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

August 25, 2021

Commission File Number 001-36761

Kenon Holdings Ltd.

1 Temasek Avenue #37-02B
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 if the registrant is submitting the Form 6-K on paper as permitted by Regulation S-T Rule 101(b)(1): ☐

Indicate by check mark if the registrant is submitting the Form 6-K on paper as permitted by Regulation S-T Rule 101(b)(7): ☐

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 June 30, 2021

On August 25, 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 and six months ended June 30, 2021 ("**OPC's Periodic Report**"). English convenience translations of the (i) Report of the Board of Directors regarding the Company's Matters for the Six-Month and Three-Month Periods ended June 30, 2021 and (ii) Condensed Consolidated Interim Financial Statements at June 30, 2021 as published in OPC's Periodic Report, and (iii) Pro Forma Consolidated Financial Statements at June 30, 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"), expected commercial structure, estimated 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 consumers' premises and arrangements for supply and sale of energy to consumer, statements with respect to OC Sorek 2 Ltd. project and its construction, equipment supply and long-term maintenance agreements, 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, 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 June 30, 2021— Report of the Board of Directors regarding the Company’s Matters for the Six-Month and Three-Month Periods ended June 30, 2021, as published on August 25, 2021 with the Israeli Securities Authority and Tel Aviv Stock Exchange*
99.2	OPC Energy Ltd. – Periodic Report for the three months ended June 30, 2021— Condensed Consolidated Interim Financial Statements as at June 30, 2021, as published on August 25, 2021 with the Israeli Securities Authority and Tel Aviv Stock Exchange*
99.3	OPC Energy Ltd. – Pro Forma Consolidated Financial Statements at June 30, 2021, as published on August 25, 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: August 25, 2021	By: /s/ Robert L. Rosen
	Name: Robert L. Rosen
	Title: Chief Executive Officer

Appendix 99.1

OPC ENERGY LTD.

Report of the Board of Directors regarding the Company's Matters for the Six-Month and Three-Month Periods Ended June 30, 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 June 30, 2021 and for the six-month and three-month periods then ended, in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970 (hereinafter – "the Reporting Regulations"). The six-month period ended June 30, 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: 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 included in 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 June 30, 2021 (hereinafter – "the Interim Statements") and consolidated proforma financial statements as at June 30, 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, 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 this Report. The materiality of the information included in this Report was examined from the point of view of the Company[1]. The interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in accordance with the provisions of Part D of the reporting regulations.

It is emphasized that this Report contains "forward-looking" information, as defined in the Securities Law, 1968 (hereinafter – "the Securities Law"). Forward-looking information is uncertain information relating to the future, including projections, assessments, plans, estimates or other information relating to a 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 or the relevant business environment. References to Immediate Reports in this Report include the information included in the said Immediate Reports by means of reference.

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

1. General

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

As at the date of the financial statements, the Company is engaged in two areas of activity that are reported as business segments in its financial statements: (1) 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 it is defined in Section 1 of the Periodic Report for 2020 – "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 mainly through a wholly-owned subsidairy 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, 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 as at March 31, 2021 – 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 Note 6 to the Interim Statements) 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 interim financial statements as at March 31, 2021, the Company consolidates the financial statements of the CPV Group and also attaches consolidated interim proforma financial statements as at June 30, 2021 as a result of completion of the acquisition of the CPV Group. The CPV Group has holdings in active projects through associated companies and subsidiaries.

In addition, as part of the Company's area of activity in Israel as at the date of the report, on May 9, 2021, the Company completed acquisition of 27% of the shares of Gnrgy Ltd. (hereinafter – "Gnrgy"), which is engaged in the area of charging services for electric vehicles. As noted, as at the date of this report, the Company includes Gnrgy with its activities in Israel. For details – see Section 3E 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 geographical areas. 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 and that are consistent with the Company's business plans, as they will be from time to time, and expansion of the range of its services and the synergy embedded in the Group's activities (such as acquisition of the shares of Gnrgy, as detailed above).

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	Presentation format in the financial statements	Location	Type of project/ technology	Year of commercial operation
OPC Rotem Ltd. ("Rotem")	466	80%	Subsidiary	Rotem Plain	Natural gas, combined cycle	2013
OPC Hadera[2] Ltd. ("Hadera")	144	100%	Subsidiary	Hadera	Natural gas, cogeneration	2020

[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.

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.)

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

The United States – Set forth below are main details with reference to the operating projects in the United States[3]:

Project	Capacity (MW)	Rate of holdings of the CPV Group in the project	Presentation format in the Company's financial statements	Location	Type of project/ technology	Year of commercial operation	Restricted market[4] customer
CPV Fairview LLC ("Fairview")	1,050	25%	Associated company	Pennsylvania	Natural gas in a combined cycle[5]	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	[6]100%	Subsidiary	Oklahoma	Wind	2010	SPP (long-term PPA)

[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] For additional details regarding the relevant area of activities of each project in the restricted market – see Section 4 below.
[5] The possibility exists for a mix of ethane of up to 25%.
[6] 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 4C below.

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 Israel[7]:

Power plants/ facilities for generation of energy	**Status**	**Capacity (megawatts)**	**Rate of holdings[8]**	**Location**	**Technology**	**Date/ expectation of the start of the commercial operation[9]**	**Main customer/ consumer**	**Total expected construction cost in respect of 100% of the project (NIS millions)[10]**	**Total cost of the investment as at June 30, 2021 NIS millions)**
Zomet Energy Ltd. ("Zomet")	Under construction	≈ 396	100%	Plugot Intersection	Conventional with open cycle	January 2023	The System Administrator	[11]≈ 1,500	[12]≈ 773

[7] It is clarified that that stated in this report in connection with projects that have not yet reached operation (Zomet, Sorek B, facilities for generation of energy on the consumer's premises, NIP 94, NIP 20B) 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 project sites and/or connection to the transmission infrastructures, 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 and/or the Coronavirus crisis. 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. It is clarified that the characteristics (including the capacity and/or technology) of NIP 94 and NIP 20B, which are in the initial initiation stages and their progress is subject to, among other things, planning and licensing processes and connection assurance, are subject to change.

[8] Companies consolidated in the Company's financial statements.

[9] It is clarified that that stated with respect to the expected start date of the commercial projects that have not yet commenced operations (Zomet, Sorek B, 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.

[10] It is clarified that that stated with respect to the total estimated expected cost of the projects (Zomet, Sorek B, 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 amounts of the costs for development and the land, the final terms of agreements with suppliers, connection to the infrastructure networks and occurrence of any of the risk factors to which the Company is exposed. For additional details regarding the risk factors involved with construction projects – see Section 20.3 to Part A (Description of the Company's Business) in the Periodic Report for 2020.

[11] 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 a legal appeal of the final assessment. In August 2021, the Company was informed that the appeal was rejected by Israel Lands Authority and as at the submission date of the report the Company intends to continue the processes for appealing the assessment.

[12] Except for amounts relating to milestones in the construction agreement that were partially completed.

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[8]	Location	Technology	Date/ expectation of the start of the commercial operation[9]	Main customer/ consumer	Total expected construction cost in respect of 100% of the project (NIS millions)[10]	Total cost of the investment as at June 30, 2021 NIS millions)
OC Sorek 2 Ltd. ("Sorek 2")	In advanced initiation	≈ 87	100%	On the premises of the Sorek B seawater desalination facility	Cogeneration	Fourth quarter of 2023	Yard consumer and pursuant to regulations of the Electricity Authority	Up to ≈ 200	≈ 12
Facilities for generation of energy on the consumer's premises	In various stages of initiation / development	Every facility up to 16 megawatts As at the publication 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[13]	100%	On the premises of consumers throughout Israel	Conventional and renewable energy (solar)	Gradually over the years starting from 2022 pursuant to the conditions provided in the agreements	Yard consumers also including Group customers	An average of about NIS 4 per megawatt	≈ 31

[13] 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 and/or the type of technology 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.

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**[14]	**Location**	**Technology**	**Date/ expectation of the start of the commercial operation**	**Main customer/ consumer**	**Total estimated cost of the investment in the project (NIS millions)**	**Total cost of the investment as at June 30, 2021 NIS millions)**
AGS Rotem Ltd. ("NIP 94")	In initiation	As part of the statutory process the study examined the impact on the environment of construction of a power plant with a scope of 720 MW).[15]	80%	Rotem Plain, adjacent to the Rotem Power Plant	Conventional with ability to integrate storage	Not yet determined	Not yet determined	Not yet determined	Not yet determined
OPC Hadera Expansion Ltd. ("NIP 20B")	In initiation	As part of the statutory process the study examined the impact on the environment of construction of a power plant with a scope of 800 MW).[16]	100%	Hadera, close to the Hadera Power Plant	Conventional with ability to integrate storage	Not yet determined	Not yet determined	Not yet determined	Not yet determined

[14] Companies consolidated in the Company's financial statements.

[15] In the Government Decision dated October 29, 2020, the capacity restriction was removed. The said capacity constitutes "forward-looking" information regarding which there is no certainty it will be realized, and that is subject to completion of the planning processes and compliance with additional conditions that have not yet been fulfilled.

[16] In the Government Decision dated October 29, 2020, the capacity restriction was removed. The said capacity constitutes "forward-looking" information regarding which there is no certainty it will be realized, and that is subject to completion of the planning processes and compliance with additional conditions that have not yet been fulfilled.

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:[17]

Project	Capacity (megawatts)	Rate of holdings of the CPV Group	Status in the financial statements	Location	Technology	Expected commercial operation date	Regulated market	Total estimated construction cost for 100% of the project (NIS millions)[18]	Amount of the investment in the project at June 30, 2021 NIS millions)
CPV Three Rivers LLC ("Three Rivers")	1,258	[19]10%	Associated company	Illinois	Natural gas, combined cycle	Second quarter 2023	PJM	≈ 4,215 (≈ $1,293 million)	≈ 1,779 (≈ $546 million)

[17] 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% as stated in this report. 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 June 30, 2021 – $1 = NIS 3.26. **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, such as: delays in receipt of required permits, a change in the construction costs, delays in the construction work, problems or delays regarding signing an agreement for connection to the network or connection of the project to transmission or 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 and restriction imposed as a result thereof, 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.**

[18] Including initiation fees and reimbursement of pre-construction development expenses to the CPV Group.
It is clarified that that stated regarding the total estimated expected construction cost of 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.

[19] 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.

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:[17]

Project	Capacity (megawatts)	Rate of holdings of the CPV Group	Status in the financial statements	Location	Technology	Expected commercial operation date	Regulated market	Total estimated construction cost for 100% of the project (NIS millions)[18]	Amount of the investment in the project at June 30, 2021 NIS millions)
CPV Maple Hill Solar LLC ("Maple Hill")	126 MWdc[20]	[21]100%	Consolidated	Pennsylvania	Solar	Second-third quarter 2022	PJM	≈ 515 (≈ $158 million)	[22]≈ 159 (≈ $49 million)

[20] About 100 MWac.

[21] As at the publication date of the report, the CPV Group intends 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 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, or that its conditions will be in accordance with that stated (if ultimately signed), and the matter is subject to, among other things, to commercial and regulatory conditions.

[22] 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.

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) that is set for construction in the near future in the United States[23]:

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	Total estimated construction cost of the project (NIS millions)[24]	Amount of the investment in the project at June 30, 2021 NIS millions)
CPV Rogue's Wind LLC ("Rogue's Wind")	≈ 114	[25]100%	Pennsyl-vania	Wind	First quarter 2022	Second quarter 2023	PJM	PPA agreement for sale of electricity, availability (capacity) and Renewable Energy Certificates (RECs) for 10 years.[26]	≈ 652-668 million (≈ $200 – $205 million)	≈ 16 (≈ $5 million)

[23] Projects under construction in the United States are held through the CPV Group, which is held by the Group at the rate of 70% as stated in this report. 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 June 30, 2021 – $1 = NIS 3.26. **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, such as: completion of the connection of the projects to the network (grid) and transmission infrastructures, 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. 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.**

[24] Including initiation fees and reimbursement of pre-construction development expenses to the CPV Group.
It is clarified that that stated regarding the total expected cost of the investment in the project 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, among other things, as a result of breakdowns or delays due to circumstances as stated 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.

[25] 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, or that its conditions will be in accordance with that stated (if ultimately signed), and the matter is subject to, among other things, to commercial and regulatory conditions.

[26] For details regarding the PPA agreement signed in April 2021 – see Section 4D below.

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 publication date of the report:[27]

	Summary of the list of the development projects as at the publication date of the report (in megawatts)[28]		
Technology	**Advanced**	**Early stage**	**Total**
Solar[29]	1,254	738	1,992
Wind	176	–	176
Total renewable energy	**1,430**	**738**	**2,167**
Natural gas	1,985	1,970	**3,955**
Storage	–	100–500	100–500

[27] **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 Rogue's Wind project, which is in the advanced initiation stage in the near term, is included in the above table.** 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.

[28] 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.

[29] 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 995 MWac and about 575 MWac, respectively.

3. **Main developments in the business environment and the Company's activities in Israel in the period of the report and thereafter:**

A. In December 2020 and in the months January through May 2021, 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 this framework, 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. Accordingly, in the first half of 2021, there were about 65 maintenance days during which the Hadera Power Plant operated on a partial basis. The performances of the gas turbines commencing from the end of the replacement and renovation work are in accordance with that expected from them.

In March 2022, additional essential maintenance work is expected to be performed (hereinafter – "the Additional Work") in the steam turbine for a period of time estimated at about 60 days.[30]. 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.

For details regarding discussions with Hadera's construction contractor with respect to compensation for the delay in the commercial operation of Hadera and non-compliance with the performances as stipulated in the construction agreement – see Note 9D(2) to the Interim Statements. As at the submission date of this report, no compensation had been received from the construction contractor (except for amounts unilaterally offset by the Company from payments to the construction contractor and the construction contractor has raised contentions regarding this matter in the aforesaid notification.)

As at the submission date of this report, no amounts have been received under the insurance policy. 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 damages[31].

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 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.

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[30] **That stated with reference to the Company's estimates of the execution dates of the Additional Work and/or of the duration of the Additional Work, includes "forward-looking" information, as it is 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 coordination of dates with the contractor or equipment supplier, the manner of performance of the work by the contractor, technical breakdowns or other delays, including factors impacted by the Coronavirus crisis. Partial operation or shutdown of the power plant during extended periods of the renovation and replacement work count impact Hadera's ability to comply with the power plant's availability (capacity) provisions (regarding this matter – see also Sections 8.10 and 8.12.3 of Part A (Description of the Company's Business) in the Periodic Report for 2020) and regarding the results of Hadera's activities.**

[31] **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) in accordance with the insurance policy and/or receipt of compensation from the construction contractor for the delay damages and/or non-compliance with the plant's performances, includes "forward-looking" information, as defined in the Securities Law, which is based on the Company's estimates as at the date of the Report, and regarding which there is no certainty it will be realized. That stated may not be realized or may be realized in a manner that is significantly different than expected, in a case where all of Hadera' contentions are not accepted. 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 Hadera'ss 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.**

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

B. 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[32].

Due to the delay in supply of the gas from the Karish reservoir compared with the original projected 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. Accordingly, the delays in the commercial operation date of Energean and 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. 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 In June 2021, Rotem and Hadera received a letter from Energean wherein Energean gave notice of its intention to pay Rotem and Hadera the reduced compensation in respect of delay in the commercial operation – this being in light of Energean's position that the reason for the delay, as stated above is *force majeure*. It is noted that in July 2021, Rotem and Hadera communicated to Energean that they remain firm in their position that Energean did not comply with the provisions of the agreement for *force majeure* and they reserve their rights pursuant to the agreements with Energean regarding this matter, including payment of the amount of the full amount of the compensation in respect of the delay.

C. 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 has a negative impact on the Company's income in 2021 compared with 2020, including in the period of the report. 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. Regarding the seasonal impacts on the results of the Company's activities in Israel – see Note 1A to the Interim Statements and that stated in this Directors' Report below.

[32] **That stated above, including regarding the commercial operation date of the Karish reservoir, and regarding supply of the gas to the Company, 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 publication 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 (direct or indirect) damages.**

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

D. 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 ("virtual supply") 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.[33] 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 pricing mechanism (the half-hour marginal 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 ("a Virtual Supply License") 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. Further to that stated in its request, in July 2021 the Company received a Virtual Supply License. A license, as stated, was also granted to Gnrgy (in which, as at the publication date of the report, the Company holds an interest of 27% – see Note 3E below). Further to that stated, the Company submitted a request for assignment of certain customers in the scope of about 110 MW with the goal of assigning them to the virtual supply activities. On August 19, 2021, the Company received a notification from Israel Electric Company whereby the assignment requests submitted by the suppliers were approved subject to completion of technical examinations. For additional details regarding provision of guarantees in connection with the virtual supply – see Note 9B(3) to the interim statements. As at the date of the report, the Company is making preparations for execution of the virtual activities.

E. In April 2021, the Company signed an agreement for acquisition of shares ("the Share Purchase Agreement") of Gnrgy Ltd. ("Gnrgy"), 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 Gnrgy's share capital. For details regarding Gnrgy 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 Gnrgy, 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 to be executed up to December 15, 2021 – see Note 9I to the consolidated financial statements and the Immediate Reports dated April 13, 2021 and May 10, 2021[34].

[33]See Decision No. 60105 of the Electricity Authority dated September 22, 2021 at the following link: **https://www.gov.il/he/departments/policies/60105.**

[34] Reference Nos.: 2021-01-062613 and 2021-01-081177, respectively.

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

F. 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.

In May 2021, the Electricity 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[35]. The Electricity Authority notes in the said hearing that that it is proposed at this stage to exclude from application of the decision the Rotem generation unit, to which a special regulation applies that requires adjustments in a number of aspects, and that the Electricity 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. The impact of the hearing on Rotem depends on the final arrangements that will be determined (if any).

In June 2021, Rotem was informed that the Professional Staff of the Electricity Authority intends to recommend to grant Rotem a supply license (the language of the license has not yet been disclosed) and at the same time to impose certain covenants on Rotem regarding the generation activities and the supply activities, including an extraordinary consumption format, as noted above[36], including arrangement of the manner of applying the above-mentioned market model to Rotem and the manner of determination of the price when generation at the plant is reduced. Based on the information received, the team intends to take action to implement the above-mentioned arrangements, subject to a hearing, from January 2022. As at the date of the report, Rotem is examining its position regarding all the aspects arising from the Professional Staff's position, as stated, and the impact thereof. It is clarified that making of a decision regarding the matter is subject to publication of a hearing, which as at the publication date of the report a hearing had not yet been published and, accordingly, as at the date of the report supplementary arrangements, as noted, had not yet been determined, and there is no certainty regarding their final language.

G. 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 that existed 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 rejected the contentions of Zomet's construction contractor. It is noted that on May 22, 2021, the supply of gas from the Tamar Reservoir was resumed.

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[35] https://www.gov.il/he/departments/publications/Call_for_bids/shim_yatzranut_kayemet

[36] For additional details regarding the matter of granting a supply license to Rotem and the decision regarding deviation from the consumption plan and its impacts – see Sections 8.12.2, 14.2.6 and 20.3.5 to the Periodic Report for 2020.

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

H. In June 2021, the Electricity Authority published a "call" regarding update of the hourly demand rates on the basis of which the tariff is determined for customers of Israel Electric Company[37]. It would appear that the "call" will impact all the prices in the Israeli electricity market – this being to the extent it is formulated into a hearing and a decision and subject to the scope of the update that will be determined. If the format determined in the "call" is determined as it was published this could have a negative impact on the Company's activities in Israel. As at the date of the report, the matter is in an early stage, which the Company believes requires clarifications and explanations, and there is no certainty whether the update proposed in the framework of the "call" will be formulated into a hearing and a decision, the scope and format of the update that will be determined, and the manner of its application and/or the timing thereof. Accordingly, as at the date of the report, there is no certainty regarding the manner and extent of the impact on the Company, which will examine from its standpoint its possible courses of action.

I. Further to that stated in Section 2.3.3 of Part A of the Periodic Report for 2020, in June 2021, Sorek 2 signed a number of agreements in connection with construction of the Sorek 2 project, as follows:

A. Construction and equipment supply agreements (EPC) – Sorek 2 signed a planning, procurement and construction agreement (EPC) with BHI Co. Ltd., a company incorporated in South Korea, which served as the project's construction contractor (in this Section – "the Construction Contractor"), in a "Lump-Sum Turn-Key" format, whereby the Construction Contractor will construct a facility for generation of energy powered by natural gas with an installed capacity of up to 87 megawatts – all based on the milestones, conditions and dates provided in the agreement with respect to each of the agreement's components (in this Section – "the Construction Agreement"). A company from the IDE Group is also a party to the Construction Agreement (as the customer) wherein systems relating to the desalination facility are supplied and this party is liable for the payment in respect thereof. The share of Sorek 2 in the total consideration to the Construction Contractor is estimated at about $42 million, which also includes the consideration for acquisition of the gas turbine as detailed below[38]. It is noted that the Construction Agreement provides, among other things, mechanisms for agreed compensation limited to a ceiling amount for lateness, non-compliance with performances and availability requirements along with the scope of the responsibility and requirements for provision of guarantees in the project's various stages.

In addition, Sorek 2 signed an agreement with companies from the General Electric Group ("together – "GE") for supply of the facility's gas turbines for generation of the energy. As part of the agreement, GE undertook, among other things, to supply the turbines and the accompanying equipment, accompany the Construction Contractor, test runs and testing of the equipment – all of this on the conditions and pursuant to the milestones and timetables as agreed between the parties. Based on the consent of the parties, after issuance of a limited notice for commencement of performance of the work (LNTP) and transfer of the first payment to GE, the Equipment Supply Agreement was assigned to the Construction Contractor, in the Construction Agreement referred above.

In July 2021, an agreement was signed that arranges the manner of making decisions and allocation of responsibility between Sorek 2 and a company from the IDE Group, as stated, in connection with the Construction Agreement with the construction contractor, where except for cases provided in the agreement, the arrangements are mainly derived from the share of each party in the Construction Agreement and on a mechanism for joint decisions. For purposes of securing the liabilities of Sorek 2 under the agreement, the Company provided a corporate guarantee limited to a ceiling amount.

[37] https://www.gov.il/he/departments/publications/Call_for_bids/kol_kore_mashab
[38] Payment of the consideration in the agreement is made in dollars, euros and shekels.

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

I. (Cont.)

B. Long-term maintenance agreement – Sorek 2 signed an agreement with GE covering long-term maintenance of the turbines and accompanying equipment for a period of 16 years, with the possibility of extending it to 25 years, for a consideration of an aggregate payment of up to $29 million (based on the period) subject to the milestones stipulated in the agreement ("the Maintenance Agreement"). The Maintenance Agreement includes customary provisions in connection with agreed compensation limited to a ceiling amount, relating to the performance and compliance with the maintenance timetables, and GE's responsibility for its equipment and services.

The Maintenance Agreement includes guarantees of the parent company for the liabilities of every third party. It is noted that the above-mentioned agreements will require, among other things, approval of the Desalination Administration, in accordance with and as required in the concession agreement signed by IDE and the State of Israel in connection with the desalination facility and the project.

As at the publication date of the report, the Company estimates that its construction cost of the Sorek 2 project, including its share in the Construction Agreement and the equipment supply agreement, which constitute most of the said cost (without the long-term Maintenance Agreement), at about NIS 200 million[39].

J. Further to Government Decision No. 171 from July 2021[40], regarding transition to a low-carbon economy, wherein national targets were set for reduction of emissions of greenhouse gases, including a target for reduction of the annual quantity of greenhouse gas emissions in 2050 by at least 85% of the annual quantity measured in 2015, the Government decided as part of Government Decision No. 286 from August 2021[41], the Government decided to instruct the Minister of Finance to amend the Excise Tax on Fuel Order (Imposition of Excise Tax), 2004, and the Customs Tariffs and Exemptions Order and Purchase Tax on Goods, 2017, such that it will result in a gradual internal absorption of the external and environmental costs of carbon emissions, commencing from 2023, in the scope detailed in the Decision. As at the date of the report, the Company is studying the Decision and is examining the extent of the impact on its activities, which is expected to be derived from, among other things, the manner of application of the Decision and its impact on the mix of the components of the generation component in each of the years after its application (if ultimately applied).

[39] It is clarified that that stated regarding the Company's estimates with respect to the construction cost constitutes "forward-looking" information, as it is defined in the Securities Law, which is based on estimates and assessments the Company makes as at the publication date of the report and there is no certainty it will be realized. The said information may not be realized or may be realized in a manner different than foreseen, due to, among other things, dependency on various factors, such as, the final scope of the costs in respect of the development and the land, the final conditions of the agreements with suppliers, connection to the infrastructure networks and occurrence of any of the risk factors the Company is exposed to. For additional details regarding risk factors involved with construction projects – see Section 20.3 to Part A (Description of the Company's Business) in the Periodic Report for 2020.

[40] https://www.gov.il/he/departments/policies/dec171_2021

[41] https://www.gov.il/he/departments/policies/dec286_2021

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

K. Coronavirus – 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 it has caused significant business and economic uncertainty and volatility in the global markets, which were partly caused by the preventative measures taken and imposition of restrictions by various governmental entities worldwide. As at the date of the report, the virus is continuing to cause business and economic uncertainty. In the Period of the Report, there is a trend in recovery in the scope of the economic activities throughout the world, including removal of some of the restrictions on movement (travel) and carrying on of business and trade. At the same time, as at the date of the report, along with vaccination of the population at high rates, due to the outbreak of new mutations (mainly the Delta mutation), the virus is continuing to spread at significant rates both in Israel as well as in other countries, and accordingly restrictions are being imposed and may be imposed in the future on movement and on activities.

