the proforma consolidated statement of income includes deemed interest expenses, in order to reflect therein the assumption as if sale of the said debentures was executed on January 1, 2018. Therefore, the Company included deemed interest expenses in the proforma statement of income for the three months ended March 31, 2020 and for the year ended December 31, 2020, in the amounts of about NIS 3 million and about NIS 8 million respectively, pursuant to the interest rate on the debentures (Series B). The tax impacts were included accordingly.

F. Seller's loan

On the completion date of the transaction, the former shareholders of the CPV Group invested about \$67 million in the CPV Group (about \$13 million in equity and about \$54 million in a seller's loan), where the amount of about \$67 million out of this amount was used for repayment of a loan from a financial institution that was received in 2017 and that bore interest at the rate of 12.5%. The Seller's loan bears interest at the annual rate of 4.5%. In the proforma statements of income, it was assumed that these transactions were executed on January 1, 2018 and, therefore, an adjustment was made of the financing costs for the refinancing and, accordingly, the financing expenses in the proforma statements of income for the three months ended March 31, 2021 and March 31, 2020 and for the year ended December 31, 2020 were reduced by about NIS 1 million, about NIS 4 million and about NIS 17 million, respectively, in order to reflect the difference between the interest rate of about 12.5% and the interest rate of 4.5%. In addition, in the proforma statements as at March 31, 2021, the financing income in connection with early repayment of the mezzanine loan, in the amount of about NIS 15 million, was eliminated. The tax impacts were included accordingly.

G. Taxes on income

Part of the Acquired Activities was executed through partnerships that are not taxed at the partnership level but, rather, at the level of the partners and, therefore, no tax expenses were included in the financial statements of these entities. In the Proforma Statements, the tax impacts of the Acquired Activities that are taxed as partnerships for purposes of U.S. federal taxes was included, as they are reflected at the level of the CPV Group, this being on the basis of the tax rate of the CPV Group that applied in the proforma period (about 26% in all the proforma periods – Federal tax of 21% and state tax at an average rate of 5%). As a practical result, in the proforma statement of income for the three months ended on March 31, 2021 and 2020, and for the year ended December 31, 2020, the Company recorded additional tax expenses, in the amounts of about NIS 1 million, about NIS 17 million about NIS 12 million, respectively.

OPC Energy Ltd.
Notes to the Proforma Consolidated Interim Financial Statements
At March 31, 2021

Note 3 – Main Assumptions that served as the Basis for Preparation of the Proforma Statements (Cont.)

H. Revenues and expenses that does not reflect continuation of the activities in the future

Expenses deriving from distribution of bonuses to employees, in the amount of about \$6 million (about NIS 21 million), which were paid to employees of the CPV Group in connection with completion of the transaction, which were included in the “administrative and general” category in the financial statements of the CPV Group for the three months ended March 31, 2021, were eliminated in the proforma statement of income in accordance with the assumption, as stated, that the completion date of the transaction for purposes of the proforma statements is January 1, 2018.

The revenues from sale of associated companies that were included in the statements of the CPV Group in the “other income” category in the years 2020, in the amount of \$7 million (about NIS 25 million), were eliminated in the proforma statements of income since they do not reflect the Company’s business plan of selling associated companies upon their increase in value but, rather, the intention to continue to hold and operate these companies.

I. Non-controlling interests

In each of the years presented in the proforma statement of income, the share of the holders of non-controlling interests in the income (loss) was included that derives from the impact of the data relating to the Acquired Activities that was used in preparation of the proforma financial statements and the proforma adjustments that were included in the proforma consolidated statement of comprehensive income.

OPC Energy Ltd.
Notes to the Proforma Consolidated Interim Financial Statements
At March 31, 2021

Note 4 – Associated Companies

Condensed financial information regarding the results of operations for the three-month periods ended March 31, 2021 and 2020:

	Rate of holdings	Revenues	Income (loss)	Other comprehensive income	Total comprehensive income (loss)	Company's share in income (loss)	Company's share in the comprehensive income (loss)
	In millions of New Israeli Shekels						
	(Unaudited)						
For the period ended							
March 31, 2021							
CPV Shore Holdings LLC	37.53%	95	(6)	20	14	(2)	6
CPV Maryland LLC	25.00%	106	(7)	2	(5)	(2)	(1)
CPV Valley Holdings LLC	50.00%	94	(95)	9	(86)	(47)	(43)
CPV Towantic LLC	26.00%	290	56	25	81	15	21
CPV Fairview LLC	25.00%	156	(13)	25	12	(3)	3
CPV Three Rivers LLC	10.00%	(6)	(9)	74	65	(1)	7
Total share of the							
Company in the loss						(40)	
Adjustments						6	
Total share of the							
Company in losses of							
associated companies in							
the consolidated							
statements						(34)	
	Rate of holdings	Revenues	Income (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)	Company's share in income (loss)	Company's share in the comprehensive income (loss)
	In millions of New Israeli Shekels						
	(Unaudited)						
For the period ended							
March 31, 2020							
CPV Shore Holdings LLC	37.53%	175	40	(33)	7	15	3
CPV Maryland LLC	25.00%	159	5	(10)	(5)	1	(1)
CPV Valley Holdings LLC	50.00%	255	98	(34)	64	49	32
CPV Towantic LLC	26.00%	210	54	(82)	(28)	14	(7)
CPV Fairview LLC	25.00%	207	28	(55)	(27)	7	(7)
CPV Keenan LLC	*100.00%	27	(2)	(10)	(12)	15	6
Total share of the							
Company in the income						101	
Adjustments						(1)	
Total share of the							
Company in the income							
of associated companies							
in the consolidated							
statements						100	

* Of Class B rights.

PC Energy Ltd.
Notes to the Proforma Consolidated Interim Financial Statements
At March 31, 2021

Note 4 – Associated Companies (Cont.)

Condensed financial information regarding the results of operations for the year ended December 31, 2020:

	Rate of holdings	Revenues	Income (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)	Company's share in income (loss)	Company's share in the comprehensive income (loss)
In millions of New Israeli Shekels							
(Audited)							
For the year ended							
December 31, 2020							
CPV Shore Holdings LLC	37.53%	500	5	(20)	(15)	2	(6)
CPV Maryland LLC	25.00%	453	(43)	13	(30)	(11)	(8)
CPV Valley Holdings LLC	50.00%	449	(129)	(18)	(147)	(65)	(73)
CPV Towantic LLC	26.00%	725	142	(71)	71	37	18
CPV Fairview LLC	25.00%	533	(27)	(47)	(74)	(7)	(19)
CPV Keenan LLC	*100.00%	103	(7)	(4)	(11)	41	37
CPV Three Rivers LLC	10.00%	–	(5)	1	(4)	(1)	(1)
Total share of the							
Company in the losses						(4)	
Adjustments						(2)	
Total share of the							
Company in losses of							
associated companies in							
the consolidated							
statements						(6)	

* Of Class B rights.