As at the date of the report, up to now the Coronavirus Crisis had not had a significant impact on the Company's results and activities in Israel. Nonetheless, 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 government entities, as at the 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, continuing movement restrictions, 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. 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 in order 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 3B 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. It is further pointed out that the continuity of the construction work on the Zomet Power Plant or the renovation and maintenance work at the Rotem Power Plant and 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.

For additional details regarding the Company's area of activities in Israel – see below in this Report of the Board of Directors and the notes to the Interim Statements.

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

A. Further to that stated in Section 17.1.3 to Part A (Description of the Company's Business) in the Periodic Report for 2020, the electricity price and the natural gas prices (the main fuel of the power plants powered by natural gas of the CPV Group) are main factors in the profitability of the CPV Group, as well as the capacity prices in the activity areas of the CPV Group's power plants. A number of variables impact the profitability of the natural gas-powered power plants of the CPV Group, including the price of various fuels, the weather, load increases and unit capacity, which cumulatively affect the gross margin and the profitability of the CPV Group. The PJM electricity prices were about 55% higher and about 60%–65% in the first half and the second quarter of 2021, respectively, compared with the corresponding periods in 2020. The ISO-NE NYISO electricity prices were about 90%–95% and about 60%–70% higher in the first half and the second quarter of 2021, respectively, compared with the corresponding periods in 2020. The average price of natural gas in Henry Hub was about 78% about 75% higher in the first half and second quarter of 2021, respectively, than in the corresponding periods in 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 expect to be higher, such that the marginal energy prices will be higher and will favorably impact the CPV Group's electricity margins[42]. This impact is partly offset by plans hedging electricity and gas prices in the CPV Group's power plants, which are intended to reduce changes in the gross margin of the CPV Group resulting from changes in the commodity prices in the energy market. The CPV Group's profitability is also impacted by the capacity of the power plant and as a practical function of the current operation and maintenance work, along with planned and unplanned maintenance.

Demand for electricity in the markets in which CPV operates:

In the PJM market – in the first half of 2021, the demand for electricity in the PJM market was about TWh 379, compared with demand of TWh 360 in the first six months of 2020, reflecting an increase of about 5.3% (source: PJM).

In the NYISO market – in the first half of 2021 the demand for electricity in the NYISO market was about TWh 72, compared with demand of TWh 70 in the first six months of 2020, reflecting an increase of about 3% (source: NYISO).

In the ISO-NE market – in the first half of 2021 the demand for electricity in the ISO-NE market was about TWh 56, compared with demand of TWh 54 in the first six months of 2020, reflecting an increase of about 3.8% (source: ISO-NE).

Regarding the seasonal impacts on the results of the activities in the United States – see Note 1A to the Interim Statements and that stated in this Report of the Board of Directors below.

[42] That stated regarding the impacts of the natural gas prices on the profitability of the CPV Group is "forward-looking" information, as it is defined in the Securities Law, 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. That stated could change due to various factors, including factors not under the control of the CPV Group.

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

A. (Cont.)

Energy prices

In the six months and three months ended on June 30, 2021, the electricity prices rose in the markets in which the CPV Group operates, compared with the six-month and three-month periods ended on June 30, 2020. Most of the increase stems from an increase in the natural gas prices, an increase in demand in 2021 and relatively hot weather in June 2021. The following table summarizes the average electricity prices in each of the main markets in which the projects of the CPV Group are active in the six-month and three-month periods ended June 30, 2021 and 2020:

	For the six months ended June 30 (MW/h)		**For the three months ended June 30 (MW/h)**	
Region	**2021**	**2020**	**2021**	**2020**
PJM West (Shore and Maryland)	$29.59	$18.97	$28.60	$17.76
PJM AD Hub (Fairview)	$30.02	$19.11	$29.71	$18.09
NY-ISO Zone G (Valley)	$34.24	$17.97	$27.86	$16.13
ISO-NE Mass Hub (Towantic)	$39.37	$20.21	$29.36	$18.21

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.

The following table summarizes the average gas prices in each of the main markets in which the projects of the CPV Group are active in the six-month and three-month periods ended June 30, 2021 and 2020. The gas prices rose in the six-month and three-month periods ended June 30, 2021 compared with the six-month and three-month periods ended June 30, 2020 due to, among other things, higher demand as a result of the weather and the global strengthening in the market compared with the same periods last year (the prices are denominated in dollars per MMBtu).

	For the six months ended June 30		**For the three months ended June 30**	
Region	**2021**	**2020**	**2021**	**2020**
TETCO M3 (Shore, Valley)	2.79	1.60	2.32	1.43
Transco Zone 5 North (Maryland)	3.23	1.82	2.90	1.66
TETCO M2 (Fairview)	2.41	1.45	2.13	1.35
Dominion South (Valley)	2.34	1.45	2.15	1.37
Algonquin (Towantic)	3.97	1.87	2.49	1.51

Source: The average gas prices are based on Day-Ahead prices at gas Midpoints as reported in Platt's Gas Daily. The CPV Group did not make an independent examination.

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

A. (Cont.)

<u>Capacity payments</u>

In the PJM market (wherein a number of projects of the CPV Group are active, as stated above), the capacity payments vary between the market's sub-regions, as a function of local supply and demand and transmission capabilities. In June 2021, a tender on capacity tariffs was held (Capacity Auctions) in the PJM market for the 2022–2023, where the capacity price is effective for the period June 2022 through May 2023. The capacity tariff in the general PJM market (RTO) tender is low compared with the capacity tariff in the prior tender for 2021–2022, while in the activity areas relevant to CPV's projects, the capacity prices determined were higher compared with the price determined in the general market (RTO). It is noted that all of CPV's active power plants operating in the PJM market received capacity tariffs. Pursuant to PJM publications, the main factors impacting the above-mentioned capacity tariffs include a decline in the peak demand forecast of 1.6% compared with the prior peak demand forecast (reflecting a decline of 2.4 GW (gigawatt)), an increase in the supply of plants that are expected to enter into activities in 2022 of about 6.0 GW, and the tender behavior of the bidders. In the months that passed since publication of the results of the tender in June 2021, power plants having a capacity of about 8 GW in the PJM market gave notice of their exit from activities, of which 5.4 GW are power plants powered by coal and 2.3 GW are nuclear power plants.

Set forth below are the capacity tariffs in the sub-regions that are relevant to CPV's projects and the market in general:

Sub-Region	CPV Plants[43]	2022/2023 (MW-day)	2021/2022 (MW-day)	2020/2021 (MW-day)
PJM RTO	–	$50	$140	$76.53
PJM MAAC	Fairview, Maryland, Maple Hill	$95.79	$140	$86.04
PJM EMAAC	Shore	$97.86	$165.73	$187.77

Source: PJM

[43] The Three Rivers project, which is presently under construction, did not participate in the capacity tender, and is expected to participate in the capacity tender starting from the 2023–2024 capacity year.

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

A. (Cont.)

Similar to the PJM market, in the NYISO market availability (capacity) payments are made in the framework of a central mechanism for acquisition of capacity. In the NYISO market, there are a number of submarkets, wherein there could be various capacity demands as a function of local supply and demand and transmission capability. NYISO makes seasonal tenders in every spring for the upcoming summer (May through October) and in the fall for the upcoming winter (November through April). In addition, there are supplemental monthly tenders for the balance of the capacity not sold in the seasonal tenders. Power plants are permitted to assure the capacity payments in the seasonal tender, the monthly tender or through bilateral sales. The CPV Valley power plant is in Area G (Lower Hudson Valley).

Set forth below are the capacity prices determined in the seasonal tenders in NYISO market. It is noted that the actual capacity prices for CPV Valley are impacted by the seasonal tenders, the monthly tenders and the SPOT prices, with variable capacity prices every month, as well as bilateral agreements with energy suppliers in the market.

Sub-Area	**CPV Plants**	**Summer 2021**	**Winter 2021**	**Summer 2020**	**Winter 2020**
PJM RTO (the general market)	-	$4.09/kW-mo	$0.10/kW-mo	$2.71/kW-mo	$0.18/kW-mo
Lower Hudson Valley	Valley	$4.56/kW-mo	$0.23/kW-mo	$3.07/kW-mo	$0.65/kW-mo

Source: NY-ISO

The ISO-NE permits availability (capacity) payments as part of a central mechanism for acquisition of capacity. In the ISO-NE market, there are a number of submarkets, wherein there could be various capacity demands as a function of local supply and demand and transmission capability. Forward capacity tenders are made 3 years in advance for the capacity year. In addition, there are supplemental monthly tenders for the balance of the capacity not sold in the Forward tenders. As stated in Section 17.2.1 of the Periodic Report for 2020, when Towantic entered into the capacity market, the project assured a fixed capacity payment for seven years which is granted to new players. Payment of the capacity, as stated, will apply up to May 2025.

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

B. 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"[44] 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. In August 2021, the Democrats in the U.S. Senate presented a proposed decision for a budget of about $3.5 trillion, including investments for coping with climate change and reduction of greenhouse gas emissions. In addition, in infrastructures budget was approved in the Senate, in the scope of about $1 trillion, for renovation of roads and bridges and financing of initiations in climate preservation areas. As at the publication date of the report, there is uncertainty regarding the said legislative developments and their impacts, as well as the language of the final laws and their impact. The said legislation and regulation could have a material impact on the demand for electricity by means of advancement of reduced-carbon transportation and economy and concurrently raising the standards for generation of electricity using clean energy.[45]

C. 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 Group[46], 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.

D. 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.[47]

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

[45] 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 solely on the Company's said 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.

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

[47] 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

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

E. 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. In June 2021, the project participated for the first time in capacity tenders in the PJM market, and it will be entitled to capacity payments, as shown in the table above. In August 2021, Maple Hill signed an agreement for sale of electricity (PPA) for a period of ten years from the date of the commercial operation for sale of about 48% of the electricity generation. For additional details relating to the project, including material agreements signed as at the publication date of the report – see Note 9K(4) to the Interim Statements.

F. Further to that stated in Section 17.8 to Part A (Description of the Company's Business) in the Periodic Report for 2020, in May 2021, Maryland signed an extension of the credit framework agreement of the Term Loan B type, relating to the project. As part of replacement of the credit agreement, 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 7C to the Interim Statements.

G. 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.

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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.

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

H. Further to that stated in Section 17.8 to Part A (Description of the Company's Business) in the Periodic Report for 2020, in August 2021, Keenan signed a financing agreement with a number of financial entities, including a term loan and accompanying credit frameworks. Concurrent with completion of the financing agreement, as stated, Keenan repaid the prior financing it took out in 2014. The aggregate amount of the loan and credit frameworks is about $120 million, of which about $104 million is a term loans and about $16 million is accompanying credit frameworks (working capital, LC). For details – see the Company's Immediate Report dated August 8, 2021 (Reference No.: 2021-01-162437), which is presented herein by means of reference, and Note 10A to the interim statements.

I. The Coronavirus: as stated in Section 17.14.11 to Part A (Description of the Company's Business) in the Periodic Report for 2020, the spread of the Coronavirus has a significant impact on the business activities in the United States and worldwide. During the Coronavirus crisis, the activities of the power plants of the CPV Group are continuing 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.

For additional details regarding the area of the Company's activities in the United States – see the Report of the Board of Directors below and the notes to the Interim Statements that are attached to this report.

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

2. Financial Position as at June 30, 2021 (in millions of NIS)

Category	6/30/2021	12/31/2020	Analysis
Current Assets			
Cash and cash equivalents	631	200	Most of the increase stems from withdrawal of deposits and restricted cash, in the amount of about NIS 1,809 million, investments received from holders of non-controlling interests in the CPV Group, in the amount of about NIS 702 million, 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 186 million. This increase was partly offset by cash used for acquisition of the CPV Group, in the amount of about NIS 2,140 million, cash used for investments in projects in Israel, in the amount of about NIS 184 million, and investments in projects in the United States, in the amount of about NIS 120 million, current debt repayments (including interest), in the amount of about NIS 287 million. For additional information – see the Company's condensed consolidated statements of cash flows in the Interim Statements.
Short-term deposits	–	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	48	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).

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

2. Financial Position as at June 30, 2021 (in millions of NIS)

Category	6/30/2021	12/31/2020	Analysis
Current Assets (Cont.)			
Trade receivables and accrued income	123	153	Most of the decrease stems from a decrease in accrued income in Israel, in the amount of about NIS 45 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) and from a decrease in balance of the trade receivables in the United States, in the amount of about NIS 14 million, due to collection of an annual debt. 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.
Receivables and debit balances	120	63	Most of the increase, in the amount of about NIS 39 million, is due to the first-time consolidation of the CPV Group, and in light of making deposits in connection with project under construction in the United States, in the amount of about NIS 25 million. This increase was partly offset by a decrease in the balance receivable from Israel Electric Company, in the amount of about NIS 6 million.
Short-term derivative financial instruments	1	–	
Total current assets	**923**	**2,230**	

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

2. Financial Position as at June 30, 2021 (in millions of NIS) (Cont.)

Category	6/30/2021	12/31/2020	Analysis
Non-Current Assets			
Long-term deposits and restricted cash	148	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 53 million, which was designated to secure a bank guarantee (for additional details see – Note 15D(4) to the consolidated financial statements for 2020) and Note 9B to the Interim Statements.
Long-term prepaid expenses and receivables	176	143	Most of the increase stems from construction of infrastructures in Zomet, in the amount of about NIS 11 million, and a loan to an associated company in the United States, in the amount of about NIS 16 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.
Investments in associated companies	1,786	–	The increase is the result of acquisition of the CPV Group. For additional details regarding investments in associated companies – see Sections 1, 4 and 6 to this Report and Notes 6 and 7 to the Interim Statements.
Deferred tax assets, net	82	24	An increase of about NIS 35 million stems from acquisition of and the activities of the CPV Group, and an increase of about NIS 23 million stemming from an increase in the loss for tax purposes in Israel.
Long-term derivative financial instruments	41	1	The increase stems from an increase in the fair value of interest SWAP contracts, in the amount of about NIS 35 million (as described in Note 22D to the consolidated financial statements for 2020).
Property, plant and equipment	3,128	2, 665	Most of the increase stems from investments in the Zomet project, in the amount of about NIS 205 million, an increase of about NIS 180 million stemming the first-time consolidation of the CPV Group, investments in projects under construction in the CPV Group, in the amount of about NIS 106 million, investments in projects involving energy generation facilities located on the consumer's premises, in the amount of about NIS 20 million, and investments in additional projects in Israel, in the amount of about NIS 21 million. This increase was partly offset by depreciation expenses in respect of property, plant and equipment in Israel, in the aggregate amount of about NIS 67 million.

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

2. Financial Position as at June 30, 2021 (in millions of NIS) (Cont.)

Category	6/30/2021	12/31/2020	Analysis
Non-Current Assets (Cont.)			
Right-of use assets	304	276	Most of the increase derives from the first-time consolidation of the CPV Group.
Intangible assets	698	5	The increase derives from the first-time consolidation of the CPV Group. The amount of about NIS 390 million is in respect of an agreement for sale of electricity in the Keenan project, and the amount of about NIS 321 million relates to goodwill created in light of acquisition of the CPV Group. This increase was partly offset by amortization expenses in respect of intangible assets in the United States, in the amount of about NIS 18 million.
Total non-current assets	**6,363**	**3,345**	
Total assets	**7,286**	**5,575**	

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

2. Financial Position as at June 30, 2021 (in millions of NIS) (Cont.)

Category	6/30/2021	12/31/2020	Analysis
Current Liabilities			
Current maturities of long-term liabilities	164	149	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 65 million. In addition, there was an increase of about NIS 21 million, due to the first-time consolidation of the CPV Group. This increase was partly offset by repayment of the senior debt in Israel, in the amount of about NIS 62 million and by repayment of debentures (Series B) of the Company, in the amount of about NIS 11 million.
Trade payables	363	298	Most of the increase derives from an increase in the balance with the Zomet construction contractor, in the amount of about NIS 72 million. There was also an increase of about NIS 18 million due to the first-time consolidation of the CPV Group, and an increase in the balance due to suppliers in the United States, mainly relating to the Maple Hill project that is under construction, in the amount of about NIS 40 million. 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 67 million, mainly due to timing differences and a decrease in purchases of electricity from Israel Electric Company.
Payables and other credit balances	65	96	Most of the decrease derives from a decline in expenses payable, in the amount of about NIS 42 million (mainly due to payment of transaction costs relating to acquisition of the CPV Group), and a decrease in the liability to employees in respect of salaries, in the amount of about NIS 3 million. 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.
Short-term derivative financial instruments	54	126	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.
Current maturities of lease liabilities	56	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.
Current taxes payable	1	–	
Total current liabilities	**703**	**714**	

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

2. Financial Position as at June 30, 2021 (in millions of NIS) (Cont.)

Category	6/30/2021	12/31/2020	Analysis
Non-Current Liabilities			
Long-term loans from banks and others	2,448	1,851	As at June 30, 2021, the balance includes long-term loans of the CPV Group, in the amount of about NIS 379 million, where the amount of about NIS 177 million, is in respect of a seller's loan (for additional details – see Note 6 to the Interim Statements), and the amount of about NIS 202 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, which as at the date of the report amounts to about NIS 176 million. The increase also stems from a withdrawal in the framework of the Zomet Financing Agreement, in the amount of about NIS 75 million, and an increase in the linkage differences in respect of the senior debt of Rotem and Hadera, in the amount of about NIS 21 million. This increase was partly offset by a decrease stemming from update of the current maturities of loans, in the amount of about NIS 54 million.
Debentures	949	952	The decrease stems from update of the current maturities of the debentures (Series B), in the amount of about NIS 11 million. This decrease was partly offset by an increase in the linkage differences in respect of the debentures (Series B), in the amount of about NIS 8 million.
Long-term lease liabilities	43	14	The increase is due to the first-time consolidation of the CPV Group.
Long-term derivative financial instruments	23	22	As at December 31, 2020, the balance represents mainly the fair value of interest SWAP contracts in the Company. As at June 30, 2021, the balance represents derivative financial instruments in the United States.
Other long-term liabilities	78	2	As at June 30, 2021, the balance represents mainly the obligations recorded as a result of acquisition of the CPV Group, where about NIS 34 million is in respect of an equity compensation benefit for employees of the CPV Group, the amount of about NIS 19 million is in respect of an obligation relating to clearance and removal in the Kennan project and about NIS 22 million relates to deferred liabilities of additional projects in the United States.
Liabilities for deferred taxes, net	367	309	Most of the increase, in the amount of about NIS 31 million, is due to the first-time consolidation of the CPV Group, and an increase of about NIS 27 million stemming from update of the deferred taxes as a result of recording of deferred taxes relating to temporary differences in Israel.
Total non-current liabilities	**3,908**	**3,150**	
Total liabilities	**4,611**	**3,864**	

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

3. Results of operations for the six-month and three-month periods ended June 30, 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. It is noted that the second quarter of the year, which is mainly a transitional season, is generally characterized by relatively low demand and prices compared with the summer and winter seasons and performance of periodic maintenance is usually performed in transition seasons. The said seasonal impact also impacted the results of the Company's activities in Israel and in the United States in the period of the report.

– The results 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 details regarding the agreement covering acquisition of the CPV Group – see Note 6 to the Interim Statements.

– For an analysis of proforma data – see Note 8 below.

Category	For the Six Months Ended 6/30/2021	6/30/2020	Analysis
Sales in Israel	650	577	For an explanation regarding the change in the sales in Israel – see Section 5, below.
Sales and provision of services in the U.S.	68	–	The result stems from activities of the CPV Group. Revenues from sale of electricity from the power plant in the Keenan project (which is included in the financial statements) amount to about NIS 39 million, and revenues from provision of management services amount to about NIS 29 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	479	413	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.	36	–	The results stem from activities of the CPV Group. The total cost of sales and provision of services in the U.S. includes expenses in the amount of about NIS 10 million in respect of operating costs and about NIS 26 million in respect of expenses for salaries and provision of services.
Depreciation and amortization in Israel	68	47	Most of the increase stems from depreciation expenses of the Hadera Power Plant, in the amount of about NIS 20 million, as a result of the commercial operation in July 2020.
Depreciation and amortization in the U.S.	19	–	The result stems from activities of the CPV Group in respect of depreciation in the Keenan project.
Gross profit	**116**	**117**	

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

3. Results of operations for the six-month and three-month periods ended June 30, 2021 (in millions of NIS) (Cont.)

Category	For the Six Months Ended 6/30/2021	For the Six Months Ended 6/30/2020	Analysis
Administrative and general expenses in Israel	37	26	Most of the increase stems from an increase in salary expenses, in the amount of about NIS 7 million, and insurance costs in Hadera, in the amount of about NIS 4 million.
Administrative and general expenses in the U.S.	66	–	The result stems from activities of the CPV Group. The administrative and general expenses in the U.S. include equity compensation of about NIS 34 million, salary expenses of about NIS 16 million, and office maintenance of about NIS 14 million.
Share in losses of associated companies in Israel	(1)	–	
Share in losses of associated companies in the United States	(51)	–	The result stems from acquisition of the CPV Group. The result includes a loss of about NIS 90 million (before taxes) 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 the CPV Group'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	6	Most of the decrease stems from the start of capitalization of expenses to projects under construction.
Business development expenses in the U.S.	1	–	
Other expenses in the U.S.	(39)	–	The result stems from acquisition of the balance of the tax-equity rights in the Keenan project (for details – see Note 9K(6) to the Interim Statements).
Operating income (loss)	**(82)**	**85**	

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

3. Results of operations for the six-month and three-month periods ended June 30, 2021 (in millions of NIS) (Cont.)

	For the Six Months Ended		
Category	**6/30/2021**	**6/30/2020**	**Analysis**
Financing expenses, net, in Israel	(63)	(47)	Most of the increase stems from interest and linkage differences on Hadera's senior debt, in the amount of about NIS 20 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. In addition, the increase stems from interest and linkage differences on debentures, in the amount of about NIS 8 million (mainly as a result of an increase in linkage differences) and an increase in the financing expenses on the senior debt in Rotem, in the amount of about NIS 4 million (including the results of the hedge in respect of the CPI). This increase was partly offset by a decrease in the financing expenses stemming from the impact of the changes in the shekel/dollar exchange rate, in the amount of about NIS 12 million, and financing income recorded in 2021 as a result of interest SWAP contracts (the non-effective part), in the amount of about NIS 5 million.
Financing expenses, net, in U.S.	(12)	–	The result stems from acquisition of the CPV Group. The financing expenses, net, in the U.S. include mainly interest expenses.
Income (loss) before taxes on income	**(157)**	**38**	
Taxes on income in Israel	3	16	The decrease derives from lower income in Israel in the first half of 2021 compared with the corresponding period last year.
Tax benefit in the U.S.	(50)	–	The result stems from activities of the CPV Group.
Income (loss) for the period	**(110)**	**22**	
Income (loss) before taxes on income after eliminating changes in the fair value of derivative financial instruments and unusual expenses in the U.S.	**(28)**	**38**	
Income (loss) attributable to:			
The owners of the Company	(79)	10	
Non-controlling interests	(31)	12	

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

3. Results of operations for the six-month and three-month periods ended June 30, 2021 (in millions of NIS)

Category	For the Three Months Ended 6/30/2021	For the Three Months Ended 6/30/2020	Analysis
Sales in Israel	300	264	For an explanation regarding the change in the sales in Israel – see Section 5, below.
Sales and provision of services in the U.S.	42	–	The result stems from activities of the CPV Group. Revenues from operation of the power plant in the Keenan project amount to about NIS 23 million, and revenues from provision of management services amount to about NIS 19 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	238	208	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 activities of the CPV Group. The total cost of sales and provision of services in the U.S. includes expenses in the amount of about NIS 6 million in respect of operating costs and about NIS 12 million in respect of expenses for salaries and provision of services.
Depreciation and amortization in Israel	34	24	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.	12	–	The result stems from activities of the CPV Group in respect of depreciation in the Keenan project.
Gross profit	**40**	**32**	

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

3. Results of operations for the six-month and three-month periods ended June 30, 2021 (in millions of NIS) (Cont.)

Category	For the Three Months Ended 6/30/2021	For the Three Months Ended 6/30/2020	Analysis
Administrative and general expenses in Israel	23	13	Most of the increase stems from an increase in salary expenses, in the amount of about NIS 6 million, and an increase in insurance cost in Hadera, in the amount of about NIS 3 million.
Administrative and general expenses in the U.S.	56	–	The result stems from activities of the CPV Group. The administrative and general expenses in the U.S. include equity compensation expenses, in the amount of about NIS 34 million, salary expenses of about NIS 11 million, and office maintenance of about NIS 11 million.
Share in losses of associated companies in Israel	(1)	–	
Share in losses of associated companies in the United States	(13)	–	The result stems from activities of the CPV Group. The result includes a loss of about NIS 43 million (before taxes) 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).
Business development expenses in Israel	–	4	Most of the decrease stems from the start of capitalization of expenses to projects under construction.
Business development expenses in the U.S.	(39)	–	The result stems from acquisition of the balance of the tax-equity rights in the Keenan project (for additional details – see Note 9K(6) to the Interim Statements).
Operating income (loss)	**(93)**	**15**	

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

3. Results of operations for the six-month and three-month periods ended June 30, 2021 (in millions of NIS) (Cont.)

Category	For the Three Months Ended 6/30/2021	6/30/2020	Analysis
Financing expenses, net, in Israel	(40)	(31)	Most of the increase stems from interest and linkage differences on Hadera's senior debt, in the amount of about NIS 11 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. In addition, there was an increase in interest and linkage differences in respect of debentures, in the amount of about NIS 7 million (mainly as a result of an increase in linkage differences) and an increase in interest and linkage differences on the senior debt in Rotem, in the amount of about NIS 4 million (including the results of the hedge in respect of the CPI). This increase was partly offset by a decrease in the financing expenses stemming from the impact of the changes in the shekel/dollar exchange rate, in the amount of about NIS 8 million, and financing income recorded in 2021 as a result of interest SWAP contracts (the non-effective part), in the amount of about NIS 5 million.
Financing expenses, net, in U.S.	(17)	–	The result stems from activities of the CPV Group. The financing expenses, net, in the U.S. include mainly interest expenses, in the amount of about NIS 6 million and expenses from exchange rate differences, in the amount of about NIS 11 million.
Loss before taxes on income	**(150)**	**(16)**	
Tax benefit in Israel	(6)	–	The tax benefit derives from lower results in Israel in the second quarter of 2021 compared with the corresponding period last year.
Tax benefit in the U.S.	(34)	–	The result stems from activities of the CPV Group.
Loss for the period	**(110)**	**(16)**	
Loss before taxes on income after eliminating changes in the fair value of derivative financial instruments and unusual expenses in the U.S.	**(68)**	**(16)**	
Gain (loss) attributable to:			
The owners of the Company	(86)	(18)	
Non-controlling interests	(24)	2	

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.

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			
	Six Months Ended June 30		Three Months Ended June 30	
	2021	2020	2021	2020
Sales	718	577	342	264
Cost of sales (less depreciation and amortization)	(515)	(413)	(256)	(208)
Administrative and general expenses (less depreciation and amortization)	(100)	(25)	(78)	(12)
Transaction expenses relating to acquisition of the CPV Group	(2)	–	–	–
Business development expenses	(2)	(6)	(1)	(4)
Other expenses	(39)	–	(39)	–
Consolidated EBITDA*	**60**	**133**	**(32)**	**40**
Proportionate EBITDA of associated companies**	144	–	86	–
EBITDA (Total consolidated and the proportionate amount of associated companies)	**204**	**133**	**54**	**40**
Elimination of non-recurring expenses, net[48]	41	–	39	–
EBITDA (Total consolidated and the proportionate amount of associated companies) after elimination of non-recurring expenses	**245**	**133**	**93**	**40**

* 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.

[48] Non-recurring expenses, in the amount of about NIS 39 million, in the three-month period ended June 30, 2021, and an additional expense of about NIS 2 million, in the six-month period ended June 30, 2021, are in respect of a loss recorded in light of acquisition of the balance of 30% of the rights in the Keenan project from a Tax Equity partners (for details – see Note 9A(6) to the Interim Statements) and relating to costs incurred in respect of the transaction for acquisition of the CPV Group (for additional details regarding the transaction – see Note 6 to the Interim Statements), respectively.

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 net of non-recurring revenues 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			
	Six Months Ended June 30		Three Months Ended June 30	
	2021	2020	2021	2020
Rotem	139	151	48	51
Hadera	10	(4)	–	(3)
Keenan***	25	–	15	–
Others (less non-recurring expenses)	(73)	(14)	(56)	(8)
Total	**101**	**133**	**7**	**40**

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

<u>Explanations of the Board of Directors regarding the State of the Group's Affairs</u> (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			
	Six Months Ended June 30		Three Months Ended June 30	
	2021	**2020**	**2021**	**2020**
Revenues from sale of energy generated to private customers that was generated and/or purchased from other generators[49] (1)	435	405	195	180
Revenues from sale of energy purchased at the TAOZ for private customers (2)	16	12	7	11
Revenues from private customers in respect of infrastructures services (3)	138	119	68	59
Revenues from sale of energy to the System Administrator (4)	33	12	17	1
Revenues from sale of steam	28	29	13	13
Total revenues	**650**	**577**	**300**	**264**

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 a negative impact on the Company's income in 2021 compared with 2020.

<u>For the six-month periods ended June 30, 2021 and 2020</u>:

(1) The increase stems from sales to private customers due to the commercial operation of the Hadera Power Plant, in the amount of about NIS 53 million. On the other hand, there was a decrease, in the amount of about NIS 23 million, due to a decline in the generation component tariff.

(2) The increase stems from revenues from sale of energy purchased during the maintenance of the Hadera Power Plan for its customers, in the amount of about NIS 7 million. On the other hand, there was a decrease in sales of energy purchased for Rotem's customers, in the amount of about NIS 3 million.

(3) The increase derives from an increase in sales to private customers, in the amount of about NIS 23 million, due to the commercial operation of the Hadera Power Plant. On the other hand, there was a decrease, in the amount of about NIS 4 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 23 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 3 million.

[49] Including during load reductions.

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

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

For the three-month periods ended June 30, 2021 and 2020:

(1) The increase stems from sales to private customers due to the commercial operation of the Hadera Power Plant, in the amount of about NIS 20 million, and an increase in sales to private customers from energy generated by the Rotem Power Plant, in the amount of about NIS 12 million, due to an increase in the plant's the availability (capacity). On the other hand, there was a decline, in the amount of about NIS 11 million, due to a decline in the generation component tariff, and a decline of about NIS 6 million due a decrease in the consumption of Rotem's customers.

(2) The decrease stems from revenues from sale of energy purchased for Rotem's customers, in the amount of about NIS 7 million. On the other hand, there was an increase in sales of energy purchased during the maintenance for customers of the Hadera Power Plant, in the amount of about NIS 3 million.

(3) The increase derives from an increase in sales to private customers, in the amount of about NIS 11 million, due to the commercial operation of the Hadera Power Plant. On the other hand, there was a decrease of about NIS 1 million due to a decline in the infrastructure tariffs in 2021, and a decline of about NIS 1 million deriving from the scope of consumption of customers of Rotem's power plant.

(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 14 million, and an increase of about NIS 2 million from sales to the System Administrator from the Rotem Power Plant.

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			
	Six Months Ended June 30		Three Months Ended June 30	
	2021	2020	2021	2020
Gas and diesel oil (1)	254	225	128	102
Expenses to IEC for infrastructure services and purchase of electricity (2)	167	145	81	84
Gas transmission costs	17	16	9	8
Operating expenses (3)	41	27	20	14
Total cost of sales (less depreciation and amortization)	**479**	**413**	**238**	**208**

For the six-month periods ended June 30, 2021 and 2020:

(1) There was an increase in the gas expenses, in the amount of about NIS 34 million, due to the commercial operation of the Hadera Power Plant and an increase in the gas consumption by the Rotem Power Plant, in the amount of about NIS 9 million, deriving from an increase in the quantity generated at the power plant as a result of a decline in the scope of the load reductions and an increase in the plant's capacity. On the other hand, there was a decrease, in the amount of about NIS 14 million, in the gas price as a result a decline in the exchange rate of the dollar.

(2) An increase in the infrastructure expenses as a result of the commercial operation of the Hadera Power Plant, in the amount of about NIS 23 million, and an increase in the scope of energy purchases, in the amount of about NIS 19 million, mainly during maintenance of the Hadera power plant. On the other hand, there was a decrease in the scope of the energy purchased, in the amount of about NIS 17 million, due to a decrease in the scope of the load reductions in the Rotem Power Plant, and a decrease of about NIS 4 million, due to infrastructure expenses in Rotem.

(3) Most of the increase stems from current operating costs due to the commercial operation of the Hadera Power Plant.

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

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

For the tree-month periods ended June 30, 2021 and 2020:

(1) There was an increase in the gas expenses, in the amount of about NIS 19 million, due to the commercial operation of the Hadera Power Plant and an increase in the gas consumption by the Rotem Power Plant, in the amount of about NIS 14 million, deriving from an increase in the quantity generated by the plant as a result of a decline in the scope of the load reductions and an increase in the plant's capacity compared with the corresponding period last year. On the other hand, there was a decrease, in the amount of about NIS 7 million, deriving from a reduction in the gas price as a result a decline in the exchange rate of the dollar.

(2) An increase in the infrastructure expenses as a result of the commercial operation of the Hadera Power Plant, in the amount of about NIS 11 million, and an increase in the scope of energy purchases, in the amount of about NIS 9 million, mainly during maintenance of the Hadera power plant. On the other hand, there was a decrease in the scope of the energy purchased, in the amount of about NIS 22 million, due to a decline in the scope of the load reductions in the Rotem Power Plant and an increase in the plant's capacity, along with a decrease of about NIS 2 million, due to infrastructure expenses in Rotem.

(3) Most of the increase stems from current operating costs due to the commercial operation of the Hadera Power Plant.

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

6. Additional data regarding activities in the United States (Cont.)

Set forth below is the EBITDA data of the power plants that are operating commercially. For explanations of the results – see Section 3 above. The EBITDA data presented below is based on results in accordance with IFRS and are presented in millions of NIS.

	EBITDA for the six-month period ended June 30 2021	Rate of holdings of the CPV Group	Proportionate EBITDA for the six-month period ended June 30 2021	Proportionate EBITDA for the period from January 25, 2021 and up to June 30, 2021
Fairview	120	25%	30	24
Towantic	199	26%	52	44
Maryland	52	25%	13	11
Shore	101	37.53%	37	32
Valley	77	50%	39	35
Keenan	29	100%	*29	22
Total active plants in the U.S.	**578**		**200**	**168**

	EBITDA for the three-month period ended June 30 2021	Rate of holdings of the CPV Group	EBITDA for the three-month period ended June 30, 2021
Fairview	51	25%	13
Towantic	88	26%	23
Maryland	15	25%	4
Shore	46	37.53%	16
Valley	63	50%	32
Keenan	15	100%	15
Total active plants in the U.S.	**278**		**103**

* Reflects 100% of the results of the Keenan project.

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

6. Additional data regarding activities in the United States (Cont.)

Comments regarding the results in the United States

1. As noted, the second quarter of the year, which is mainly a transitional season, is generally characterized by relatively low demand and prices compared with the summer and winter seasons and performance of periodic maintenance is usually performed in transition seasons. The said seasonal impact also impacted the results of the CPV Group in the period of the report.

2. It is noted that in the period of the report the results of wind power plant (Keenan) and its activities were impacted by difficult weather conditions in February due to the Uri storm and weak wind conditions compared to the average on certain days in this period.

3. During the period of the report and up to its submission date, there were a number of shutdowns for purposes of maintenance (planned and unplanned) at the Fairview, Maryland and Valley power plants during 21 days, 28 days and 38 days, respectively, during which time the activities of the power plants were suspended.

4. The impact of the increase in the energy prices in the period of the report, as noted in Section 4 above (Main Developments in the Business Environment and in the Company's Activities in the United States), was offset cumulatively by CPV's hedge plans.

5. As stated in Section 4, above (Main Developments in the Business Environment and in the Company's Activities in the United States), on June 1, 2021 the capacity tariffs from the 2021–2022 capacity year entered into effect.

Set forth below is a comparison of the data, for the six months and three months ended June 30, 2020, of the active projects of the CPV Group, in accordance with the rates of holdings of the CPV Group in the projects. The EBITDA data below is based on the results in accordance with U.S. GAAP (in 2020 CPV prepared its financial statements in accordance with U.S. GAAP), for the six-month and three-month periods ended June 30, 2021 and 2020 (in millions of NIS).

	For the Six Months Ended June 30		For the Three Months Ended June 30	
	2021	**2020**	**2021**	**2020**
Fairview	27	23	11	10
Towantic	48	48	21	22
Maryland	10	13	2	6
Shore	32	33	13	17
Valley	35	44	30	39
Keenan*	24	4	14	2
Total active plants in the U.S.	**176**	**165**	**91**	**96**

* In the first and second quarters of 2021, the rates of holdings in Keenan were 70% and 100%, respectively (in light of the reversal of the Tax Equity – see explanation in Footnote 21 of the Report), whereas the in the first half of 2020 the rate of holdings was 10%.

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 Six Months Ended 6/30/2021	For the Six Months Ended 6/30/2020	Analysis
Cash flows provided by operating activities	186	178	Most of the increase stems from dividend income from associated companies, in the amount of about NIS 23 million, due to the activities of the CPV Group, and there was an increase in working capital, in the amount of about NIS 24 million. On the other hand, there was a decrease in current operating activities, in the amount of about NIS 38 million.
Cash flows used in investing activities	(531)	(342)	Most of the increase derives from acquisition of the CPV Group, in the amount of about NIS 2,140 million, and investments in projects under construction in the CPV Group, in the amount of about NIS 120 million. In addition, there was an increase, in the amount of about NIS 43 million, relating to investments in associated companies. This increase was partly offset by a decrease deriving from release of short-term deposits, net, in the amount of about NIS 1,607 million, release of restricted cash, net, in the amount of about NIS 220 million, a decrease in in investments the Zomet project, in the amount of about NIS 137 million, a receipt, in the amount of about NIS 150 million, in respect of repayment of partnership capital mainly due to sale of part of the holdings of the CPV Group in the Three Rivers project (for details – see Note 7A to the interim statements).
Cash flows provided by financing activities	716	284	Most of the increase, in the amount of about NIS 702 million, stems from investments of holders of non-controlling interests in the CPV Group and issuance of shares, in the net amount of about NIS 346 million, in 2021. In addition, in the corresponding period in 2020 the Company acquired non-controlling interests in Zomet, in the amount of about NIS 26 million. This increase was partly offset by payment of a loan in the CPV Group, in the amount of about NIS 163 million, and acquisition of the balance of the tax-equity rights in the Keenan project, in the amount of about NIS 82 million. For additional details – see Note 9K(6). Also, in the corresponding period in 2020 the Company issued debentures (Series B), in the amount of about NIS 396 million.

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

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

Category	For the Three Months Ended 6/30/2021	For the Three Months Ended 6/30/2020	Analysis
Cash flows provided by operating activities	108	95	Most of the increase stems from dividend income from associated companies, in the amount of about NIS 14 million, as a result of the activities of the CPV Group, along with an increase in working capital, in the amount of about NIS 32 million. On the other hand, there was a decrease in the current activities, in the amount of about NIS 33 million.
Cash flows used in investing activities	(155)	(31)	Most of the increase derives from investments in projects under construction in the CPV Group, in the amount of about NIS 108 million, an increase, in the amount of about NIS 43 million, relating to investments in associated companies, and an increase in investments in the Zomet project, in the amount of about NIS 11 million. This increase was partly offset by a decrease deriving from release of short-term deposits, net, in the amount of about NIS 25 million, and a receipt, in the amount of about NIS 14 million, in respect of repayment of partnership capital in the United States.
Cash flows provided by (used in) financing activities	(96)	161	Most of the increase in the cash used in financing activities stems from acquisition of the balance of the tax-equity rights in the Keenan project, in the amount of about NIS 82 million (for additional details – see Note 9K(6) to the Interim Statements), and repayment of a loan, in the amount of about NIS 15 million. Also, in the second quarter of 2020 the Company issued debentures (Series B), in the amount of about NIS 396 million. This increase was partly offset by a decrease in current repayments of debentures, in the amount of about NIS 22 million. In addition, in the second quarter of 2020 the Company repaid short-term loans, in the amount of about NIS 219 million.

As at June 30, 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.

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

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

The following table details the debt, cash and cash equivalents, deposits, debt service reserves and restricted cash, as at June 30, 2021 (in millions of NIS) of the Company and its subsidiaries:

	Debt (including interest payable)	Cash and cash equivalents	Debt service reserves (out of restricted cash)*	Other restricted cash
The Company	977	307	–	15
Rotem	1,064	122	83	48
Hadera	691	1	45	4
Zomet	259	53	–	–
Others in Israel	1	33	–	–
Keenan	223	5	–	–
Maple Hill	–	10	–	–
Others in the United States	354	100	–	1
Total	**3,569**	**631**	**128**	**68**

* Including funds serving for guarantee of the debt.

Main changes in the six-month period ended June 30, 2021:

(1) The Company:

A. Investments in subsidiaries and associated companies – the Company invested about NIS 1,639 million in acquisition of the CPV Group, about NIS 26 million in acquisition of Gnrgy, about NIS 85 million in the Zomet project, about NIS 7 million in the Hadera project, about NIS 11 million in the Sorek 2 project, and about NIS 20 million in various other generation facilities.

B. The Company issued shares for a net consideration of about NIS 346 million.

C. The Company repaid the amount of about NIS 10 million of the principal of the debentures (Series B).

(2) Rotem repaid the amount of about NIS 47 million of the principal of its loans.

(3) Hadera repaid the amount of about NIS 14 million of the principal of its loans.

(4) Zomet withdrew about NIS 75 million from the long-term loans framework in accordance with its financing agreement.

(5) Keenan repaid the amount of about NIS 16 million (about $5 million) out of its loan principal.

(6) Others in the United States:

A. OPC Power Ventures LP received a loan from holders in non-controlling interests, in the amount of about NIS 166 million.

B. For details regarding receipt and payment 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.

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

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

The following data includes balances as at June 30, 2021, presented in millions of New Israeli Shekels and representing the share of the CPV Group in the debt, cash and cash equivalents, deposits and debt-service reserves and restricted cash of the associated companies:

Project	Rate of holdings of the CPV Group	Debt (including interest payable)	Cash and cash equivalents and deposits*	Other restricted cash
Fairview	25%	516	1	42
Towantic	26%	511	5	56
Maryland	25%	309	1	32
Shore	37.53%	606	1	127
Valley	50%	998	–	159
Three Rivers	10%	169	–	72
Total		**3,109**	**8**	**488**

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

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

	Debt (including interest payable)	Cash and cash equivalents	Debt service reserves (out of restricted cash)*	Other restricted cash
The Company	980	1,644	25	232
Rotem	1,097	122	78	48
Hadera	698	2	44	11
Zomet	184	35	–	–
Others	1	4	–	–
Total	**2,960**	**1,807**	**147**	**291**

* Including funds serving for guarantee of the debt.

The following table details the debt, cash and cash equivalents, deposits and debt service reserves, as at June 30, 2020 (in millions of NIS) of the Company and its subsidiaries:

	Debt (including interest payable)	Cash and cash equivalents	Debt service reserves (out of restricted cash)*	Other restricted cash
The Company	666	309	67	182
Rotem	1,142	136	137	–
Hadera	715	54	–	12
Zomet	25	4	–	–
Others	1	1	–	–
Total	**2,549**	**504**	**204**	**194**

* Including funds serving for guarantee of the debt.

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

7. Liquidity and sources of financing (in NIS millions) (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)[50]:

	As at June 30, 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	7.9
Minimum shareholders' equity of NIS 250 million	NIS 2,117 million
A ratio of shareholders' equity to total assets at a rate of not less than 17%	67%
Covenants applicable to the Company under additional credit frameworks of the Company	
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 12	7.9
Minimum shareholders' equity of NIS 1,200 million	NIS 2,117 million
The ratio of shareholders' equity to total assets may not drop below 40%	67%
The historical debt coverage ratio may not drop below 1.20:1	1.60:1
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 2,117 million
The ratio of the Company's shareholders' equity to total assets may not drop below 20%	67%
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	1.64
Covenants applicable to Shore	
Historical debt service coverage ratio (DSCR) (in the preceding 12 months) of not less than 1.1	1.80

[50] 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.

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 six-month and three-month periods ended June 30, 2021 and June 30, 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 other 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.

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

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

Category	For the Six Months Ended June 30 2021 Proforma	For the Six Months Ended June 30 2020 Proforma	Analysis
Sales and services	733	622	In the activities in the United States, the increase, in the amount of about NIS 45 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 6 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)	518	445	Most of the increase in the activities in the United States, in the amount of about NIS 10 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 3 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	90	49	Most of the increase stems from depreciation expenses of the Hadera Power Plant, in the amount of about NIS 20 million, due to the commercial operation in July 2020. In addition, an increase of about NIS 20 million stemming from the first-time consolidation of Keenan in the fourth quarter of 2020. On the other hand, there was a decrease of about NIS 1 million, as a result of the decline in the dollar exchange rate.
Gross profit	**125**	**128**	
Administrative and general expenses	110	48	In the activities in Israel, most of the increase stems from an increase in salary expenses, in the amount of about NIS 7 million, and an increase in professional fees in the amount of about NIS 4 million. In the activities in the United States, most of the increase stems from equity compensation expenses, in the amount of about NIS 34 million, and an increase in the expenses to consultants and salary expenses, in the amount of about NIS 10 million, and an increase of about NIS 6 million deriving from the first-time consolidation of Keenan in the fourth quarter of 2020.

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 Six Months Ended June 30 2021 Proforma	 2020 Proforma	Analysis
Share in income (losses) of associated companies	(48)	29	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 56 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 the CPV Group's gross margin due to changes in commodity prices. In addition, in the first half of 2020, the CPV Group recorded equity income in respect of the Keenan project, in the amount of about NIS 34 million were recorded, due to the impacts of application of an agreement with a tax investor. On the other hand, there was an increase in the results, in the amount of about NIS 17 million, due to a decline the exchange rate of the dollar and amortization of excess cost.
Business development expenses	2	10	Most of the decrease stems from a decline in the scope of the business development activities.
Other expenses	(39)	–	The result derives from acquisition of the balance of the tax-equity rights in the Keenan project (for details – see Note 9K(6) to the Interim Statements).
Operating income (loss)	**(74)**	**99**	
Financing expenses, net	71	69	Most of the increase stems from the financing expenses on Hadera's senior debt, in the amount of about NIS 20 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 partly offset by a decline in the financing expenses deriving from the impact of the changes in the dollar/shekel exchange rate, in the amount of about NIS 18 million.
Income (loss) before taxes on income	**(145)**	**30**	
Taxes on income (tax benefit)	(42)	15	The decrease derives from lower income in the first six months of 2021 compared with the corresponding period last year.
Income (loss) for the period	**(103)**	**15**	
Income (loss) before taxes on income less changes in the fair value of derivative financial instruments and unusual expenses in the United States	**(13)**	**69**	

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

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

Category	For the Three Months Ended June 30 2021 Proforma	2020 Proforma	Analysis
Sales and services	342	286	In the activities in the United States, the increase, in the amount of about NIS 23 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 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)	256	222	Most of the increase in the activities in the United States, in the amount of about NIS 5 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 1 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	46	25	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. In addition, there was an increase of about NIS 11 million stemming from the initial consolidation of Keenan in the fourth quarter of 2020.
Gross profit	**40**	**39**	
Administrative and general expenses	79	24	In the activities in Israel, most of the increase stems from an increase salary expenses, in the amount of about NIS 7 million, and from an increase in professional services, in the amount of about NIS 3 million. In the activities in the United States, most of the increase stems from equity compensation expenses, in the amount of about NIS 34 million, an increase in expenses to consultants and salary expenses, in the amount of about NIS 8 million, and an increase of about NIS 3 million stemming from the first-time consolidation of Keenan in the fourth quarter of 2020.
Share in losses of associated companies	(14)	(71)	Most of the decline in the losses of associated companies stems from a decrease in the losses from revaluation of derivative financial instruments (that were designated for an economic hedge), in the amount of about NIS 62 million, amortization of excess cost (mainly in respect of loans), in the amount of about NIS 14 million, and a decrease of about NIS 2 million due to a decline the exchange rate of the dollar. On the other hand, in the corresponding quarter in 2020, the CPV Group recorded equity income in respect of the Keenan project, in the amount of about NIS 19 million, due to the impacts of application of an agreement with a tax investor.

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

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

Category	For the Three Months Ended June 30 – 2021 Proforma	For the Three Months Ended June 30 – 2020 Proforma	Analysis
Business development expenses	1	6	Most of the decrease stems from a decline in the business development activities.
Other income	(39)	–	The result derives from acquisition of the balance of the tax-equity rights in the Keenan project (for details – see Note 9K(6) to the Interim Statements).
Operating loss	**(93)**	**(62)**	
Financing expenses, net	57	57	Most of the increase stems from interest and linkage differences on Hadera's senior debt, in the amount of about NIS 11 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. In addition, there was an increase in interest and linkage differences in respect of debentures, in the amount of about NIS 4 million (mainly as a result of an increase in linkage differences), and an increase in interest and linkage differences on Rotem's senior debt, in the amount of about NIS 4 million (including the results of the hedge of linkage to the CPI). This increase was partly offset by a decline in the financing expenses deriving from the impact of the changes in the dollar/shekel exchange rate, in the amount of about NIS 13 million, and financing income was recorded in 2021 as a result of interest SWAP contracts (the non-effective part), in the amount of about NIS 5 million.
Loss before taxes on income	**(150)**	**(119)**	
Tax benefit	(40)	(26)	
Loss for the period	**(110)**	**(93)**	
Loss before taxes on income less changes in the fair value of derivative financial instruments and unusual expenses in the United States	**(67)**	**(13)**	

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 above and Section 13 below 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 June 30, 2021	–
The fair value as included in the financial statements as at June 30, 2021	About NIS 1,101 million.
Stock market value on June 30, 2021	About NIS 1,101 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.

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 ilA– by S&P Global Ratings Maalot Ltd. ("Maalot") from February 2020 which was reconfirmed in October 2020 in connection with expansion of the series. In July 2021, the rating was reconfirmed. 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 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 NIS 1,000 thousand to the Matan – Investing in the Community Society, NIS 150 thousand to Nirim and NIS 145 thousand to Rahashay Lev.

13. Update of the Periodic Report for 2020 regarding the Company's Business[51]

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

A. For details regarding an agreement for acquisition of shares of the Gnrgy 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 Gnrgy'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 Gnrgy 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 Gnrgy, 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).

B. For details regarding an undertaking in agreements for construction, supply of equipment and long-term maintenance in connection with Sorek 2 – see the Company's Immediate Report dated June 27, 2021 (Reference No.: 2021-01-043576).

C. On July 19, 2021, the Company published a slide presentation to investors including a brief review of the market trends in the Company's activity areas with reference to the ESG aspects and the developments in the Company's activities, including the business plan, which includes these aspects, as well as in connection with examination of the possibility of issuing new debentures of the Company. For details – see the Company's Immediate Reports dated July 19, 2021 (Reference Nos.: 2021-01-054382 and 2021-01-054892).

[51] 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. The reference to Immediate Reports as part of this Report includes the information included in the said Immediate Reports by means of reference.

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.)

13.2 Section 9.6 to Part A and Regulation 21 to Section D 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 Almogy as the Company's CEO, in accordance with the Company's updated remuneration policy, subject to its approval. On June 15, 2021, the General Meeting of the Company's shareholders approved the proposed decisions. For details – see the Company's Immediate Reports, including in connection with postponement of the date of the General Meeting and the results of the General Meetings held on April 29, 2021, May 24, 2021, June 6, 2021 and June 16, 2021 (Reference Nos.: 2021-01-074751, 2021-01-029674, 2021-01-035761, and 2021-01-101847, as applicable); regarding 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 and the supplemental Report dated June 6, 2021 (Reference Nos.: 2021-01-074754 and 2021-01-035782, respectively). Further to approval of update of the remuneration policy for Company officers, the Company's Remuneration Committee and Board of Directors made decisions regarding update and approval of the service and employment conditions for Company officers in accordance with the updated policy as stated. The said updates were approved by the General Meeting in June 2021, including approval of an allotment of 1,252,832 options to the Company's CEO. For details – see the Company's Immediate Report dated June 16, 2021 regarding the results of the General Meeting (Reference No.: 2021-01-101847), the details included therein are presented herein by means of reference. On August 4, 2021, the said options were allotted to the CEO. For details – see the Company's Immediate Report dated August 5, 2021 (Reference No.: 2021-01-127869). Regarding a private allotment of options to officers – see the Immediate Report dated August 23, 2021 (Reference No.: 2021-01-136275).

13.3 Section 10 to Part A of the Periodic Report for 2020

For details regarding the Company's Immediate Reports regarding the Company's intention to issue new debentures, the proceeds of which will be designated for, among other things, early repayment of Rotem's project financing, including publication of drafts of trust certificates – see the Company's Immediate Reports dated July 7, 2021, July 25, 2021 and July 27, 2021 (Reference Nos.: 2021-01-113256, 2021-01-121833 and 2021-01-123051); for details regarding a rating report of S&P Maalot provided for the issuer and for the debentures – see the Company's Immediate Report dated July 19, 2021 (Reference No.: 2021-01-119229).

Further to Section 10.7 to the Periodic Report, as at the submission date of this report, the Company signed additional credit frameworks for up to two years with banks, in the aggregate scope of about NIS 125 million, which as at the date of the report had not yet been utilized.

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

13.4.1 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).

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.)

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

13.4.2 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 9K(7) to the Interim Statements.

13.4.3 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 Group[52] (that is, the remaining 30%), on April 7, 2021 – see the Company's Immediate Report dated April 8, 2021 (Reference No.: 2021-01-059787).

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).[53]

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).

D. For details regarding completion of the financing transaction of Keenan and the concurrent repayment of Keenan's prior financing – see the Company's Immediate Report dated August 8, 2021 (Reference No.: 2021-01-062437).

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[52] 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.

[53] 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.

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

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

13.4 <u>Section 17 to Part A of the Periodic Report for 2020</u> (Cont.)

13.4.4 Further to that stated in Section 17.4 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 the Company 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.

13.5 <u>Regulation 24 (Shares and Convertible Securities held by Interested Parties and Officers on the Submission Date of the Report) to Part D of the Periodic Report for 2020</u>

For a list of the interested parties and senior officers, who to the best of the Company's knowledge hold shares and other securities of the Company as at June 30, 2021 – see the Company's Immediate Report regarding the composition of the holdings of interested parties and senior officers dated July 6, 2021 (Reference No.: 2021-01-113076); Immediate Reports regarding changes in the holdings of interested parties and senior officers dated July 11, 2021 and August 5, 2021 (Reference Nos.: 2021-01-114864, 2021-01-127869 and 2021-01-128295, as applicable); and Immediate Reports regarding parties that ceased to be or become interested parties in the Company, dated July 11, 2021 and August 1, 2021 (Reference Nos.: 2021-01-114861and 2021-01-060220). In June 2021, allotment of 1,252,832 options to the Company's CEO was approved. For details – see the Company's Immediate Report dated June 16, 2021 regarding the results of the General Meeting (Reference No.: 2021-01-101847). On August 4, 2021, the said options were allotted to the CEO. For details – see the Company's Immediate Report dated August 5, 2021 (Reference No.: 2021-01-127869).

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.)

13.6 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), and in connection with allotment and vesting of securities issued to Company employees and officers – see the Company's Immediate Reports dated June 15, 2021, July 11, 202 and August 5, 2021 (Reference Nos.: 2021-01-039250, 2021-01-114867 and 2021-01-127863).

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

Date: August 24, 2021

Appendix 99.2

OPC Energy Ltd.

Condensed Consolidated Interim Financial Statements

As at June 30 2021

(Unaudited)

Table of Contents

Somekh Chaikin
Millennium Tower KPMG
17 Ha'arba'a St., P.O.B. 609
Tel Aviv 6100601
03-684-8000

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

Introduction

We have reviewed the accompanying financial information of OPC Energy Ltd. (hereinafter – "the Company") and its subsidiaries, including the condensed consolidated interim statement of financial position as at June 30, 2021 and the condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six-month and three-month period then ended. The Board of Directors and management are responsible for preparing and presenting financial information for these interim periods in accordance with IAS 34, Interim Financial Reporting, and are also responsible for preparing financial information for this interim period under Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion regarding 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 Interim Financial Information 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 smaller 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 have been identifiable 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.

Somekh Chaikin
Certified Public Accountants

August 24, 2021

Condensed Consolidated Interim Statements of Financial Position as of as at June 30, 2021 (Unaudited)

	June 30 2021 (Unaudited) NIS million	June 30 2020 (Unaudited) NIS million	December 31 2020 (Audited) NIS million
Current assets			
Cash and cash equivalents	**631**	504	200
Short term deposits	**-**	-	1,607
Short-term restricted deposits and cash	**48**	56	207
Trade receivables and accrued income	**123**	106	153
Other receivables and debit balances	**120**	53	63
Short-term derivative financial instruments	**1**	1	*-
Total current assets	**923**	720	2,230
Non-current assets			
Long-term restricted deposits and cash	**148**	342	231
Prepaid expenses and long-term receivables	**176**	128	143
Investments in associates	**1,786**	-	-
Deferred tax assets, net	**82**	8	24
Long-term derivative financial instruments	**41**	5	1
Property, plant & equipment	**3,128**	2,458	2,665
Right-of-use assets	**304**	293	276
Intangible assets	**698**	4	5
Total non-current assets	**6,363**	3,238	3,345
Total assets	**7,286**	3,958	5,575

(*) Amount is less than NIS 1 million.

	June 30 2021 (Unaudited) NIS million	June 30 2020 (Unaudited) NIS million	December 31 2020 (Audited) NIS million
Current liabilities			
Current maturities of long-term liabilities	**164**	162	149
Trade payables	**363**	138	298
Payables and credit balances	**65**	41	96
Short-term derivative financial instruments	**54**	23	126
Current maturities of lease liabilities	**56**	54	45
Current tax liabilities	**1**	15	-
Total current liabilities	**703**	433	714
Non-current liabilities			
Long-term loans from banking corporations and others	**2,448**	1,757	1,851
Debentures	**949**	627	952
Long-term lease liabilities	**43**	16	14
Long-term derivative financial instruments	**23**	29	22
Other long-term liabilities	**78**	2	2
Liabilities for deferred taxes, net	**367**	284	309
Total non-current liabilities	**3,908**	2,715	3,150
Total liabilities	**4,611**	3,148	3,864
Equity			
Share capital	**2**	1	2
Share premium	**2,061**	635	1,714
Capital reserves	**105**	20	(74)
Retained earnings (loss)	**(51)**	95	28
Total equity attributable to the Company's shareholders	**2,117**	751	1,670
Non-controlling interests	**558**	59	41
Total equity	**2,675**	810	1,711
Total liabilities and equity	**7,286**	3,958	5,575

Yair Caspi	Giora Almogy	Tzahi Goshen
Chairman of the Board of Directors	Chief Executive Officer	Chief Financial Officer

Date of approval of the financial statements: August 24, 2021

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

Condensed Consolidated Interim Statements of Income

	For the six-month period ended June 30		For the three-month period ended June 30		For the year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Sales and provision of services	**718**	577	**342**	264	1,325
Cost of sales and services (net of depreciation and amortization)	**515**	413	**256**	208	968
Depreciation and amortization	**87**	47	**46**	24	114
Gross profit	**116**	117	**40**	32	243
General and administrative expenses	**103**	26	**79**	13	52
Share in losses of associates	**(52)**	-	**(14)**	-	-
Transaction expenses in respect of acquisition of the CPV Group	**2**	-	***-**	-	42
Business development expenses	**2**	6	**1**	4	7
Other income (loss), net	**(39)**	*-	**(39)**	*-	1
Profit (loss) from ordinary activities	**(82)**	85	**(93)**	15	143
Finance expenses	**89**	49	**61**	31	173
Finance income	**14**	2	**4**	*-	1
Finance expenses, net	**75**	47	**57**	31	172
Income (loss) before taxes on income	**(157)**	38	**(150)**	(16)	(29)
Taxes on income (tax benefit)	**(47)**	16	**(40)**	-	13
Profit (loss) for the period	**(110)**	22	**(110)**	(16)	(42)
Attributable to:					
The Company's shareholders	**(79)**	10	**(86)**	(18)	(57)
Non-controlling interests	**(31)**	12	**(24)**	2	15
Profit (loss) for the period	**(110)**	22	**(110)**	(16)	(42)
Earnings per share attributable to the Company's owners					
Basic earnings (loss) per share (in NIS)	**(0.42)**	0.07	**(0.45)**	(0.13)	(0.37)
Diluted earnings (loss) per share (in NIS)	**(0.42)**	0.07	**(0.45)**	(0.13)	(0.37)

(*) Amount is less than NIS 1 million.

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

Condensed Consolidated Interim Statements of Comprehensive Income

	For the six-month period ended June 30		For the three-month period ended June 30		For the year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Profit (loss) for the period	**(110)**	22	**(110)**	(16)	(42)
Other comprehensive income (loss) items that, subsequent to initial recognition in comprehensive income, were or will be transferred to profit and loss					
Effective portion of the change in the fair value of cash-flow hedges	**33**	(46)	**1**	(6)	(156)
Net change in fair value of derivative financial instruments used for hedging cash flows stated to the cost of the hedged item	**105**	7	**(1)**	4	10
Net change in fair value of derivative financial instruments used to hedge cash flows transferred to profit and loss	**(4)**	13	**(9)**	5	22
Group's share in other comprehensive income of associates, net of tax	**23**	-	**(1)**	-	-
Foreign currency translation differences in respect of foreign operations	**43**	-	**(40)**	-	-
Tax on other comprehensive income items	**(3)**	***-**	**1**	***-**	5
Other comprehensive income (loss) for the period, net of tax	**197**	(26)	**(49)**	3	(119)
Total comprehensive income (loss) for the period	**87**	(4)	**(159)**	(13)	(161)
Attributable to:					
The Company's shareholders	**98**	(16)	**(122)**	(15)	(176)
Non-controlling interests	**(11)**	12	**(37)**	2	15
Comprehensive income (loss) for the period	**87**	(4)	**(159)**	(13)	(161)

(*) Amount is less than NIS 1 million.

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

Condensed Consolidated Interim Statements of Changes in Equity

	Attributable to the Company's shareholders										
	Share capital	Share premium	Capital reserve from transactions with non-controlling interests and merger	Hedge fund	Foreign operation translation reserve	Capital reserve from transactions with shareholders	Capital reserve for share-based payment	Retained earnings (loss)	Total	Non-controlling interests	Total equity
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
	(Unaudited)										
For the six-month period ended June 30, 2021											
Balance as 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 by holders of non-controlling interests in equity of subsidiary	-	-	-	-	-	-	-	-	-	536	536
Share-based payment	-	-	-	-	-	-	3	-	3	-	3
Exercise of shares issued to employees and officers	*-	1	-	-	-	-	(1)	-	-	-	-
Merger capital reserve in respect of transfer of ICG Energy	-	-	-	-	-	*-	-	-	*-	-	*-
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(8)	(8)
Other comprehensive income, net of tax	-	-	-	147	30	-	-	-	177	20	197
Income (loss) for the period	-	-	-	-	-	-	-	(79)	(79)	(31)	(110)
Balance as at June 30 2021	**2**	**2,061**	**(25)**	**15**	**30**	**78**	**7**	(51)	2,117	558	2,675

(*) Amount is less than NIS 1 million.

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

Condensed Consolidated Interim Statements of Changes in Equity (contd.)

	Attributable to the Company's shareholders										
	Share capital	Share premium	Capital reserve from transactions with non-controlling interests and merger	Hedge fund	Foreign operation translation reserve	Capital reserve from transactions with shareholders	Capital reserve for share-based payment	Retained earnings (loss)	Total	Non-controlling interests	Total equity
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
	(Unaudited)										
For the six-month period ended June 30, 2020											
Balance as 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	-	-	-	-	-	-	2	-	2	-	2
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(22)	(22)
Other comprehensive loss, net of tax	-	-	-	(26)	-	-	-	-	(26)	-	(26)
Profit for the period	-	-	-	-	-	-	-	10	10	12	22
Balance as at June 30 2020	1	635	(25)	(39)	-	78	6	95	751	59	810
For the three-month period ended June 30, 2021											
Balance as at April 1 2021	**2**	**2,061**	**(25)**	**22**	**59**	**78**	**5**	**35**	**2,237**	**598**	**2,835**
Share-based payment	**-**	**-**	**-**	**-**	**-**	**-**	**2**	**-**	**2**	**-**	**2**
Investments by holders of non-controlling interests in equity of subsidiary	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**	**5**	**5**
Dividends to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(8)**	**(8)**
Other comprehensive income (loss), net of tax	**-**	**-**	**-**	**(7)**	**(29)**	**-**	**-**	**-**	**(36)**	**(13)**	**(49)**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(86)**	**(86)**	**(24)**	**(110)**
Balance as at June 30 2021	**2**	**2,061**	**(25)**	**15**	**30**	**78**	**7**	**(51)**	**2,117**	**558**	**2,675**

(*) Amount is less than NIS 1 million.

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

Condensed Consolidated Interim Statements of Changes in Equity (contd.)

	Attributable to the Company's shareholders									
	Share capital	Share premium	Capital reserve from transactions with non-controlling interests and merger	Hedge fund	Capital reserve from transactions with share-holders	Capital reserve for share-based payment	Retained earnings	Total	Non-controlling interests	Total equity
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
	(Unaudited)									
For the three-month period ended on June 30, 2020										
Balance as at April 1 2020	1	635	(25)	(42)	78	5	113	765	57	822
Share-based payment	-	-	-	-	-	1	-	1	-	1
Other comprehensive income, net of tax	-	-	-	3	-	-	-	3	-	3
Profit (loss) for the period	-	-	-	-	-	-	(18)	(18)	2	(16)
Balance as at June 30 2020	1	635	(25)	(39)	78	6	95	751	59	810
For the year ended December 31 2020										
	(Audited)									
Balance as 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
Exercise of shares issued to employees and officers	*-	2	-	-	-	(2)	-	-	-	-
Issuance of capital notes to non-controlling interests	-	-	-	-	-	-	-	-	*-	*-
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	(43)	(43)
Other comprehensive loss, net of tax	-	-	-	(119)	-	-	-	(119)	-	(119)
Profit (loss) for the year	-	-	-	-	-	-	(57)	(57)	15	(42)
Balance as at December 31 2020	2	1,714	(25)	(132)	78	5	28	1,670	41	1,711

(*) Amount is less than NIS 1 million.

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

Condensed Consolidated Interim Statements of Cash Flow

	For the six-month period ended June 30		For the three-month period ended June 30		For the year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Cash flows from operating activities					
Profit (loss) for the period	**(110)**	22	**(110)**	(16)	(42)
Adjustments:					
Depreciation, amortization and diesel consumption	**93**	56	**49**	27	133
Finance expenses, net	**75**	47	**57**	31	172
Taxes on income (tax benefit)	**(47)**	16	**(40)**	*-	13
Share in losses of associates	**52**	-	**14**	-	-
Loss on sale of other long-term liabilities	**39**	-	**39**	-	-
Gain on sale of a subsidiary	-	-	**-**	-	(1)
Share-based compensation transactions	**3**	2	**2**	1	3
	105	143	**11**	43	278
Changes in trade and other receivables	**30**	35	**30**	29	(47)
Changes in suppliers, service providers and other payables	**(5)**	-	**20**	23	131
Changes in employee benefits	**34**	-	34	-	-
	59	35	84	52	84
Dividends received from associates	**23**	-	**14**	-	-
Income tax paid	**(1)**	*-	**(1)**	*-	*-
Net cash from operating activities	**186**	178	**108**	95	362
Cash flows from investing activities					
Interest received	***-**	1	***-**	1	1
Short-term restricted deposits and cash, net	**1,725**	59	**1**	23	(1,696)
Withdrawals from long-term restricted cash	**89**	7	**38**	*-	134
Deposits to long-term restricted cash	**(5)**	(84)	**(4)**	(19)	(108)
Acquisition of a subsidiary, net of cash purchased	**(2,140)**	-	**-**	-	-
Acquisition of an associate	**(26)**	-	**(26)**	-	-
Long-term loans to an associate	**(17)**	-	**(17)**	-	-
Proceeds for repayment of partnership capital	**150**	-	**14**	-	-
Deferred proceeds from sale of a subsidiary net cash sold	***-**	*-	**-**	-	1
Long-term advance payments prepaid expenses	(12)	(188)	**(9)**	*-	(199)
Purchase of property, plant and equipment	**(297)**	(88)	**(149)**	(37)	(255)
Refund in respect of right-of-use assets	**6**	-	**-**	-	-
Deferred proceeds for acquisition of a subsidiary	**-**	(47)	**-**	-	(47)
Purchase of intangible assets	**(1)**	*-	**(1)**	*-	(1)
Payment for derivative financial instruments	**(4)**	(2)	**(2)**	-	(19)
Proceeds for derivative financial instruments	**1**	-	**-**	1	5
Net cash used in investing activities	**(531)**	(342)	**(155)**	(31)	(2,184)

(*) Amount is less than NIS 1 million.

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

Condensed Consolidated Interim Statements of Cash Flow (contd.)

	For the six-month period ended June 30		For the three-month period ended June 30		For the year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Cash flows from financing activities					
Proceeds of share issuance, net of issuance expenses	**346**	-	**-**	-	1,078
Proceeds of debenture issuance, net of issuance expenses	**-**	396	**-**	396	974
Receipt of long-term loans from banking corporations and others	**242**	89	**77**	64	251
Investments by holders of non-controlling interests in equity of subsidiary	**536**	-	**5**	-	*-
Short term loans from banking corporations, net	**-**	-	**-**	(219)	-
Interest paid	**(64)**	(36)	**(29)**	(21)	(85)
Prepaid costs for loans taken	**(6)**	(20)	**(2)**	(7)	(30)
Dividend paid to non-controlling interests	**(8)**	(22)	**(8)**	-	(43)
Payment of early redemption fees of debentures (Series A)	**-**	-	**-**	-	(38)
Repayment of long-term loans from banking corporations and others	**(213)**	(69)	**(38)**	(29)	(134)
Repayment of debentures	**(10)**	(16)	**-**	(16)	(286)
Repayment of other long-term liabilities	**(94)**	-	**(94)**	-	-
Acquisition of non-controlling interests	**-**	(26)	**-**	-	(26)
Payment for derivative financial instruments	**(10)**	(11)	**(5)**	(6)	(21)
Repayment of principal in respect of lease liabilities	**(3)**	(1)	**(2)**	(1)	(1)
Net cash provided by (used in) financing activities	**716**	284	**(96)**	161	1,639
Net increase (decrease) in cash and cash equivalents	**371**	120	**(143)**	225	(183)
Balance of cash and cash equivalents at beginning of period	**200**	385	**776**	279	385
Effect of exchange rate fluctuations on cash and cash equivalent balances	**60**	(1)	**(2)**	-	(2)
Balance of cash and cash equivalents at end of period	**631**	504	**631**	504	200

(*) Amount is less than NIS 1 million.

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

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's controlling shareholder is Kenon Holdings Ltd. (hereinafter - "the Parent Company"), a company incorporated in Singapore, the shares of which are dual-listed on the New York Stock Exchange (NYSE) and the Tel Aviv Stock Exchange (hereinafter - "the TASE"). The Company's interim consolidated financial statements as of June 30 2021 include those of the Company and its subsidiaries as well as interests in associates (hereinafter, collectively - "the Group").

The Company is a publicly traded company whose securities are traded on the TASE. As at the report date (since January 2021), the Group is engaged in two reportable segments: (1) generation and supply of power and energy in Israel; and (2) maintenance, development, construction and management of renewable energy and conventional power (gas-fired) power plants in the United States. In these segments, the Group is engaged in generation and supply of power and energy to private customers, Israel Electric Corporation Ltd. (hereinafter – "the IEC") and the system operator, 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 operations in Israel mainly through a wholly owned subsidiary, OPC Israel Energy Ltd. (hereinafter – "OPC Israel"), and its operations in the United States under another operational roof through the CPV Group (as defined in Note 6).

In Israel, the Group operates the Rotem Power Plant, through OPC Rotem Ltd. (hereinafter – "Rotem") (which is held by OPC Israel (80%) and by another shareholder (20%)); Rotem uses conventional technology, and has an installed capacity of approximately 466 megawatts (MW); the Hadera Power Plant is operated by OPC Hadera Ltd. (hereinafter – "Hadera"), which is wholly-owned by OPC Israel; Rotem uses cogeneration technology and has an installed capacity of 144 MW. Furthermore, Hadera holds the Energy Center (boilers and turbines on the site of Hadera Paper Ltd.), which serves as back-up for the supply of steam. In addition, OPC Israel wholly owns Zomet Energy Ltd. (hereinafter – "Zomet"), which is working to construct a power plant powered by natural gas, using conventional technology in an open cycle (a peaker plant) having an installed capacity of approximately 396 MW, located in the vicinity of the Plugot Intersection, near Kiryat Gat. Furthermore, the Company is working to construct and operate facilities for generation of energy on the consumer's premises, which generate power using natural gas and renewable energy and enters into arrangements for supply and sale of energy to consumers; in addition, the Company entered into an agreement to supply the equipment to, construct, operate and maintain the Sorek B generation facility and to supply the energy facility of 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 Israeli Electricity Authority, the provisions of the Law for Minimizing Market Centralization and Promoting Economic Competition, 2013, the provisions of the Economic Competition Law, 1988 and the regulations promulgated thereunder, as well as regulation in connection with licensing of businesses, planning and construction, and environmental protection. The Israeli 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 by the Minister of Energy), supervise the license holders (including supply licenses and private generation licenses), determine tariffs and set benchmarks for the level, nature and quality of the services that are required from a holder of a "Essential Service Provider" license. Accordingly, the Israeli Electricity Authority supervises both the IEC and private power generators.

The Group's activity is subject to seasonal fluctuations as a result of changes in the energy demand management rate (hereinafter – "the TAOZ"), which is regulated and published by the Israeli Electricity Authority. The year is broken down into three seasons, as follows: summer (July and August), winter (December, January and February) and "transitional" (March through June and September through November), with a different tariff set for each season. The Company's results are based on the generation component, which is part of the TAOZ, resulting in a seasonal effect.

NOTE 1 – GENERAL (CONTD.)

A. The Reporting Entity (contd.)

In the United States, the Group operates - through the CPV Group, 70% of which is (indirectly) held by the Company - conventional power plants, power plants powered by natural gas (advanced generation combined cycle) and in the area of renewable energy. As at the approval date of the financial statements, the CPV Group's share of the natural gas-fired power plants is approximately 1,290 MW out of 4,045 MW (5 power plants), and in wind energy – the CPV Group's share is approximately 152 MW (one power plant).

In addition, the CPV Group holds rights to gas-fired and solar power plants that are under construction, with a capacity of approximately 1,258 MW and 126 MW, respectively (the CPV Group's share as at the approval date of the financial statements is approximately 126 MW and 126 MW, respectively). In addition, the CPV Group has a backlog of projects using solar (photovoltaic) technology in advanced development stages totaling approximately 1,254 MW, and a number of projects in the initial development stages totaling 738 MW. Furthermore, the CPV Group holds a backlog of projects using wind technology at the advanced initiation stages totaling approximately 176 MW, as well as projects using combined cycle technology in the advanced development stages, totaling approximately 3,955 MW.

The power market in the United States is regulated both on the federal level (wholesale sale of power and interstate transmission) and state level (retail sale of power and distribution services to end consumers). The primary federal regulator is the Federal Energy Regulatory Commission (FERC), alongside state-level public service commissions exercising additional regulatory oversight. The power market in the United States operates under several regional or state market operators, known as Regional Transmission Organizations (RTOs) or Independent System Operators (ISOs). The ISOs-RTOs are responsible for the day-to-day operation of the transmission system, the administration of the wholesale markets in their respective regions, and for the long-term transmission planning and resource adequacy functions.

The activity of the CPV Group is 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 in their production. Therefore, regulations, laws and decisions by 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 activity.

The revenues of the CPV Group from power generation are seasonal and impacted by variable demand, gas prices and power prices, as well as the weather. In general, with respect to power plants powered by natural gas, there is higher profitability in seasons where temperatures are at their highest and lowest - usually during summer and winter.

B. Impacts of the Spread of the Coronavirus

Due to the spread of the coronavirus (COVID-19) (hereinafter - "the coronavirus crisis") in 2020 as well as during the reporting period and thereafter, movement restrictions and restrictions on business activity were imposed by the State of Israel and countries throughout the world. In addition, the said Coronavirus Crisis has caused, among other things, uncertainty and instability in the Israeli and global financial markets and economy.

The operation of the Company's active power plants in Israel, as well as the construction of the Zomet power plant, have continued throughout the restriction period, due to their designation as "essential enterprises", while safeguarding the work teams and taking precautionary measures in order to prevent outbreak and spread of the infection at the Company's sites. The continuity of the construction work on the Zomet power plant or of the renovation and maintenance work at the Rotem and Hadera power plants may be impacted by movement restrictions due to the Coronavirus Crisis, in light of the need for the arrival of equipment and foreign work teams. As at the financial statements approval date, the Coronavirus Crisis has not had a material impact on the Company's financial performance in Israel.

NOTE 1 – GENERAL (CONTD.)

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

Spread of the virus and infections at the Company's power plants and sites, continuation of the Coronavirus Crisis for an extended period, a material impact of the Coronavirus Crisis on main suppliers (such as suppliers of natural gas, construction and maintenance contractors) or the Group's main customers, may adversely affect the Company's activities and results in Israel, as well as its ability to complete construction projects on time or at all and/or on its ability to execute future projects.

As of financial statements' approval date, the pandemic continues to cause business and economic uncertainty. During the reported period, there was a trend of recovery in the volume of economic activity worldwide, including lifting of some of the movement restrictions, reopening of businesses and commerce. At the same time, as of the financial statements approval date, alongside high vaccination rates - due to the outbreak of new strains (primarily the Delta variant) - the pandemic continues to spread significantly in Israel and other countries, and accordingly, movement restrictions and restrictions on activities have been imposed and may be imposed in the future.

The spread of the Coronavirus has had a significant impact on economic activity in the USA and around the world. The activity of the CPV Group's power plants continued despite the Coronavirus Crisis, with adjustments being made as stated below. The Coronavirus Crisis resulted in a change in the work schedules and shifts of the employees of the CPV Group, a reduction of self-initiated shutdowns for purposes of periodic maintenance, extension of the unplanned periodic maintenance period, adaptations on the part of the Group to employees working from home and other workplace adjustments. In addition, the Group was and continues to be required to make adjustments relating to information security at the power plants. Moreover, the Coronavirus Crisis affects the availability of suppliers and parties involved in the development and construction processes of the projects of the CPV Group.

It is noted that, as of the approval date of the financial statements, there is no certainty as to the duration of the Coronavirus Crisis, its scope and impact on the markets or parties relating to the CPV Group's activity, and therefore - the CPV Group is unable to assess 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 business activity in the areas in which it operates - as well as the measures that shall be taken worldwide as a result, impact on the economy and commodity markets in the U.S. in general, and on the prices of power and natural gas in particular – could impact the CPV Group's activity (even materially), thwart the completion of the project under construction (as detailed in Note 7A) and delay advancement of the CPV Group's projects under development, as well as impact the ability to execute its future projects.

NOTE 2 – BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

The condensed interim consolidated financial statements were prepared in accordance with International Accounting Standard 34 (hereinafter – "IAS 34") - "Interim Financial Reporting" and do not include all of the information required in complete Annual Financial Statements. These statements should be read in conjunction 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 interim consolidated financial statements were approved for publication by the Company's Board of Directors on August 24, 2021.

NOTE 2 – BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTD.)

B. Functional and presentation currency

The New Israeli Shekel (NIS) is the currency that represents the primary economic environment in which the Company operates. Accordingly, the NIS is the Company's functional currency. 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 judgments

In preparation of the condensed consolidated interim financial statements in accordance with the IFRS, the Company's 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 may differ from these estimates.

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

<u>Allocation of acquisition costs:</u>
The Group makes estimates with respect to allocation of excess cost to tangible and intangible assets and to liabilities. In addition, when determining the depreciation rates of the tangible and 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.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies for New Transactions or Events

1. Basis of consolidation

<u>Business combinations</u>
The Group applies 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 has the ability to affect those returns through its power over the acquiree. When testing for control, substantive rights held by the Group and others are taken into account. On 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 as well as equity interests 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' fees, legal fees, valuations and other fees and 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 (CONTD.)

A. Accounting Policies for New Transactions or Events (contd.)

1. Basis of consolidation (contd.)

Goodwill

The Group recognizes goodwill on acquisition date 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 in subsequent periods, is measured at cost less accrued impairment losses.

To test for impairment, 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 tested for impairment each year, or more frequently if there are indications of a possible impairment of the unit, as stated. Where the recoverable amount of a cash-generating unit is lower than the carrying mount of that cash-generating unit, the impairment loss is first allocated to the reduction of the carrying amount of any goodwill attributed to that cash-generating unit. Thereafter, the balance of the impairment loss, if any, is allocated to other assets of the cash-generating unit, pro rata to their carrying amounts. A goodwill impairment loss is not reversed in subsequent periods.

Investment in associates

Associates are 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 decisions relating to the financial and operational policies of the investee company. In testing for significant influence, potential voting rights that are currently exercisable or convertible into shares of the investee are taken into account.

Investments in associates are accounted for using the equity method and are initially recognized at cost. The investment cost includes transaction costs. Transaction costs that are directly attributable to an expected acquisition of an associate are recognized as an asset under the deferred expenses line item in the statement of financial position. These costs are added to the investment cost 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 commences until the date that significant influence ceases. Where the Group disposes of part of an investment that is an associate that includes foreign operations while maintaining significant influence, the proportionate part of the cumulative amount of the exchange rate differences is reclassified to the statement of income.

2. Foreign currency

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to NIS at exchange rates in effect at the reporting date. The income and expenses of foreign operations are translated to NIS at exchange rates in effect at the transaction dates. Foreign exchange differences are recognized in other comprehensive income and are presented in equity in the foreign operations translation reserve (hereinafter – "translation reserve"). When the foreign operation is not a wholly owned subsidiary of the Company, the pro rata share of the foreign operation translation difference is allocated to the non-controlling interests.

Generally, foreign exchange 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.

When the settlement of loans received from or provided to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from these monetary items are included in the investment in the foreign operation, net, and are recognized in other comprehensive income and stated in equity under the translation reserve.

NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

A. Accounting Policies for New Transactions or Events (contd.)

3. Share-based compensation transactions

The fair value of the amount due to employees in respect of profit participation in the CPV Group, which are settled in cash, is recognized as an expense, against a corresponding increase in the liability, over the period in which unconditional entitlement to payment is achieved. The liability is remeasured at each reporting date until the settlement date. Any change in the fair value of the liability is recognized as a general and administrative expense in profit and loss.

B. New Standards and Amendments to New Standards that Have Yet to Be Adopted

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

The Amendment replaces certain classification requirements of current or non-current liabilities. For example, pursuant to the amendment, a liability will be classified as non-current if an entity has the right to defer the payment for a period of at least 12 months after the reporting period, which is "substantive" and exists at the end of the reporting period. A right exists as at the report date only if an entity is in compliance with the conditions for deferment of the payment as at that date. In addition, the amendment clarifies that a conversion right of a liability will affect its classification as current or non-current, unless the conversion component is capital-based.

The Amendment will become effective for reporting periods commencing on January 1 2023. Early application is permissible. The Amendment is to be applied retrospectively, including adjustment of the comparative data.

The Group has yet to begin examining the ramifications of the amendment's application for the financial statements.

2. Amendment to IAS 16 - "Property, Plant, and Equipment: Proceeds before Intended Use"

The amendment revokes the requirement whereby in calculating costs that are directly attributable to property, plant and equipment, the net proceeds from the sale of any items produced in the process (such as samples produced at the time of testing the equipment) should be deducted from the costs of testing the proper functioning of the asset. Rather, the said proceeds are to be recognized in profit and loss 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 become effective for reporting periods commencing on January 1, 2022, or thereafter. Early application is permissible. The amendment is to be applied retrospectively, including revision of the comparative data, but only for items of property, plant and equipment that were brought to the location and status required for them to be able to function in the manner contemplated by management after the earliest reporting period presented on first-time application of the amendment. The cumulative effect of the amendment will adjust the opening balance of the retained earnings of the earliest reporting period presented.

The Group has considered the potential effect of the application of the standard and is of the opinion that such application is not expected to have a material effect on the financial statements.

NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

C. New Standards and Amendments to New Standards that Have Yet to Be Adopted (contd.)

3. 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 temporary differences created on the date of initial recognition of assets and/or liabilities, such that the said exemption will not apply to transactions that give rise to equal and offsetting temporary differences. As a result, entities will be required to recognize a deferred tax asset or liability in respect of such temporary differences on the date of initial recognition of transactions that give rise to equal and offsetting temporary differences, such as lease transactions and provisions for dissolution and rehabilitation.

The amendment will be applied as of the annual reporting period starting on January 1 2023, by adjusting the opening balance of the retained earnings or as an adjustment to another capital line item in the period in which the amendment was adopted. Early application is permissible.

The Group has yet to begin to examine the effects of the amendment on the financial statements.

NOTE 4 – FINANCIAL INSTRUMENTS

Financial instruments measured at fair value for disclosure purposes only

The carrying amounts of certain financial assets and financial 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 to their fair values.

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

Fair value

	As at June 30 2021	
	Carrying amount (*)	Fair value
	NIS million	NIS million
Loans from banking corporations and others (Level 2)	2,190	2,575
Debentures (Level 1)	977	1,101
	3,167	3,676

	As at June 30 2020	
	Carrying amount (*)	Fair value
	NIS million	NIS million
Loans from banking corporations and others (Level 2)	1,884	2,094
Debentures (Level 1)	665	731
	2,549	2,825

	As at December 31 2020	
	Carrying amount (*)	Fair value
	NIS million	NIS million
Loans from banking corporations and others (Level 2)	1,980	2,360
Debentures (Level 1)	980	1,056
	2,960	3,416

(*) Includes current maturities and interest payable.

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

NOTE 4 - FINANCIAL INSTRUMENTS (CONTD.)

The Group enters into transactions in derivative financial instruments in order to hedge foreign currency risks and risks of changes in the Consumer Price Index (hereinafter – 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 accepted 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 arising from them, based on the terms and conditions and term to 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 consolidated for the first time as part of the business combination were added to the Group. These loans are the same or approximate to their fair value in light of the variable interest rates on some of the loans.

Set forth below are data regarding the representative foreign exchange rates of the US dollar (hereinafter - "USD") and the euro (hereinafter - "EUR") and the CPI:

	CPI (points)	**USD/NIS exchange rate**	**EUR/NIS exchange Rate**
June 30 2021	**101.6**	**3.260**	**3.875**
June 30 2020	100.1	3.466	3.883
December 31 2020	100.2	3.215	3.944
Changes during the 6-month period ended on:			
June 30 2021	**1.4%**	**1.4%**	**(1.8%)**
June 30 2020	(0.7%)	0.3%	0.1%
Changes during the 3-month period ended on:			
June 30 2021	**1.3%**	**(2.2%)**	**(1.0%)**
June 30 2020	(0.2%)	(2.8%)	(0.4%)
Changes during the year ended on:			
December 31 2020	(0.6%)	(7.0%)	1.7%

NOTE 5 - REVENUES FROM SALES AND SERVICES

Disaggregation of revenues from sales:

	For the six-month period ended June 30		For the three-month period ended June 30		For the year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Revenues from sale of power	**660**	548	**308**	251	1,269
Revenues from sale of steam	**28**	29	**13**	13	56
Revenues from provision of services	**30**	-	**21**	-	-
	718	577	**342**	264	1,325

NOTE 6 – SUBSIDIARIES

Business combination that occurred during the current period

Further to that stated in Note 25L to the annual financial statements, on January 25 2021, the acquisition of 70% of the rights and holdings in the CPV Group (hereinafter – "the Transaction Completion Date") was completed. The acquisition was executed through a limited partnership, CPV Group LP (hereinafter – "the Acquirer"), which is held, indirectly, by the Company (approximately 70% by the limited partner). The acquired CPV Group entities 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 jointly referred to hereinafter 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 powered by natural gas of the advanced-generation combined-cycle type) in the United States through subsidiaries and associates. The CPV Group holds rights in active power plants that it developed and constructed – 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 US-based power plants using a range of technologies and fuel types, by means of signing asset-management agreements, usually for short to medium terms.

On the Transaction Completion Date, in accordance with the mechanism for determination of the consideration as defined in the acquisition agreement, the Acquirer paid the Sellers a consideration that was set at the total amount of about USD 648 million (constituting an acquisition price of USD 630 million with certain adjustments to working capital, the cash balance and debt balance), and approximately USD 5 million for a deposit in the same amount, which remains in the CPV Group. In May 2021, the consideration for the CPV Group acquisition transaction was adjusted, as a result of which the Sellers paid the CPV Group an immaterial amount. It is noted that, in respect of 17.5% of the rights to the Three Rivers project under construction (hereinafter – "the Project under Construction"), a sellers' loan, in the amount of USD 95 million (hereinafter – "the Seller's Loan") was granted to CPVH. The Seller's Loan is for a period of up to two years from the Transaction Completion Date, bears an annual interest of 4.5%, which is to be paid quarterly and secured by a lien on shares of the holding company that owns the rights to 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 under Construction and in the Seller's Loan in the reporting period – see Note 7A.

NOTE 6 – SUBSIDIARIES (CONTD.)

Business combination that occurred during the current period (contd.)

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 Transaction Completion Date, the Company recorded an amount of approximately NIS 103 million that was accrued in a hedge capital reserve to the investment cost in the CPV Group. This cost was recorded under the goodwill line item and increased the acquisition cost by approximately USD 32 million.

The contribution of the CPV Group to the Group's income and loss from the acquisition date until June 30 2021 amounted to NIS 68 million and NIS 129 million, respectively. Management estimates that had the acquisition taken place as early as January 1 2021, the revenue amount in the consolidated statement of income for the six-month period ended June 30 2021 would have been NIS 733 million and the consolidated loss for that period would have been NIS 103 million.

Determination of fair value of assets and liabilities temporarily identifiable:
The acquisition of the CPV Group was accounted for according to the provisions of IFRS 3 - "Business Combinations". Thus, on the Transaction Completion Date, the Company included the net assets of the CPV Group in accordance with the fair value. As of the approval date of the financial statements, the Company had not yet completed the attribution of the acquisition cost to the identifiable assets and liabilities, in light of the short time that had elapsed from the date of the business combination to the financial statements approval date. As a result, some of the fair value data are temporary and there may be changes that will affect the data included in these financial statements.

Set forth below is the fair value of the identifiable assets and liabilities acquired (based on temporary values):

	In NIS million (translated)	In USD million
Cash and cash equivalents	94	29
Trade and other receivables	50	15
Long-term restricted deposits and cash	2	1
Investments in associates	1,944	595
Property, plant & 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 borrowings	(551)	(169)
Lease liabilities	(34)	(10)
Other long-term liabilities	(93)	(28)
Deferred tax liabilities	(32)	(9)
Net identifiable assets	1,912	586

NOTE 6 – SUBSIDIARIES (COND.)

Business combination that occurred during the current period (contd.)

The aggregate cash flows accrued to the Group as a result of the acquisition transaction:

	In NIS million (translated)	In USD million
Cash and other cash equivalents paid	2,131	653
Hedging costs	103	32
Cash and other cash equivalents acquired	(94)	(29)
	2,140	656

Goodwill:

Goodwill created as part of the business combination reflects the potential of 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 temporarily recognized as follows:

	In NIS million (translated)	In USD million
Consideration paid	2,131	653
Plus hedging costs	103	32
Less fair value of the identifiable assets, net	(1,912)	(586)
Goodwill	322	99

Costs relating to the business combination

In the reporting period and in 2020, the Group incurred legal expenses and due diligence costs attributable to the acquisition totaling approximately NIS 2 million and NIS 42 million, respectively. These costs were recorded in the statement of income in the said periods under the “Transaction expenses in respect of acquisition of the CPV Group” line item.

The Project Companies of the CPV Group:

The CPV Group holds rights in active power plants and in power plants under construction and under development – both in the conventional and renewable energy areas, through subsidiaries and associates. Set forth below are details regarding the main projects held through the subsidiaries of the CPV Group. For details relating to associates of the CPV Group – see Note 7. For information about the main agreements of the subsidiaries of the CPV Group – see Note 9K.

Entity	Year of commercial operation	Technology	Capacity (MW)	Holding rate as of June 30, 2021*	Power plant location
CPV Keenan II Renewable Energy Company, LLC (hereinafter - "Keenan")	2010	Wind	152	100%	Oklahoma
CPV Maple Hill, LLC (hereinafter - "Maple Hill")	Under construction. Commercial operation is expected in Q2-Q3 of 2022.	Solar	126	100%	Pennsylvania
CPV Rogue's Wind, LLC (hereinafter - "Rogue's Wind")	In advanced development in the near future. Commercial operation is expected in Q2 2023.	Wind	114	100%	Pennsylvania

(*) The holding rate is that of the CPV Group, which is a subsidiary of the Company and indirectly held by the Company (70%).

NOTE 7 - ASSOCIATES

A. Condensed Information regarding Material Associates

General information

The Company, through CPV Group, holds interests in active power plants and power plants under construction, both in the conventional and renewable energy areas. Below are the main details in respect of the active projects and project under construction of the CPV Group's associates:

Entity	Year of commercial operation	Capacity	Holding rate as of June 30, 2021*	Power plant location
CPV Fairview, LLC (hereinafter - "Fairview")	2019	1,050	25.0%	Pennsylvania
CPV Maryland, LLC (hereinafter - "Maryland")	2017	745	25.0%	Maryland
CPV Shore Holdings, LLC (hereinafter - "Shore")	2016	725	37.5%	New Jersey
CPV Towantic, LLC (hereinafter - "Towantic")	2018	805	26.0%	Connecticut
CPV Valley Holdings, LLC (hereinafter - "Valley")	2018	720	50.0%	New York
CPV Three Rivers, LLC (hereinafter - "Three Rivers") (1)	Project under construction	1,258	10.0%	Illinois

(*) The holding rate is that of the CPV Group, which is indirectly held by the Company (70%).

(1) Three Rivers is a project under construction, the commercial operation date of which is expected to be in Q2 2023 and the total construction cost (in respect of 100% of the project) is expected to amount to approximately NIS 4,215 million (approximately USD 1,293 million).

Further to what is stated regarding the purchase of CPV Group in Note 25L to the Annual Financial Statements, on February 3 2021 the sale of 7.5% of the Three Rivers project was closed in consideration for USD 41 million (which were used to partly repay the seller's loans). As a result of the sale, the CPV Group did not record any gain or loss. The Seller's Loan will continue to stand with respect to the amount of approximately USD 54 million (approximately NIS 176 million) in connection with the consideration for 10% of the rights in Three Rivers held by the CPV Group, pursuant to the terms and conditions stated in Note 6.

The Company accounts for its holdings in Three Rivers using the equity method, since the Company has material influence due to its representation on Three Rivers' Board of Managers.

During the reporting period, the Company received, through the CPV Group, dividends from associates totaling approximately NIS 23 million.

NOTE 7 – ASSOCIATES (CONTD.)

B. Condensed financial information on financial position as at June 30, 2021 and results of operations for the periods commencing on the completion date of the acquisition of the CPV Group, January 25, 2021, until June 30 2021, and for the three-month period ended June 30, 2021:

	Fairview	Maryland	Shore	Towantic	Valley	Three Rivers
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
	Unaudited					
As at June 30 2021						
Current assets	145	78	112	87	124	6
Non-current assets	3,209	2,187	2,842	3,112	2,424	2,033
Total assets	3,354	2,265	2,954	3,199	2,548	2,039
Current liabilities	269	68	88	215	234	144
Non-current liabilities	1,968	1,251	1,766	1,880	1,885	1,692
Total liabilities	2,237	1,319	1,854	2,095	2,119	1,836
Net assets	1,117	946	1,100	1,104	429	203
Holding rate	25.0%	25.0%	37.5%	26.0%	50.0%	10.0%
Company's share	279	237	413	287	215	182
Fair value adjustments made on acquisition date	269	(49)	(189)	88	(5)	27
Carrying amount of investment	548	188	224	375	210	209
Results for the period ranging from January 25 2021 to June 30 2021						
Operating income	285	196	225	433	262	-
Net change in fair value of derivative financial instruments	(52)	(18)	16	(19)	(148)	1
Total income	233	178	241	414	114	1
Operating expenses	(226)	(178)	(188)	(308)	(220)	(15)
Operating income (loss)	7	-	53	106	(106)	(14)
Finance expenses, net	(37)	(37)	(31)	(34)	(42)	-
Net income (loss)*	(30)	(37)	22	72	(148)	(14)
Other comprehensive income*	21	36	16	21	9	46
Comprehensive income (loss)	(9)	(1)	38	93	(139)	32
Holding rate	25.0%	25.0%	37.5%	26.0%	50.0%	10.0%
Company's share in profit (loss)	(8)	(9)	8	19	(73)	(1)
Company's share in other comprehensive income	5	9	6	5	5	5
Reductions of profit and loss in respect of adjustments to fair value made on the acquisition date	(2)	7	6	1	1	-
Share in the profits (losses) of consolidated companies	(10)	(2)	14	20	(72)	(1)
Group's share in other comprehensive income of associates	5	9	6	5	5	5
Depreciation and amortization	39	24	48	41	27	-

NOTE 7 – ASSOCIATES (CONTD.)

B. Condensed financial information on financial position as at June 30, 2021 and results of operations for the periods commencing on the completion date of the acquisition of the CPV Group, January 25, 2021, until June 30, 2021, and for the three-month period ended June 30, 2021 (contd.):

	Fairview	Maryland	Shore	Towantic	Valley	Three Rivers
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
	Unaudited					
Results for the three-month period ended June 30, 2021						
Operating income	162	111	130	204	151	-
Net change in fair value of derivative financial instruments	(13)	(8)	32	(11)	(95)	-
Total income	149	103	162	193	56	-
Operating expenses	(132)	(110)	(115)	(140)	(102)	(9)
Operating income (loss)	17	(7)	47	53	(46)	(9)
Finance expenses, net	(19)	(22)	(16)	(17)	(21)	2
Net income (loss)*	(2)	(29)	31	36	(67)	(7)
Other comprehensive income*	(4)	34	(4)	(4)	-	(29)
Comprehensive income	(6)	5	27	32	(67)	(36)
Holding rate	25.0%	25.0%	37.5%	26.0%	50.0%	10.0%
Company's share in profit (loss)	(1)	(7)	11	10	(33)	-
Company's share in other comprehensive income (loss)	(1)	8	(2)	(2)	-	(3)
Reductions of profit and loss in respect of adjustments to fair value made on the acquisition date	(1)	5	3	-	-	-
Share in the profits (losses) of consolidated companies	(2)	(2)	14	10	(33)	-
Group's share in other comprehensive income of associates	(1)	8	(2)	(2)	-	(3)
Depreciation and amortization	22	14	27	23	14	-

(*) It should be noted that the associates are transparent entities for tax purposes; therefore, their results do not include the tax effect.

NOTE 7 – ASSOCIATES (CONTD.)

C. Loans of the Project Companies in the CPV Group:

Each of the CPV Group's associates (hereinafter – the "Project Companies") has taken out senior debt under similar outlines - per-project, per-asset financing, at non-recourse terms. On financial closing of each loan, debt and equity capital is committed in an amount sufficient to cover the project's projected capital costs during construction, along with 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 transform from facilities to finance the construction phase to long-term facilities (term loans) with maturity dates generally tied to the term of the commercial agreements anchoring projected operating cash flows of each project. For the gas-fired projects, the term loans generally span the construction period plus 5 to 7 years after launch of commercial operation (hereinafter – "Mini-Perm Financing"). The Mini-Perm Financing is repaid based on a combination of repayment dates and result-based metrics, which in the aggregate, result in partial repayment during the loan term, with a balance payable or refinanced upon final repayment date.

The CPV Group seeks to take advantage of opportunities to recycle its credit according to market conditions and, in any case, prior to the scheduled final repayment date. As a rule, the credit facilities in place during construction are sourced from a consortium of international lenders (10 to 20 for each gas-fired project, fewer for renewable energy projects with lower capital needs) on the "Term Loan A" market, which is substantially comprised of commercial banks, investment banks, institutional lenders, insurance companies, international funds, and equipment suppliers' credit affiliates. The CPV Group has refinanced loans for certain 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 Group's projects' Term Loan A financing agreements, while the Term Loan B market refinancing terms are slightly less restrictive, as customary in this market. In each market and often within each project loan, lenders extended loans to the CPV Group's projects either according to a credit spread based on the LIBOR, variable base interest or fixed interest. To minimize exposure to potential interest rate risk, the CPV Group 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 for certain terms, according to the terms and conditions of the project and loan. For the LIBOR-based loans, the credit agreements and interest rate hedging arrangements include market-standard provisions to accommodate the eventual replacement of LIBOR as a benchmark interest rate.

Set forth below is a summary the main commercial terms and conditions of the key senior debt facilities of the CPV Group's Project Companies. The balances are presented in millions of dollars, represent 100% of the debt balance of each project company, including interest payable, and include fair-value adjustments that were made on the acquisition date of the CPV Group. The loan amounts under the term loans 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, non-standard terms and conditions that are customary in agreements for projects of this type, provisions regarding mandatory prepayments, various grounds for repayment, fees and commissions in respect of credit facilities, annual fees and commissions relating to the issuance of LC and additional customary terms and conditions. In addition, as part of the financing agreements, collaterals have been provided and liens were placed on all the project assets. It is further noted that as at the financial statements approval date, there are no grounds for calling any of the financing agreements for immediate repayment.

NOTE 7 – ASSOCIATES (CONTD.)

C. Loans of the Project companies in the CPV Group: (contd.):

Borrower	Date of completion / restructuring of financing agreement	Linkage basis	Mechanisms and interest rates for term loan / ancillary facilities	Repayment dates and final repayment	Covenants and distribution restrictions	Grounds for calling for immediate repayment	Outstanding debt As at June 30 2021
Fairview	March 24 2017 (as amended in February 2020).	USD	· Variable interest - LIBOR plus a spread ranging from 2.50% to 2.75% per year. · Fixed interest - at a 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 a combination of amortization and cash sweep repayment mechanisms (“mini-perm” financing).	Execution of a distribution is subject to the project company’s compliance with several terms and 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 or breach events are as follows: the financing agreement includes grounds for repayment that are standard in agreements of this type, including, inter alia – breach of representations and commitments that have a material adverse effect, non-payment events, non-compliance with certain obligations, various insolvency events, winding down of the project or termination of significant parties in the project (as defined in the agreement), occurrence of certain events relating to the regulatory status of the project and holding 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 power – all in accordance with and subject to the terms and conditions, definitions and periods detailed in the financing agreement.	NIS 2,066 million (approximately USD 634 million).
Towantic	March 11 2016 (as amended in July 2019).	USD	LIBOR interest plus a spread ranging from 3.25% to 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 a combination of amortization and cash sweep repayment mechanisms (“mini-perm” financing).			NIS 1,966 million (approximately USD 603 million).
Shore	Term Loan B credit dated December 27 2018.	USD	LIBOR rate plus a 3.75% spread per term loan and a spread of 3% for ancillary credit facilities.	Final repayment date of loans and ancillary credit facilities: Term loan - December 27 2025; ancillary credit facilities - December 27 2023. The rate and scope of the repayment of the loan principal varies until the final repayment, in accordance with a combination of amortization and cash sweep repayment mechanisms (“mini-perm” financing).	Historical debt service coverage ratio of 1:1 during the last 4 quarters. Execution of a distribution is conditional on the project company’s compliance with a number of conditions, including compliance with reserve requirements (as provided in the agreement), and that no grounds for repayment or breach event exists in accordance with the financing agreement.		NIS 1,614 million (approximately USD 495 million).

NOTE 7 – ASSOCIATES (CONTD.)

C. Loans of the Project companies in the CPV Group: (contd.):

Borrower	Date of completion / restructuring of financing agreement	Linkage basis	Mechanism and interest rate for term loan / ancillary facilities	Date of principal repayment	Financial covenants and distribution restrictions	Grounds for calling for immediate repayment	Outstanding debt As at June 30 2021
Maryland	August 2014 (renewal of credit in May 2021 as part of a Term Loan B type in the amount of approximately USD 350 million).	USD	Interest on loan: LIBOR plus spread of 4%. Interest on ancillary facilities: LIBOR plus spread of 2.75%.	After renewal of the credit, the final repayment date of the term loan is in May 2028 and the ancillary facilities - in November 2027. The rate and scope of the repayment of the loan principal varies until the final repayment, in accordance with a combination of amortization and cash sweep repayment mechanisms ("mini-perm" financing).	After renewal of the term loan b facility, historical debt service coverage ratio of 1:1 during the last 4 quarters. Execution of a distribution is conditional on the project company's compliance with a number of conditions, including compliance with reserve requirements (as provided in the agreement), and that no grounds for repayment or breach event exists in accordance with the financing agreement.	The main grounds for calling for immediate repayment or breach events are as follows: the financing agreement includes grounds for repayment that are standard in agreements of this type, including, inter alia – breach of representations and commitments that have a material adverse effect, non-payment events, non-compliance with certain obligations, various insolvency events, winding down of the project or termination of significant parties in the project (as defined in the agreement), occurrence of certain events relating to the regulatory status of the project and holding 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 power (as the case may be) – all in accordance with and subject to the terms and conditions, definitions and periods detailed in the financing agreement. Furthermore, for projects under construction, the grounds for calling for immediate repayment is failure on behalf of the equity investors to inject fund during the course of construction.	NIS 1,236 million (approximately USD 379 million)
Valley	June 2015 (as amended in April 2021)	USD	· LIBOR with the addition of a 3.50-3.75% spread	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 a combination of amortization and cash sweep repayment mechanisms ("mini-perm" financing). In April 2021 certain expedients were granted in connection with the ancillary credit facilities in exchange for a commitment by the investors in the project to provide a total of USD 10 million in own capital (USD 5 million was provided in April 2021 by the CPV Group). The expedients pertain to a waiver of the annual repayment obligation of the working capital loans and release of USD 5 million in restricted working capital due to a regulatory permit, as stated in Section 17 to the 2020 Periodic Report.	Execution of a distribution is subject to the project company's compliance with several terms and 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 requirements of obtaining a certain permit as stated in Section 17.8 to the 2020 Periodic Report, 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).		NIS 1,997 million (approximately USD 612 million)

NOTE 7 – ASSOCIATES (CONTD.)

C. Loans of the Project companies in the CPV Group: (contd.):

Borrower	Date of completion / restructuring of financing agreement	Linkage basis	Mechanism and interest rate for term loan / ancillary facilities	Date of principal repayment	Financial covenants and distribution restrictions	Grounds for calling for immediate repayment	Outstanding debt As at June 30 2021
Three Rivers	August 2020	USD	• Variable interest - LIBOR plus a spread ranging from 3.5% to 4% per year. • Fixed interest - at a 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 a combination 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 terms and 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 grounds for repayment or breach event exist (as defined in the financing agreement).	The main grounds for calling for immediate repayment or breach events are as follows: the financing agreement includes grounds for repayment that are standard in agreements of this type, including, inter alia – breach of representations and commitments that have a material adverse effect, failure of the own capital investors to inject funds during the construction phase, non-payment events, non-compliance with certain obligations, various insolvency events, winding down of the project or termination of significant parties in the project (as defined in the agreement), occurrence of certain events relating to the regulatory status of the project and holding 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 power – all in accordance with and subject to the terms and conditions, definitions and amendment periods of the financing agreement.	NIS 1,690 million (approximately USD 518 million).

NOTE 7 – ASSOCIATES (contd.)

D. Main agreements of the Project Companies in the CPV Group:

1. Partnership agreements in the Project Companies:

   As a rule, each of the Project Companies in the CPV Group entered into an agreement with all other owners of rights to the project (if any), for the establishment of a limited liability company; the agreement sets forth each partner's rights and obligations with respect to the applicable project (each, hereinafter - an "LLC Agreement"). Most LLC Agreements contain customary provisions for agreements of this type restricting the transfer of rights, including terms and conditions for permissible transfers, minimum equity percentage transfer requirements and rights of first offer. The CPV Group is often obliged to maintain at least a minimum ten percent equity ownership in a project company for up to five years after closing of construction financing. Each project company is governed by a board of directors selected by the members. Certain material decisions typically require unanimous approval by all partners, including, inter alia, declaring insolvency, liquidation, sale of assets or merger, entering into or amending material agreements, taking on debt, initiating or settling litigation, engaging critical service providers, approving the annual budget or making expenditures exceeding the budget, and adopting hedging strategies and risk management policies. The Project Companies of the CPV Group do not have employees. All Project Companies of the CPV Group are operated by means of a series of agreements, inter alia as detailed in this section below.

2. Natural gas projects activity:

   All active conventional projects trade and participate in the sale of capacity, power and ancillary services in their respective ISO or RTO. Typically, every day the CPV Group conducts the process of forecasting and planning for the next operating day. After making preparations in terms of purchasing adequate natural gas to support the expected power generation activity, 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 on the real-time market price.

3. RPO agreements:

   Fairview, Maryland and Valley entered into economic hedging agreements on the power margins of the Revenue Put Option (hereinafter - "RPO") type. The RPO is intended to provide the companies a minimum margin from the sale of power on the market for the duration of the agreement. Calculation of the amount of the minimum margin is determined on the basis of a contractual year where the actual settlement dates take place 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, power and gas prices and other specific operating costs for the project. The RPO periods are until May 31, 2025, for Fairview, until February 28, 2022, for Maryland and until May 31, 2023, for Valley.

4. Property management agreements:

   Each of the CPV Group's Project Companies entered into 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 construction workers, expenses and expenses incurred by third parties).

NOTE 7 – ASSOCIATES (CONTD.)

D. Main agreements of the Project Companies in the CPV Group (contd.):

4. Property management agreements (contd.)

The terms of the agreements are as follows:
Fairview – seven years from the construction completion date 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 on the construction completion date of the power plant, which may be extended for an additional period of three years.
Maryland – until December 31, 2028.
Shore – until December 31, 2030.
Valley – five years commencing on the construction completion date of the power plant, which may be extended by an additional period of three years.
Three Rivers - ten years after completion of the construction of the power plant, where the agreement may be extended for an additional year.

5. Main agreements of the Project Companies in the CPV Group

The Project Companies entered into the following main agreements. It is noted that with respect to the asset-management agreements and energy-management agreements of CPV Group companies (including third parties), the said agreements include provisions regarding early termination of the agreements under terms and conditions provided therein. In addition, additional agreements provide the possibility of early termination under the circumstances stipulated therein.

Fairview

Fairview entered into a base contract for the purchase of natural gas (GSPA) at a quantity of up to 180,000 MMBtu per day at market price, as provided in the agreement. Pursuant to the agreement, the gas supplier is responsible for transporting 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 entered into a service agreement with its original equipment manufacturer, for the supply of spare parts and maintenance services for the combustion 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 as of the date of the commercial operation.

Fairview entered into an agreement for operation and maintenance of the power plant. The agreement period is three years from the construction completion date of the power plant; 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 entered into an energy management agreement with CPV Energy and Marketing Services, LLC (hereinafter – "CEMS") - a related company of the CPV Group, to receive consulting services regarding formulation of energy management plans, risk management and performance strategy. The agreement terminates on December 31, 2025 and has two extension options of five years each.

NOTE 7 – ASSOCIATES (CONTD.)

D. Main agreements of the Project Companies in the CPV Group (contd.):

5. Main agreements of the Project Companies in the CPV Group (contd.):

Towantic

Towantic entered into an interruptible service agreement for gas transmission. The agreement allows, but does not require Towantic to transmit gas from Iroquois to Algonquin Gas Transmission at interruptible transmission rates. In addition, Towantic entered into a service agreement pursuant to which Towantic is guaranteed gas transmission of 2,500 MMBtu per day, at the AFT 1 tariff. The agreement entered into effect on August 1 2018 and terminates on March 31 2022; it is automatically renewed for periods of one year, 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 market prices. The supply period terminates on March 31 2023.

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

Towantic entered into an agreement for the operation and maintenance (O&M) of the power plant. The consideration includes a fixed and variable amount, a performance-based bonus, and reimburses for employment expenses, including payroll costs and taxes, subcontractor costs and other costs. In July 2021, the agreement was extended, and the agreement term spans from 2022 to 2024. The agreement includes an extension/renewal clause for a period of one year, unless one of the parties gives a termination notice in accordance with that provided in the agreement.

Towantic entered into an energy management agreement (EMA) for consulting regarding formulation of energy management plans, risk-management and performance strategy with CEMS, for a period ending on March 31 2026, with two 5-year extension options.

Maryland

Maryland has entered into an agreement to purchase natural gas, with a North American company, in the amount of up to 132,000 MMBtu per day at market price, until October 31, 2022.

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

Maryland entered into a service agreement with its original equipment manufacturer. Maryland may 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 fixed quarterly management fees. Excluding the minimum annual payment, the remaining 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 – August 8, 2014.

Maryland entered into an agreement for the operation and maintenance of the power plant. The consideration includes fixed annual management fees, a performance-based bonus, and reimburses for employment expenses, payroll costs and taxes, subcontractor costs and other costs.

NOTE 7 – ASSOCIATES (CONTD.)

D. Main agreements of the Project Companies in the CPV Group (contd.):

5. Other main agreements of the CPV Group's Project Companies: (contd.):

Maryland (contd.):

Maryland entered into 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 to Maryland by third parties. The agreement period is from December 15, 2020, to December 31, 2025, where Maryland has an option to extend the agreement period twice for five additional years, at its discretion.

Shore

Shore entered into an agreement for the purchase of natural gas, according to which the gas supplier is to supply 120,000 MMBtu of gas per day at a price linked to the market price. The agreement period is until October 31, 2022.

Shore entered into several agreements with an inter-state pipeline company (a service agreement, an interconnect 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 pipeline the start of which is an existing inter-state pipe and reaches the facility's connection point. Shore paid a down payment to the supplier for said services. The period of the gas transmission agreement is 15 years (up to April 2030), and there is an option to extend the agreements twice by ten years. The annual payment under the agreement is approx. USD 6 million.

Shore entered into 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 work to construct, install, own, operate and maintain the pipeline leading to the power plant. Shore expects the construction of the pipeline to be completed by the end of 2021. Upon completion, it will start paying usage fees.

On December 22, 2017, Shore entered into an amended service 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. In addition to the minimum annual payment, the remaining 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 entered into an agreement for the operation and maintenance of the power plant; 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 entered into an energy management agreement for with CEMS for provision of certain services relating to sale of energy, capacity and ancillary services. The agreement includes a fixed monthly payment, plus reimbursement of expenses during the agreement period, as well as reimbursement of expenses incurred by CEMS in respect of services provided by third parties for Shore. The agreement period is from December 15, 2020, to December 31, 2025. Shore has an option to extend the agreement term twice for five additional years, at its discretion.

NOTE 7 – ASSOCIATES (CONTD.)

D. Main agreements of the Project Companies in the CPV Group (contd.):

5. Other main agreements of the CPV Group's Project Companies: (contd.):

<u>Valley</u>

Valley entered into an agreement for the supply of natural gas of up to 127,200 MMBtu per day at a price linked to the market price. 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 power plant. The supplier provides 127,200 MMBtu per day of firm natural gas delivery at an agreed price during a period ending March 31, 2033. In addition, Valley signed an agreement for provision of transmission services (firm) 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. USD 21 million.

Valley entered into an agreement with its original equipment manufacturer, for maintenance services for the combustion turbines. The consideration includes fixed and variable amounts from the initial activation date of the turbines. The agreement period is the earlier of: (a) 132,800 equivalent base load hours; or (b) 29 years from June 9, 2015.

Valley entered into an operation and maintenance agreement (O&M) of the power plant with a partner in the project. The consideration includes fixed annual management fees, an operation bonus, and reimbursement of certain costs as provided to the agreement. The agreement period is five years from the construction completion date of the power plant, and the agreement may be renewed for an additional three years.

Valley entered into an energy management agreement for the provision of management services in connection with fuels, power 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.

<u>Three Rivers</u>

Three Rivers entered into two agreements for the supply of natural gas. The agreements supply 139,500 MMBtu per day to the power plant from the power plant's activation date for a period of five years, and a reduced quantity of 25,000 MMBtu per day from the fifth year of operation of the power plant and up to the tenth year. The price of natural gas delivered under these agreements is linked to the day-ahead power price at the connection point to the grid in the ComEd region within PJM. The agreements include an obligation to purchase a minimum amount/quantity of natural gas (TOP), and Three Rivers has the right to resell any excess gas.

Three Rivers entered into two connection agreements (for the transmission of gas), each sufficient to fulfil the entire demand of the power plant. 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 pipeline as well as connection and pressure equipment. Based on the agreement, Three Rivers will bear the costs of all the said facilities, which are included in expected construction cost in the above table. The second agreement is an additional interconnect agreement with an inter-state pipeline company for transmission of natural gas. Under the agreement, the counterparty is responsible for the design and construction to the existing pipeline. The counterparty 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 are included in the construction cost.

NOTE 7 – ASSOCIATES (CONTD.)

D. Main agreements of the Project Companies in the CPV Group (contd.):

5. Other main agreements of the CPV Group's Project Companies: (contd.):

Three Rivers (contd.):

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

Three Rivers entered into an agreement for the acquisition of power generation equipment (power generation equipment) and related services, with an international company specializing in design and manufacture of equipment, including that required for a power generation facility. The said equipment includes two units, with each consisting of the following main components: a gas or combustion turbine; a heat recovery steam generator; a steam turbine; a generator; a continuous control system for emissions and additional related equipment. The equipment supplier is responsible for delivery and installation in accordance with the provisions of the agreement. In addition, the supplier is to provide technical consulting services to Three Rivers in order to support the installation process, commissioning, inspections and operation of all the equipment. Pursuant to the terms and conditions of the agreement, Three Rivers will pay the third party in instalments based on reaching milestones.

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

Three Rivers entered into a service agreement with its original equipment manufacturer, for maintenance services for the combustion turbines. The consideration includes a fixed and a variable amount as of the commercial operation date. The agreement went into effect on August 21, 2020 ("the Effective Date") and ends on the earlier of: (a) 25 years from the Effective Date; or (b) when specific milestones are reached based on use and wear and tear.

Three Rivers entered into an agreement for the operation and maintenance of the power plant. The consideration includes fixed annual management fees, a performance-based bonus, and reimburses for employment expenses, payroll costs and taxes, subcontractor costs and other costs. 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.

E. Attachment of financial statements

The Group attaches to these condensed interim financial statements the condensed interim financial statements of Valley and Towantic (hereinafter - "Material Associate").

The functional currency and the presentation currency of the Material Associate is the US dollar. For details regarding the changes in the currency exchange rate of the dollar in the reporting period – see Note 4.

The financial statements of the Material Associate are drawn up in accordance with US GAAP, which vary, in some respects, from IFRS. Set forth below are the adjustments to comprehensive income, total assets, total liabilities and Partnership's equity to reflect those variances.

NOTE 7 – ASSOCIATES (CONTD.)

E. Attachment of financial statements (contd.)

1) Statement of Financial Position:

		As at June 30 2021 (Unaudited)		
		US GAAP	Adjustments	IFRS
		In USD thousand	In USD thousand	In USD thousand
Property, plant & equipment	A, C, D	823,911	(193,371)	**630,540**
Intangible assets	D	10,494	(10,494)	**-**
Other assets		151,105	-	**151,105**
Total assets		985,510	(203,865)	**781,645**
Accounts payable and deferred expenses	A	24,241	(851)	**23,390**
Other liabilities		626,636	-	**626,636**
Total liabilities		650,877	(851)	**650,026**
Partners' equity	A, C	334,633	(203,014)	**131,619**
Total liabilities and equity		985,510	(203,865)	**781,645**

		As at June 30 2020 (Unaudited)		
		US GAAP	Adjustments	IFRS
		In USD thousand	In USD thousand	In USD thousand
Property, plant & equipment	A, D	848,987	17,473	**866,460**
Intangible assets	D	10,160	(10,160)	**-**
Other assets		204,781	-	**204,781**
Total assets		1,063,928	7,313	**1,071,241**
Accounts payable and deferred expenses	A	17,186	(997)	**16,189**
Other liabilities		631,680	-	**631,680**
Total liabilities		648,866	(997)	**647,869**
Partners' equity	A	415,062	8,310	**423,372**
Total liabilities and equity		1,063,928	7,313	**1,071,241**

NOTE 7 – ASSOCIATES (CONTD.)

E. Attachment of financial statements (contd.)

1) Statement of Financial Position: (contd.)

		As at December 31 2020 (Audited)		
		US GAAP	**Adjustments**	**IFRS**
		In USD thousand	**In USD thousand**	**In USD thousand**
Property, plant & equipment	A, D	836,428	20,479	**856,907**
Intangible assets	D	10,657	(10,657)	**-**
Other assets		175,692	-	**175,692**
Total assets		1,022,777	9,822	**1,032,599**
Accounts payable and deferred expenses	A	19,140	(1,228)	**17,912**
Other liabilities		618,057	-	**618,057**
Total liabilities		637,197	(1,228)	**635,969**
Partners' equity	A	385,580	11,050	**396,630**
Total liabilities and equity		1,022,777	9,822	**1,032,599**

NOTE 7 – ASSOCIATES (CONTD.)

E. Attachment of financial statements (contd.)

2) Statements of income and other comprehensive income:

		For the six-month period ended June 30, 2021 (Unaudited)		
		US GAAP	Adjustments	IFRS
		In USD thousand	In USD thousand	In USD thousand
Revenues		46,090	-	**46,090**
Operating expenses	A	72,023	(2,316)	**69,707**
Depreciation and amortization	C	12,862	(2,922)	**9,940**
Impairment of property, plant & equipment	A	-	219,302	**219,302**
Operating loss		(38,795)	(214,064)	**(252,859)**
Finance expenses	B	16,235	(1,415)	**14,820**
Loss for the period		(55,030)	(212,649)	**(267,679)**
Other comprehensive income (loss) - interest rate swaps	B	4,083	(1,415)	**2,668**
Comprehensive loss for the period		(50,947)	(214,064)	**(265,011)**

		For the six-month period ended June 30, 2020 (Unaudited)		
		US GAAP	Adjustments	IFRS
		In USD thousand	In USD thousand	In USD thousand
Revenues		75,299	-	**75,299**
Operating expenses	A	64,259	(2,498)	**61,761**
Operating profit		11,040	2,498	**13,538**
Loss on sale of assets		12	-	**12**
Finance expenses	B	19,979	18	**19,997**
Profit (loss) for the period		(8,951)	2,480	**(6,471)**
Other comprehensive loss - interest rate swaps		(9,249)	-	**(9,249)**
Comprehensive income (loss) for the period		(18,200)	2,480	**(15,720)**

NOTE 7 – ASSOCIATES (CONTD.)

E. Attachment of financial statements (contd.)

2) Statements of income and other comprehensive income: (contd.)

		For the three-month period ended June 30, 2021 (Unaudited)		
		US GAAP	Adjustments	IFRS
		In USD thousand	In USD thousand	In USD thousand
Revenues		17,220	-	**17,220**
Operating expenses	A	27,795	(850)	**26,945**
Depreciation and amortization	C	6,430	(1,738)	**4,692**
Operating income (loss)		(17,005)	2,588	**(14,417)**
Finance expenses	B	8,068	(1,889)	**6,179**
Profit (loss) for the period		(25,073)	4,477	**(20,596)**
Other comprehensive income (loss) - interest rate swaps	B	1,758	(1,888)	**(130)**
Comprehensive income (loss) for the period		(23,315)	2,589	**(20,726)**

		For the three-month period ended June 30, 2020 (Unaudited)		
		US GAAP	Adjustments	IFRS
		In USD thousand	In USD thousand	In USD thousand
Revenues		2,345	-	**2,345**
Operating expenses	A	27,345	(1,000)	**26,345**
Operating income (loss)		(25,000)	1,000	**(24,000)**
Finance expenses		10,403	-	**10,403**
Profit (loss) for the period		(35,403)	1,000	**(34,403)**
Other comprehensive income (loss) - interest rate swaps		372	(1)	**371**
Comprehensive income (loss) for the period		(35,031)	999	**(34,032)**

NOTE 7 – ASSOCIATES (CONTD.)

E. Attachment of financial statements (contd.)

Adjustments in respect of Valley (contd.)

3) Adjustment to equity and comprehensive income:

		As at June 30 2021	As at June 30 2020	As at December 31 2020
		(Unaudited)	(Unaudited)	(Audited)
		In USD thousand	In USD thousand	In USD thousand
Partners' equity from the Partnership balance sheet according to US GAAP		334,633	415,062	**385,580**
IFRS adjustments:				
Costs of periodic maintenance at the power plant	A	13,367	8,310	**11,050**
Impairment of property, plant & equipment	C	(216,381)	-	**-**
Partners' equity after adjustments to IFRS		131,619	423,372	**396,630**

NOTE 7 – ASSOCIATES (CONTD.)

E. Attachment of financial statements (contd.)

4) Material adjustments to the statement of cash flows

		For the six-month period ended June 30, 2021 (Unaudited)		
		US GAAP	**Adjustments**	**IFRS**
		In USD thousand	**In USD thousand**	**In USD thousand**
Loss for the period	A, B, C	(55,030)	(212,649)	**(267,679)**
Net cash used in operating activities		(1,776)	-	**(1,776)**
Net cash used in investing activities	E	(255)	(9,973)	**(10,228)**
Net cash provided by financing activities		11,709	-	**11,709**
Net increase (decrease) in cash and cash equivalents		9,678	(9,973)	**(295)**
Balance of cash and cash equivalents at beginning of period	E	89	334	**423**
Restricted cash balance at beginning of period	E	87,700	(87,700)	**-**
Balance of cash and cash equivalents at end of period	E	88	40	**128**
Restricted cash balance at end of period	E	97,379	(97,379)	**-**

		For the six-month period ended June 30, 2020 (Unaudited)		
		US GAAP	**Adjustments**	**IFRS**
		In USD thousand	**In USD thousand**	**In USD thousand**
Loss for the period	A, B, C	(8,951)	2,480	**(6,471)**
Net cash from operating activities		8,791	-	**8,791**
Net cash used in investing activities	E	(4,347)	11,044	**6,697**
Net cash used in financing activities		(15,755)	-	**(15,755)**
Net decrease in cash and cash equivalents		(11,311)	11,044	**(267)**
Balance of cash and cash equivalents at beginning of period	E	22	1,295	**1,317**
Restricted cash balance at beginning of period	E	114,562	(114,562)	**-**
Balance of cash and cash equivalents at end of period	E	64	986	**1,050**
Restricted cash balance at end of period	E	103,209	(103,209)	**-**

NOTE 7 – ASSOCIATES (CONTD.)

E. Attachment of financial statements (contd.)

4) Material adjustments to the statement of cash flows (contd.)

		For the three-month period ended June 30, 2021		
		US GAAP	**Adjustments**	**IFRS**
		In USD thousand	**In USD thousand**	**In USD thousand**
Loss for the period	A, B, C	(25,073)	4,477	**(20,596)**
Net cash used in operating activities		(8,446)	-	**(8,446)**
Net cash used in investing activities	E	(83)	(4,100)	**(4,183)**
Net cash provided by financing activities		140	-	**140**
Net decrease in cash and cash equivalents		(8,389)	(4,100)	**(12,489)**
Balance of cash and cash equivalents at beginning of period	E	71	12,546	**12,617**
Restricted cash balance at beginning of period	E	105,785	(105,785)	**-**
Balance of cash and cash equivalents at end of period	E	88	40	**128**
Restricted cash balance at end of period	E	97,379	(97,379)	**-**

		For the three-month period ended June 30, 2020		
		US GAAP	**Adjustments**	**IFRS**
		In USD thousand	**In USD thousand**	**In USD thousand**
Loss for the period	A, B, C	(35,403)	1,000	**(34,403)**
Net cash from operating activities		11,488	-	**11,488**
Net cash used in investing activities	E	(283)	(2,589)	**(2,872)**
Net cash used in financing activities		(11,640)	-	**(11,640)**
Net decrease in cash and cash equivalents		(435)	(2,589)	**(3,024)**
Balance of cash and cash equivalents at beginning of period	E	94	3,980	**4,074**
Restricted cash balance at beginning of period	E	103,614	(103,614)	**-**
Balance of cash and cash equivalents at end of period	E	64	986	**1,050**
Restricted cash balance at end of period	E	103,209	(103,209)	**-**

NOTE 7 – ASSOCIATES (CONTD.)

E. Attachment of financial statements (contd.)

Adjustment in respect of associates' financial statements which are not prepared in accordance with IFRS and were attached to the Company's financial statements (contd.)

Adjustments in respect of Valley (contd.)

5) Explanations for the main differences between US GAAP and IFRS:

A. Maintenance costs under the LTCP agreement: under IFRS, variable payments which were paid in accordance with the milestones as set in the LTCP agreement are capitalized to the cost of property, plant and equipment and depreciated over the period from the date on which maintenance work was carried out until the date on which maintenance work is due to take place again. Under US GAAP, the said payments are recognized on payment date within current expenses in the statement of income.

B. Hedge effectiveness of interest rate swaps: in accordance with IFRS 9 - Financial Instruments - Valley recognizes the adjustments relating to the ineffective portion of its gain or loss on the hedging instrument used to hedge its cash flows. Under US GAAP, in accordance with ASU 2017-12 there is no ineffective portion.

C. Property, plant and equipment: during the course of the first quarter of 2021, there were indications for impairment that require testing the items for impairment in accordance with both sets of standards: IFRS and US GAAP. In accordance with IAS 36, the carrying amount exceeded the recoverable amount (the discounted cash flows expected to arise from the asset for Valley) and therefore an impairment loss was recognized in the first quarter of 2021. In accordance with ASC 360, the undiscounted cash flows that Valley expects to generate from the asset exceed the carrying amount. Therefore, no impairment was recorded in accordance with US GAAP.

D. Intangible assets: intangible assets that fall within the scope of ASC 350: Intangibles - Goodwill and Others - are defined as property, plant and equipment in accordance with IAS 16.

E. Restricted Cash: The difference is due to a difference in the presentation of restricted cash in the cash flow statements between IFRS and US GAAP.

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 (advanced-generation, gas-powered combined-cycle power plants) in the United States, as of the first quarter of 2021 the Group presents two geographic operating segments that constitute strategic business units of the Group. These strategic business units include products and services and are managed separately for resource allocation and evaluation of performance purposes 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 finance expenses or income, and income taxes attributed to the Group's reportable segments, as well as net of on-off income (expenses) ("Adjusted EBITDA"). The data of associates in this note are included by way of proportionate consolidation according to the CPV Group's holding rate. The information on subsidiaries in this note is presented in full without adjustment to the holding rate. The adjustment column adjusts the results to the income statement mainly as a result of presenting the data of associates. Set forth below is a brief description of the business activities of each of the Group's operating segments:

- Israel – the holding, generation and supply of power and energy in Israel segment. In this operating segment, the Group is engaged in the generation and supply of power and energy to private customers, the IEC and system operator, as well as in the initiation, development, construction and operation of power plants and power generation facilities.
- United States – Development, construction and management of renewable energy and conventional (gas-fired) power plants in the United States. In this operating segment, the Company is engaged in the holding, development, construction and management of renewable energy and conventional (gas-fired) power plants in the United States and in the holding of rights in operational and under-construction renewable energy and conventional power plants. Furthermore, the Company is engaged in provision of management services to power plants in the United States that are owned by the Group and by third parties.

The Company manages its operations in Israel under a single operational roof, mainly through OPC Israel and its operations in the United States under another operational roof through the CPV Group.

	For the six-month period ended June 30, 2021			
	Israel	**USA**	**Adjustments**	**Consolidated - total**
	(Unaudited)			
	NIS million			
Revenues from sales and services	650	426	(358)	**718**
Adjusted EBITDA for the period	147	112	(14)	**245**
Depreciation and amortization	(70)	(78)	58	**(90)**
Finance expenses, net	(60)	(67)	52	**(75)**
Loss from revaluation of financial instruments	-	(90)	90	**-**
Reductions of profit and loss in respect of adjustments to fair value made on the acquisition date	-	13	(13)	**-**
Share in losses of associates	-	-	(196)	**(196)**
One-off expenses	-	(41)	-	**(41)**
	(130)	(263)	(9)	**(402)**
Profit (loss) before taxes on income	**17**	**(151)**	**(23)**	**(157)**
Taxes on income (tax benefit)	**3**	**(50)**	**-**	**(47)**
Net income (loss)	**14**	**(101)**	**(23)**	**(110)**

NOTE 8 – SEGMENT REPORTING (CONTD.)

	For the three-month period ended June 30, 2021			
	Israel	**USA**	**Adjustments**	**Consolidated - total**
	(Unaudited)			
	NIS million			
Revenues from sales and services	300	244	(202)	**342**
Adjusted EBITDA for the period	47	54	(8)	**93**
Depreciation and amortization	(35)	(44)	32	**(47)**
Finance expenses, net	(31)	(34)	8	**(57)**
Loss from revaluation of financial instruments	-	(43)	43	**-**
Reductions of profit and loss in respect of adjustments to fair value made on the acquisition date	-	7	(7)	**-**
Share in losses of associates	-	-	(100)	**(100)**
One-off expenses	-	(39)		**(39)**
	(66)	(153)	(24)	**(243)**
Income (loss) before taxes on income	**(19)**	**(99)**	**(32)**	**(150)**
Tax benefit	**(6)**	**(34)**	**-**	**(40)**
Net loss	**(13)**	**(65)**	**(32)**	**(110)**

NOTE 9 – ADDITIONAL INFORMATION

A. General

1. In December 2020, the Israeli Electricity Authority published a decision that entered into effect on January 1, 2021, regarding the update of the 2021 tariffs, whereby the rate of the generation component was reduced by approximately 5.7% - from NIS 267.8 per MWh to NIS 252.6 per MWh. A decrease in the generation component, as stated, has an adverse effect on the Company’s profits in 2021 compared with 2020.
2. In the six-month periods ended June 30, 2021, and June 30, 2020, the Group purchased property, plant and equipment other than for cash, in the amounts of approximately NIS 70 million and approximately NIS 3 million, respectively.

NOTE 9 – ADDITIONAL INFORMATION (CONTD.)

B. The Company

1. Equity compensation plan

A. Allotment to the Chairman of the Board of Directors

In January 2021, the Company's Board of Directors approved (after approval by the Company's Audit and Compensation Committee) the service and employment terms and conditions of Mr. Yair Caspi as Chairman of the Company's Board of Directors, which include, inter alia, the allocation of 367,252 options. In February 2021, the General Meeting of the Company's shareholders approved Mr. Yair Caspi's service terms and conditions in accordance with the approval of the Board of Directors. In March 2021, the TASE approved to list for trading 367,252 shares, that will arise from exercise of the options, and the options were issued to Mr. Caspi shortly thereafter, on March 10, 2021.

The options are non-marketable, each exercisable into one ordinary share of the Company, for a total of 367,252 ordinary shares of the Company of NIS 0.01 par value each. The options were issued in accordance with the Company's option 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 terms and conditions and the expiration dates of the Options are as follows:

Tranche No.	Vesting terms and conditions	Expiration date
Tranche 1	After 12 months will have elapsed from the allotment date	After 36 months will have elapsed from the vesting date
Tranche 2	After 24 months will have elapsed from the allotment date	After 24 months will have elapsed from the vesting date
Tranche 3	After 36 months will have elapsed from the allotment date	After 24 months will have elapsed from the vesting date
Tranche 4	After 48 months will have elapsed from the allotment date	After 24 months will have elapsed from the vesting date

The exercise price of each allocated option is NIS 32.78 (non-linked). 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 approval date of the allocation 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's stock on January 10, 2021, which was NIS 36.01.

The cost of the benefit implicit in the offered securities, which is based on the fair value as at the date of their issuance, amounted to approximately NIS 5 million. This amount will be recorded in profit and loss over the vesting period of each tranche.

NOTE 9 – ADDITIONAL INFORMATION (CONTD.)

B. The Company (contd.)

1. Equity compensation plan (contd.)

B. Allotment to the CEO

In April 2021, the Company's Board of Directors approved (after approval by the Company's Compensation Committee) changes to the service and employment terms of Mr. Giora Almogy as the Company's CEO. Further to discussions with the Company's shareholders and entities advising them, in June 2021 the Company's Compensation Committee and Board of Directors approved an amendment to the changes in the CEO's terms of service. The said amendment was approved by the Company's General Meeting in June 2021; it includes, among other things, the allocation of 1,252,832 options.

The options are non-marketable, each exercisable into one ordinary share of the Company, for a total of 1,252,832 ordinary shares of the Company of NIS 0.01 par value each. The options shall be allocated in four equal tranches in accordance with the Company's revised compensation policy under the capital gains track (with a trustee) in accordance with Section 102 of the Income Tax Ordinance. The vesting terms and conditions and the expiration dates of the Options are as follows:

Tranche No.	Vesting terms and conditions	Expiration date
Tranche 1	After 12 months will have elapsed from the allotment date	After 36 months will have elapsed from the vesting date
Tranche 2	After 24 months will have elapsed from the allotment date	After 24 months will have elapsed from the vesting date
Tranche 3	After 36 months will have elapsed from the allotment date	After 24 months will have elapsed from the vesting date
Tranche 4	After 48 months will have elapsed from the allotment date	After 24 months will have elapsed from the vesting date

The exercise price of each allocated option is NIS 34.46 (non-linked). 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.

The cost of the benefit implicit in the offered securities, which is based on the fair value as at the date of their issuance, amounted to about NIS 12 million. This amount will be recorded in profit and loss over the vesting period of each tranche.

NOTE 9 – ADDITIONAL INFORMATION (CONTD.)

B. The Company (contd.)

1. Equity compensation plan (contd.)

C. <u>Additional changes in the reported period and thereafter</u>

Further to what is stated in Note 17B2 to the Annual Financial Statements, in January 2021 the Company issued additional 101,989 ordinary Company shares of NIS 0.01 par value to Group officers following net exercise notifications pertaining to 187,760 options. The weighted-average price per share on the exercise date of the options was NIS 36.45.

During the reporting period and subsequent to the report date, the Company issued 7,183 ordinary shares of NIS 0.01 par value each of the Company and 44,899 ordinary shares of the Company of NIS 0.01 par value each, respectively, to the Group's officers in view of the vesting of the first and third tranche, respectively, of the RSUs awarded to them as part of an equity-based compensation plan to Company's employees as described in Note 17B to the Annual Financial Statements.

2. In January 2021, the Company issued Altshuler Shaham Ltd. (hereinafter – "Altshuler") and entities managed by Altshuler (hereinafter, jointly in this section – "the Offerees"), 10,300,000 ordinary shares of NIS 0.01 par value each. The price of the shares allocated 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 material guarantees:

A. Further to that stated in Note 15D(3) to the Annual Financial Statements regarding a capital injection agreement of Zomet in the reporting period, in light of the provision of the balance of the shareholders' equity to Zomet, the bank guarantee provided by the Company - in the amount of approximately NIS 85 million - was cancelled, and the deposit, in the amount of approximately NIS 43 million, which served as collateral for the said guarantee, was released.

B. Further to that stated in Note 24A(3) to the Annual Financial Statements regarding a compromise agreement in respect of the amount of development levies payable to the Shafir Regional Council, in the reporting period, the guarantee, in the amount of approximately NIS 21 million, expired.

C. Further to that stated in Note 15D(2) to the Annual Financial Statements regarding Hadera's financing agreement, in the reporting period, a bank guarantee in the amount of approximately NIS 50 million, which was provided by the Company in favor of the lenders, was cancelled, and the collateral, in the amount of approximately NIS 25 million, that was provided in respect of the guarantee, was released.

D. In June 2021, the Company provided a NIS 2 million bank guarantee in favor of the Israeli Electricity Authority, as required in order to obtain a virtual supply license. In addition, after the report date, in July 2021, the Company provided a bank guarantee in the amount of approximately NIS 35 million in favor of the system operator for the purpose of requesting the assignment of certain customers to the virtual supply activity. For further details regarding the virtual supply activity and the virtual supply license, see Note 9B6.

E. Further to that stated in Note 23D to the Annual Financial Statements, in June 2021 pledged deposits totalling NIS 38 million were released; the said deposits served as a collateral in respect of guarantees provided by the Company in favor of the IEC.

NOTE 9 – ADDITIONAL INFORMATION (CONTD.)

B. The Company (contd.)

4. In January 2021, a subsidiary of the Parent Company transferred to the Company, at no consideration, all its shares and rights (100%) in IC Green Energy Inc. (previously Primus Green Energy Inc.), a company incorporated in New Jersey, USA (hereinafter - "ICG Energy"), which previously owned a renewable energy operation.

   During 2005-2020, ICG Energy recorded net operating losses for tax purposes, which as at December 31, 2020 amounted to approximately USD 108 million, and utilizable tax credits in the amount of approximately USD 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 (Expedients in Transactions with an Interested Party), 2000.

   In addition, in January 2021, after the 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 Financial Statements and Note 9J below) to ICG Energy in respect of a loan in the amount of approximately NIS 472 million, and capital notes issued by ICG Energy to the Company, in the amount of approximately 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 on between the parties, but no later than January 2028. Accrued interest is payable 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 only after 5 years will have elapsed from their issuance date; they 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 allow 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 allow tax savings with respect to profits, if any, from the business activities in the United States.

5. Further to that stated in Note 25K to the Annual Financial Statements, as at the approval date of the financial statements, the Company entered into several agreements, including for the construction and operation of facilities for energy generation on the consumer's premises by means of natural gas and renewable energy (hereinafter – "the Generation Facilities") with a total of approximately 90 MW, and construction and supply agreements covering motors for the Generation Facilities, with an aggregate capacity of approximately 58 MW.

NOTE 9 – ADDITIONAL INFORMATION (CONTD.)

B. The Company (contd.)

6. In February 2021 the Israeli Electricity Authority reached a resolution on regulation for suppliers that do not have means of production, and amended the criteria applicable to existing suppliers, so as to open to new suppliers the supply segment in the electricity sector, and to gradually supply to domestic consumers. As part of the resolution, the Israeli Electricity Authority sets criteria and tariffs that will apply to suppliers who do not have means of production, and which allow them to purchase energy for their customers from the system operator, subject to receipt of supply license and the provision of a collateral. Pricing will be based on the SMP (half-hour system marginal price) mechanism and components which are affected, among other things, by peak-time consumption. Regulation to suppliers who do not have means of production is limited to a quota set in the regulation principles and to customers who have continuous meters (36,000 domestic consumers and 15,000 industrial/commercial consumers). Furthermore, as part of the said resolution, and in order to open the supply segment to competition, the Israeli Electricity Authority amended the criteria to suppliers regarding the manner of allocating consumers to private suppliers, the termination of transactions, the transition from one supplier to another and the payment of bills. In May 2021, the Israeli Electricity Authority published draft for public comment of the license for suppliers under virtual supply (hereinafter - the "Virtual Supply License") and the revised timetable for opening the supply segment to competition; according to the said timetable, the said activity is expected to start on September 1, 2021. Subsequent to the report date and further to the application submitted by the Company, in July 2021 the Company received a Virtual Supply License. Further to the above, the Company filed an application to assign certain customers, in the scope of 110 MW, to the virtual supply activity; and on August 19 2021, the Company was notified by the IEC that the assignment applications filed by the providers have been granted, subject to the completion of technical tests.

C. Zomet

1. Further to that stated in Note 11A to the Annual Financial Statements regarding land on which the Zomet power plant is being constructed, in January 2021, a final assessment was provided by the Israel Lands Authority (hereinafter – "ILA") in respect of the land, whereby the value of the usage fees for the land, for a period of 25 years, in respect of the construction of a power plant with a capacity of 396 MW, 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 intends to submit an appraiser's appeal in accordance with ILA's procedures. In March 2021, a refund was received, in the amount of about NIS 7 million, including linkage differences and interest, in respect of the difference between the capitalization fees effectively paid and the Final Assessment amount.

   Subsequent to the report date, in August 2021, Zomet was notified of the rejection of its appeal by ILA and as of the financial statements approval date, Zomet intends to continue the appeals proceedings on the assessment.

2. Further to that stated in Note 24A(3) to the Annual Financial Statements regarding a compromise agreement in respect of the amount of the development levies payable to the Shafir Regional Council (hereinafter – "the Council"), in February 2021 the legal procedure came to an end by means of a compromise. Under the compromise, the Council agreed to reduce the amount of the levies to approximately NIS 20 million. In March 2021, Zomet paid the Council - in addition to the NIS 13 million already paid in 2019, as stated above - an additional amount of approximately NIS 7 million; the latter 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 the power plant with no additional payment of levies.

NOTE 9 – ADDITIONAL INFORMATION (CONTD.)

C. Zomet (contd.)

3. Further to that stated in Note 25F to the Annual Financial Statements regarding a gas transmission agreement in Zomet, in January 2021, Israel Natural Gas Lines Ltd. revised the budget for the total connection fees to approximately NIS 32 million.

4. In April 2021 and subsequent to the report date, Zomet made withdrawals of approximately NIS 76 million and NIS 132 million, respectively, from the long-term loans facility. For more information about Zomet’s long-term loan facility, see Note15D3 to the Annual Financial Statements.

5. In May 2021, the construction contractor of Zomet gave a "force majeure” notice due to the security events. Zomet rejected those claims.

D. Hadera

1. In December 2020 and from January to May 2021, pre-scheduled replacement and renovation work of certain components was performed on the gas turbines in the Hadera Power Plant. In this context, in January 2021, replacement and renovation work in one of the gas turbines was completed, and in May 2021, replacement and renovation work on the second gas turbine was completed. Accordingly, in the first half of 2021, there were about 65 days of maintenance during which the Hadera power plant functioned in partial capacity. Following the replacement and renovation work, the gas turbines function as expected from such turbines.

   In March 2022, additional mandatory maintenance work (hereinafter – “the Additional Work”) is expected to be performed on the steam turbine, for a period estimated at 60 days.

2. Further to that stated in Note 25D of the Annual Financial Statements, it is Hadera’s position, according to the power plant’s construction agreement and based on the position of its legal counsel, that 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 of the power plant and damages (limited to an amount up to the maximum specified in the construction agreement) for 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 May 2021, Hadera received from the construction contractor notice of dispute before instigation of proceedings; in his notice, the construction contractor claims, inter alia, that Hadera does not have any grounds for charging the amounts specified in the agreement in respect of the delay in activation and the performance of the power plant (including by way of offsetting, as outlined below); the contractor also claims that he is entitled to additional consideration of EUR 7 million and that he may renew the guarantee provided in a reduced amount. It should be noted that in June 2021, the bank guarantee provided by the construction contractor (in the original amount, without reduction), was extended through May 31 2022, without derogating from the Contractor’s claims as per his claims. Hadera disputes the claims of the Construction Contractor as raised by him in a notice of dispute before taking legal action (except in respect of an insignificant amount out of said claim, relative to EUR 7 million), and his claims were rejected by it even prior to receiving the Contractor’s said notice. During the period following the receipt of said notice, the parties held negotiations in accordance with the construction agreement providing for a period of time for negotiations between the parties in an attempt to avoid arbitration proceedings; as of the report date, the parties have not reached agreements and there is no certainty that agreements will indeed be reached. Hadera is considering its steps in consultation with its legal counsel. As of this date, the construction contractor has yet to pay compensation (except for amounts unilaterally deducted by Hadera from payments due to the construction contractor, and the construction contractor made allegations in this matter in the above notice). For details regarding compensation from the construction contractor, see Note 25D to the annual financial statements for 2020.

NOTE 9 – ADDITIONAL INFORMATION (CONTD.)

D. Hadera (contd.)

3. In May 2021, Hadera and Rotem received a notice from Noble Energy in connection with emergency discontinuance of service of the Tamar Reservoir as of May 11, 2021, under an order issued by the Minister of Energy in light of the security situation in Israel at the time. It was stated in the notice that, according to Noble Energy's position, the event constitutes a *force majeure* event pursuant to its gas agreements with Hadera and Rotem. It should be noted that the supply of gas to Hadera and Rotem during the shutdown period continued without interruption, and gas for that purpose was supplied from the Leviathan reservoir. It should be noted that on May 22, 2021, the supply of gas from the Tamar reservoir was resumed.

4. Further to that stated in Note 25G of the Annual Financial Statements regarding the Group's agreements with Energean Israel Limited (hereinafter - "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.

   It should be noted that the agreements with Energean stipulate limited compensation for such delays; the amount of compensation as per the said agreements depends on the reason for the delay, and the compensation cap is lower if the delay is caused by a *force majeure* event. As of the date of approval of these financial statements, Energean claims that the delay was caused by a *force majeure* event, and Rotem and Hadera reject those claims.

   In June 2021, Rotem and Hadera received a letter from Energean in which Energean announced that it intends to pay Rotem and Hadera the reduced compensation due to delay in commercial operation, since the delay was caused - according to Energean - by a force majeure. It should be noted that in July 2021, Rotem and Hadera informed Energean that they insist that Energean failed to prove that the force majeure clause of agreement can be activated, and that they reserve their rights under the agreements with Energean in that respect, including the right to claim the payment of the full amount of compensation due to a delay.

E. Rotem

1. Further to that stated in Note 25C to the Annual Financial Statements regarding an agreement to purchase power from Rotem, on March 17, 2021, Rotem received a letter from the IEC (as the system operator), which includes the open issues between the parties and their positions regarding these issues as viewed by the IEC. In this regard, the IEC raises contentions regarding past accountings in respect of the energy purchase cost for Rotem customers in a case of a load reduction of the power plant by the system operator, and collection differences due to non-transfer of meter data in 2013 through 2015, in amounts that are immaterial to Rotem. In addition, the 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 raised by the IEC, based on its legal counsel, is different and talks are being held between the parties. As at the financial statements approval date, the open matters, as stated, had not yet been resolved and there is no certainty that the parties will reach an agreement. To the extent the open matters are not resolved, there will be no choice other than to turn to the courts.

2. Further to that stated in Note 25J to the Annual Financial Statements regarding applicability of the decision of the IEC with respect to deviations from Rotem's consumption plans, in May 2021, the IEC notified Rotem that, according to its approach, Rotem's sale of energy to end-consumers in excess of the power plant's generation capacity deviates from the provisions of the power acquisition agreement between it and the IEC (as stated in Note 25C to the Annual Financial Statements). Rotem's position regarding the power purchase 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 Israeli Electricity Authority, as stated in Note 25J to the Annual Financial Statements.

NOTE 9 – ADDITIONAL INFORMATION (CONTD.)

E. Rotem (contd.)

3. In April 2021, Rotem distributed a dividend in the amount of NIS 40 million. The share of OPC Israel and of the holder of non-controlling interests amounts to NIS 32 million and NIS 8 million, respectively.

4. For up-to-date information about the agreement between the Tamar Group and Rotem, as described in Note 25G to the Annual Financial Statements, see Note 9D3.

5. For up-to-date information about the agreement between Energean and Rotem, as described in Note 25G to the Annual Financial Statements, see Note 9D4.

6. Rotem is considering early repayment of the financing agreement (as described in Note 15D to the Annual Financial Statements). In accordance with an agreement between the shareholders, the shareholders will provide the funds necessary for the early repayment to Rotem, including an early repayment fee, in accordance with their proportionate share, subject to the issuance of debentures by the Company, the proceeds and amount of which will cover the Company's share of the early repayment.

NOTE 9 – ADDITIONAL INFORMATION (CONTD.)

F. AGS Rotem

Further to that stated in Note 24A(6) to the Annual Financial Statements, in January 2021, the Subcommittee for Comments and Objections of the National Planning and Building Committee of the National Infrastructures Committee held a discussion regarding comments and objections with respect to NIP 94. The objections to the plan were rejected, and AGS Rotem Ltd. 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 by the National Infrastructures Committee in accordance with the above decision of the National Committee and the National Infrastructures Committee, and approval to proceed with validation by the State of Israel.

G. OPC Hadera Expansion

Further to what is stated in Note 24A9 to the Annual Financial Statements regarding the environmental impact survey of OPC Hadera Expansion Ltd., in February 2021 National Infrastructure Plan 20B was submitted for review by the District Committees and for public scrutiny; in May and June 2021 two discussions were held which were attended by an investigator appointed for that purpose by the National Infrastructures Committee. As of the report date, the investigator’s report has not yet been published and a date for a discussion about the investigator’s findings by the National Infrastructures Committee has not yet been set.

H. OPC Sorek 2 Ltd.

In June 2021, OPC Sorek Ltd. (hereinafter - “Sorek 2”) entered into a number of agreements in connection with the construction of the Sorek 2 project, as follows:

<u>Construction and equipment supply agreements</u>

Sorek 2 contracted BHI CO. Ltd. a South Korean-owned corporation that will serve as the project’s construction contractor (hereinafter - the “Construction Contractor”) entered into a “lump sum turn-key” EPC agreement, where under the Construction Contractor will build a gas-fired energy generation facility with an installed capacity of up to 87 MW, all in accordance with the milestones, terms and dates set in relation to each of the agreement’s components (hereinafter - the “Construction Agreement”). IDE group corporation is also a party to the Construction Agreement (in its capacity as the commissioning party), under which systems are supplied to the desalination facility, for which the said corporation is required to pay. Sorek 2’s share in the amount payable to the Construction Contractor is estimated at USD 42 million; this amount also includes the amount payable for the purchase of the gas turbines. The amount payable under the agreement shall be paid in US dollars, euros and shekels. It should be noted that the agreement sets, inter alia, mechanisms for agreed and capped compensation in respect of delays, non-compliance with execution and availability requirements; the agreement also sets the scope of liability and requirements for provision of guarantees in the different stages of the project.

In addition, Sorek 2 also entered into an agreement for the supply of a gas turbine to the energy generation facility with companies of the General Electric group (hereinafter jointly - “GE”). As part of the agreement, GE has undertaken, inter alia, to supply the turbine and related equipment, to provide support to the Construction Contractor, as well as commissioning and testing the equipment, all in accordance to the terms, milestones and dates agreed between the parties (hereinafter - “the Equipment Supply Agreement”). Pursuant to the agreement between the parties, once the limited notice to proceed (LNTP) was issued and the first payment to GE was made the Equipment Supply Agreement was assigned to the Construction Contractor in the aforesaid Construction Agreement.

Subsequent to the report date, in July 2021, an agreement was signed that regulates the decision-making process and the assignment of responsibility between Sorek 2 and the said corporation of the IDE Group in connection with the Construction Agreement; except for cases provided for in the Agreement, the arrangements are mainly derived from each party’s part in the Construction Agreement and the joint decision mechanism. To secure Sorek 2’s undertakings under this agreement, the Company provided a capped corporate guarantee.

NOTE 9 – ADDITIONAL INFORMATION (CONTD.)

H. OPC Sorek 2 Ltd. (contd.)

As of the financial statements approval date, the Company estimates that the construction cost of the Sorek 2 project, including the Company's share in the Construction Agreement and the said Equipment Supply Agreement - which constitute the bulk of said cost - at approximately NIS 200 million.

<u>Maintenance agreement</u>

Sorek 2 and GE entered into a long-term agreement for the maintenance of the turbine and its related equipment; the term of the agreement is 16 years with an option to renew by 25 years, in return for up to approximately USD 29 million (which will vary in accordance with the term of the agreement), subject to the milestones set in the agreement (hereinafter - the “Maintenance Agreement”). The Maintenance Agreement includes provisions regarding agreed and capped compensation in respect of execution and meeting timetables for servicing, and regarding GE’s responsibility for its equipment and services. The Maintenance Agreement includes guarantees provided by the Parent Company to secure each of the parties’ undertakings. It should be noted that the above agreements will require, among other things, the approval of the Water Desalination Administration, in accordance with and as required pursuant to the concession agreement signed between IDE and the State of Israel in connection with the desalination facility and the project.

I. Gnrgy

In April 2021, the Company entered into an agreement for the purchase of Gnrgy Ltd. (hereinafter - “Gnrgy”) which operates in the field of charging electric vehicles (e-mobility) and building electric vehicles charging points.

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

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

1. On the Transaction Completion Date, in May 2021, the Company invested approximately NIS 19.8 million in Gnrgy against issuance of Gnrgy shares to the Company. In addition, the Company acquired from Mr. Ran Eloya, the Company’s founder and the party who, until the Transaction Completion Date, wholly-owned Gnrgy’s shares (hereinafter – “the Developer”), in exchange for a consideration of NIS 5.2 million, such that upon completion of the transaction, the Company holds approximately 27% of Gnrgy’s share capital and the Developer holds approximately 73% of its share capital.
2. During a period ending on December 15, 2021, the Company is to invest in Gnrgy an additional amount of about NIS 29 million, against issuance of additional Gnrgy shares. 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 instalments 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 Gnrgy’s share capital and the Developer will hold about 49% of its share capital (hereinafter - “the Additional Closing”).

NOTE 9 – ADDITIONAL INFORMATION (CONTD.)

I. Gnrgy (contd.)

Concurrent with the share purchase agreement, a shareholders' agreement was signed that governs the relationship between the Company and the Developer following the 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 wholly own Gnrgy's share capital (hereinafter – "the Purchase Option"). The exercise price of the Purchase Option will be derived from the fair value of Gnrgy on the exercise date, assuming an agreed-to rate, but no 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 through 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 Gnrgy so as to dilute the Developer's share and subject to additional conditions stipulated in the Shareholders' Agreement, the Developer has an option to acquire shares of Gnrgy from the Company such that after the acquisition, he will hold 2% more than the Company in Gnrgy's share capital, and will once again become the controlling shareholder of Gnrgy. 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 Gnrgy'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, under 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 Gnrgy's Board of Directors, the voting power (rights) of each of them will reflect the rates of ownership of the parties in Gnrgy'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 Gnrgy's Board of Directors).

The said Transaction Completion Date for the acquisition of Gnrgy's shares was in May 2021, after the conditions precedent have been met (including obtaining the Competition Authority's exemption from the merger notice requirement). Accordingly, as of the report date the Company hold 27% of Gnrgy's share capital. The Company includes Gnrgy in its Israel-based operations.

Subsequent to the report date, in July 2021, Gnrgy received a Virtual Supply License. For more information about the regulation, see Note 9B6.

NOTE 9 – ADDITIONAL INFORMATION (CONTD.)

J. OPC Power Ventures LP

OPC Power is a designated partnership the purpose of which is to acquire the CPV Group through CPV Group LP and to make additional investments in the Acquirer and the CPV Group. For additional details regarding OPC Power – see Note 25M to the Annual Financial Statements.

During the reported period, the Company and non-controlling interest invested in the partnership's capital a total of USD 561 million (NIS 1,788 million) and provided it with loans at the total amount of USD 174 million (NIS 555 million), in accordance with their proportionate share in the partnership. The loans are denominated in USD and bear an annual interest rate of 7%. The loan principal will be repayable at any time as will be agreed on between the parties, but no later than January 2028. Accrued interest is payable on a quarterly basis. To the extent the payment made by OPC Power is lower 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 of investment commitments and shareholders' loans by all partners is USD 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 backlog projects of the CPV Group over the coming years. As of the financial statements' approval date, a total of USD 761 million were injected into the partnership in the form of investments and shareholders' loans.

K. The CPV Group

1. Partnership agreements in the Project Companies

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

2. Management agreements

   The 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 financial statements approval date, of approximately 8,437 MW (approximately 5,455 MW for projects in which it holds equity rights, as stated in Section 7 above, and approximately 2,982 MW for projects for third parties) by means of signing asset management agreements and energy management agreements, usually for short to medium periods. As of the financial statements approval date, the average remaining period of all the management agreements (in projects wherein the CPV Group holds equity rights and projects of third parties) is about 4 years, with the average remaining period in the management agreements for projects in which the CPV Group holds equity rights being about 6 years (all subject to the provisions of the relevant agreements regarding the option of early termination of the agreements or options to renew them for additional periods, as applicable). The management services are provided in exchange for annual management fees and incentive payment. The management services include, inter alia: project management and compliance with regulations; supervision of the project's operation; management of the energy generated - including optimization and management of exposures; management of the project's debt and credit; management of agreements undertaken, licenses and contractual obligations; management of budgets and financial matters; project insurance, etc.

NOTE 9 – ADDITIONAL INFORMATION (CONTD.)

K. The CPV Group (contd.)

3. Main agreements of Keenan:

Keenan entered into a wind power energy agreement for the sale of renewable energy. Pursuant to the terms and conditions of the agreement, the purchaser is to receive all of the power generated by the wind farm, credits, certificates, similar rights or other environmental allotments. The consideration includes a fixed payment. The agreement term is 20 years, ending in 2030. The purchaser is permitted, under certain circumstances, to extend the agreement for another five-year period, 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 and conditions stipulated therein. The annual income for the project in respect of the agreement totals approx. USD 27 million.

Keenan entered into a service agreement and an operation agreement with its original equipment manufacturer for the operation, maintenance and repair of the power plant. The consideration includes fixed annual fees, a performance-based bonus and reimbursement of expenses. The agreements expire in February 2031. In the past two calendar years, Keenan paid approximately USD 6 million annually under these agreements.

Keenan entered into an asset management agreement with CPVI. The management services include: management of the project documents; negotiating additional project agreements; compliance and control; management of financial documents; financing; bookkeeping payments; taxes; budgets; insurance; government permits and regulation, etc. The consideration includes a fixed monthly payment and reimbursement of expenses. The agreement period 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 (refinanced in February 2014). As at June 30, 2021, Keenan's outstanding debt (after fair value adjustments due to the business combination described in Note 6) is approximately NIS 224 million (USD 69 million). Final repayment of the term loan – December 31, 2028, and of the ancillary credit facilities – December 31, 2021, the annual interest rate is LIBOR plus a 2.25%-2.75% spread on the Term Loan, and a 1% spread on the ancillary credit facilities. For more information about refinancing carried out in August 2021, see Note 10A.

NOTE 9 – ADDITIONAL INFORMATION (CONTD.)

K. The CPV Group (contd.)

4. Main agreements of Maple Hill:

CPV Maple Hill Solar LLC (hereinafter – "Maple Hill") entered into a transaction for the sale of renewable energy certificates (SRECs) for a period of 5 years. In addition, the project is expected to enter into a power hedging agreement.

In May 2021, a construction commencement order was issued to the project's Construction Contractor.

Set forth below are details of the material agreements of the Maple Hill project:

A. Maple Hill signed an agreement for the purchase of solar panels with an international supplier. The consideration includes payment of a fixed price for the purchase of the solar modules, plus the delivery cost to the power plant.

B. Maple Hill signed an agreement for the purchase of a generator transformer with an international supplier. The consideration includes payment of a fixed price for the purchase of the transformer, 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 into 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 reimbursement of expenses. The agreement includes reimbursement of expenses incurred by CPVI in connection with construction management services, including work hours of the CPVI team, expenses and amounts paid to third parties. The agreement term is up to ten years from the power plant's completion date and may be extended by an additional year.

E. Maple Hill entered into a power purchase agreement (PPA) for the sale of approximately 48% of the power production for a period of 10 years from the date of commercial operation.

As of the report date, the expected investment cost in Maple Hill is estimated at approximately NIS 515 million (approximately USD 158 million). It is noted that the Construction Agreement and the equipment purchase agreement constitute the bulk of the aforesaid cost.

5. Main agreements of Rogue's Wind:

In April 2021, the CPV Group signed an agreement for the sale of all electricity, availability and Renewable Energy Certificates (REC) of the "Rogue's Wind" wind energy 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 approximately USD 15 million. The CPV Group posted approximately NIS 28 million (approximately USD 8.5 million) as collateral to secure its obligations under the agreement.

6. In April 2021, the CPV Group signed an agreement for the purchase of the remaining 30% of Keenan from the tax equity partner, which were classified under Other long-term liabilities, in consideration for NIS 82 million (approximately USD 25 million). As a result of the transaction, the CPV Group recognized a NIS 39 million loss stated in the other expenses line item in the income statement. Upon the acquisition, the CPV Group holds all of the rights to the company.

NOTE 9 – ADDITIONAL INFORMATION (CONTD.)

K. The CPV Group (contd.)

7. In April 2021 CPV Group LP, the partnership (hereinafter in this note - the “Partnership”), allocated 6.5% of the rights to participate in the Partnership’s earnings in favor of allocations to CPV Group’s employees (hereinafter in this note - the “Offerees”) as part of a long-term equity-based compensation, and in accordance to arrangements set in the partnership agreement (hereinafter - the “CPV Group’s Compensation Plan”. The Offerees’ participation rights relate to earnings and appreciation net of repayment of investment amounts to investors and subject to vesting periods that may be accelerated in certain cases, such as merger, sale of activities, termination of employment under certain circumstances, etc. The award letters given to the Offerees stipulate, among other things, events upon the occurrence of which the partnership will buy the Offerees’ rights. Included in that stated above, subject to the vesting as, 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 passage of five years.

   The fair value of the CPV Group’s Compensation Plan is recognized as an expense, against a corresponding increase in the liability, over the period in which unconditional entitlement to payment is achieved. The liability is remeasured at each reporting date until the settlement date. Any change in the fair value of the liability is recognized as a general and administrative expense in profit and loss. During the reporting period, the CPV Group recorded expenses in the amount of approximately NIS 34 million.

NOTE 10 – EVENTS SUBSEQUENT TO THE REPORT DATE

A. In August 2021, Keenan and a number of financial entities entered into a NIS 391 million (approx. USD 120 million) financing agreement, comprising a NIS 339 million (approx. USD 104 million) loan term and ancillary credit facilities (working capital and LC) totaling NIS 52 million (approx. USD 16 million). Concurrently with the closing of the financing agreement, Keenan repaid its former financing agreement entered into in 2014.

The loan and the ancillary credit facilities shall be repaid in installments over the term of the agreement; the final repayment date is December 31, 2030, 9.5 years from the financing agreement commencement date. The loan and the ancillary credit facilities shall carry an annual interest of LIBOR + 1% to 1.375%.

It should be noted that the financing agreement includes, among other things, and as customary in agreements of this type, provisions regarding mandatory prepayments, fees in respect of credit facilities, annual fees relating to the issuance of LC and additional customary terms and conditions, including hedging of the base interest in respect of 70% of the loan.

As part of Keenan’s financing agreement, collateral and pledges on the project's assets held by Keenan were provided in favor of the lenders. Keenan’s financing agreement includes a number of restrictions, such as compliance with a minimum debt service coverage ratio of 1.15 during the 4 quarters that preceded the distribution, and a condition whereby no grounds for repayment or breach event exists (as defined in the financing agreement).

The financing agreement includes grounds for calling for immediate repayment as customary in agreements of this type, including, among others – breach of representations and covenants that have a material adverse effect, 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 status of the project and maintaining of government approvals, certain changes in the project’s ownership, 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 power – all in accordance with and subject to the terms and conditions, definitions and cure periods detailed in the financing agreement.

Completion of the financing agreement generated the CPV Group approximately NIS 85 million (approximately USD 26 million) in cash (after making payments in respect of: repayment of Keenan's previous outstanding loan balance, transaction costs, early closing of an interest rate hedging transaction and additional costs). It should be noted that the Company is expected to record a one-off expense of approximately NIS 36 million (approximately USD 11 million) in its financial statements for the third quarter of 2021 due to the early closing of said an interest rate hedging transaction.

B. In August 2021, the Company entered into additional credit facilities for various periods not exceeding two years from banking entities, totaling approximately NIS 125 million, which were not utilized as of the financial statements approval date. As of the financial statements approval date, the Company’s balance of unutilized facilities is NIS 600 million.

C. In August 2021, the Compensation Committee, authorized by the Board of Directors, approved a private placement to two officers, amounting to 662,944 options convertible into 662,944 ordinary shares of NIS 0.01 par value each of the Company (hereinafter - "Offered Securities"). The Offered Securities were allocated under the capital gains track (with a trustee) in accordance with Section 102 of the Income Tax Ordinance, at four equal tranches. The vesting terms and conditions and the expiration dates of the Options are as follows:

NOTE 10 – EVENTS SUBSEQUENT TO THE REPORT DATE

Tranche No.	Vesting terms and conditions	Expiration date
Tranche 1	After 12 months will have	After 36 months will have
Tranche 2	After 24 months will have	After 24 months will have
Tranche 3	After 36 months will have	After 24 months will have
Tranche 4	After 48 months will have	After 24 months will have

The exercise price of each allocated option is NIS 30.24 (non-linked). 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 approval date of the allocation by the Board of Directors, using the Black and Scholes model, was NIS 8.23 per option. The calculation is based on the monthly standard deviation of 34.59%, an annual risk-free interest rate for the period of 0.24% to 0.55%, an expected life of 4 to 6 years and share price of a Company's stock on August 19 2021, which was NIS 28.98.

The cost of the benefit implicit in the offered securities, which is based on the fair value as at the date of their issuance, amounted to approximately NIS 5 million. This amount will be recorded in profit and loss over the vesting period of each tranche.

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Appendix 99.3

OPC Energy Ltd.

Proforma Condensed Consolidated Interim Financial Statements

At June 30, 2021

(Unaudited)

OPC Energy Ltd.
Proforma Consolidated Interim Financial Statements
At June 30, 2021
(Unaudited)

Contents

Somekh Chaikin KPMG

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

03-6848000

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

Introduction

We have reviewed the accompanying proforma financial information of OPC Energy Ltd. and its subsidiaries, including the condensed consolidated interim proforma statements of income and comprehensive income for the six-month and three-month periods ended June 30, 2021. The Board of Directors and Management are responsible for the preparation and presentation of proforma financial information for these interim periods 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 these interim periods based on our review.

Scope of the Review

We conducted our review in accordance with Review Standard (Israel) 2410 "Review of Financial Information for Interim Periods Performed by the Independent Auditor of the Entity" of the Institute of Certified Public Accountants in Israel. A review of financial information for interim periods consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the above-mentioned 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.)

August 24, 2021

OPC Energy Ltd.,
Proforma Consolidated Interim Statements of Income

	For the Six Months Ended June 30						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
	(Unaudited)			(Unaudited)			(Audited)		
	In Millions of New Israeli Shekels								
Sales and services	**718**	**15**	**733**	577	45	622	1,325	267	1,592
Cost of sales and services (net depreciation and amortization)	**515**	**3**	**518**	413	32	445	968	73	1,041
Depreciation and amortization	**87**	**3**	**90**	47	2	49	114	19	133
Gross profit	**116**	**9**	**125**	117	11	128	243	175	418
Administrative and general expenses	**103**	**7**	**110**	26	22	48	52	46	98
Share in income (losses) of associated companies	**(52)**	**4**	**(48)**	–	29	29	–	(6)	(6)
Transaction expenses in respect of acquisition of the CPV Group	**2**	**(2)**	**–**	–	–	–	42	(42)	–
Business development expenses	**2**	**–**	**2**	6	4	10	7	5	12
Other income (expenses), net	**(39)**	**–**	**(39)**	*	*	*	1	(63)	(62)
Operating income (loss)	**(82)**	**8**	**(74)**	85	14	99	143	97	240
Financing expenses	**89**	**2**	**91**	49	23	72	173	89	262
Financing income	**14**	**6**	**20**	2	1	3	1	*–	1
Financing expenses (income), net	**75**	**(4)**	**71**	47	22	69	172	89	261
Income (loss) before taxes on income	**(157)**	**12**	**(145)**	38	(8)	30	(29)	8	(21)
Taxes on income (tax benefit)	**(47)**	**5**	**(42)**	16	(1)	15	13	*–	13
Income (loss) for the period	**(110)**	**7**	**(103)**	22	(7)	15	(42)	8	(34)
Attributable to:									
The Company's owners	**(79)**	**6**	**(73)**	10	(7)	3	(57)	3	(54)
Holders of non-controlling interests	**(31)**	**1**	**(30)**	12	*	12	15	5	20
Income (loss) for the period	**(110)**	**7**	**(103)**	22	(7)	15	(42)	8	(34)
Income (loss) per share attributable to the Company's owners									
Basic income (loss) per share (in NIS)	**(0.42)**	**0.04**	**(0.38)**	0.07	(0.05)	0.02	(0.37)	0.07	(0.30)
Diluted income (loss) per share (in NIS)	**(0.42)**	**0.04**	**(0.38)**	0.07	(0.05)	0.02	(0.37)	0.07	(0.30)

* Amount less than NIS 1 million.

Yair Caspi **Chairman of the Board of Directors**	**Giora Almogy** **CEO**	**Tzahi Goshen** **CFO**

Approval date of the financial statements: August 24, 2021

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

OPC Energy Ltd.,
Proforma Consolidated Interim Statements of Income (Cont.)

	For the Three Months Ended June 30					
	2021			2020		
	Before Proforma Event	Adjustments in respect of Proforma Data	Proforma Data	Before Proforma Event	Adjustments in respect of Proforma Data	Proforma Data
		(Unaudited)			(Unaudited)	
	In Millions of New Israeli Shekels					
Sales and services	**342**	–	**342**	264	22	286
Cost of sales and services (net depreciation and amortization)	**256**	–	**256**	208	14	222
Depreciation and amortization	**46**	–	**46**	24	1	25
Gross profit	**40**	–	**40**	32	7	39
Administrative and general expenses	**79**	–	**79**	13	11	24
Share in losses of associated companies	**(14)**	–	**(14)**	–	(71)	(71)
Business development expenses	**1**	–	**1**	4	2	6
Other expenses, net	**(39)**	–	**(39)**	*	–	*
Operating income (loss)	**(93)**	–	**(93)**	15	(77)	(62)
Financing expenses	**61**	–	**61**	31	26	57
Financing income	**4**	–	**4**	–	–	–
Financing expenses, net	**57**	–	**57**	31	26	57
Loss before taxes on income	**(150)**	–	**(150)**	(16)	(103)	(119)
Tax benefit	**(40)**	–	**(40)**	–	(26)	(26)
Loss for the period	**(110)**	–	**(110)**	(16)	(77)	(93)
Attributable to:						
The Company's owners	**(86)**	–	**(86)**	(18)	(58)	(76)
Holders of non-controlling interests	**(24)**	–	**(24)**	2	(19)	(17)
Loss for the period	**(110)**	–	**(110)**	(16)	(77)	(93)
Loss per share attributable to the Company's owners						
Basic loss per share (in NIS)	**(0.45)**	–	**(0.45)**	(0.12)	(0.41)	(0.53)
Diluted loss per share (in NIS)	**(0.45)**	–	**(0.45)**	(0.12)	(0.41)	(0.53)

* Amount less than NIS 1 million.

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 Six Months Ended June 30						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
	(Unaudited)			(Unaudited)			(Audited)		
	In Millions of New Israeli Shekels								
Income (loss) for the period	**(110)**	**7**	**(103)**	22	(7)	15	(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	**33**	**15**	**48**	(46)	–	(46)	(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	**105**	**(103)**	**2**	7	–	7	10	–	10
Net change in fair value of derivative financial instruments used to hedge cash flows transferred to the statement of income	**(4)**	**–**	**(4)**	13	–	13	22	–	22
Foreign currency translation differences in respect of foreign activities	**43**	**(17)**	**26**	–	6	6	–	(144)	(144)
Share of Group in other comprehensive income (loss) of equity-accounted investee companies	**23**	**–**	**23**	–	(80)	(80)	–	(20)	(20)
Taxes on income (tax benefit) in respect of items of other comprehensive income (loss)	**(3)**	**–**	**(3)**	–	–	–	5	42	47
Total other comprehensive income (loss) for the period, net of tax	**197**	**(105)**	**92**	(26)	(74)	(100)	(119)	(31)	(150)
Total comprehensive income (loss) for the period	**87**	**(98)**	**(11)**	(4)	(81)	(85)	(161)	(23)	(184)
Attributable to:									
The Company's owners	**98**	**(95)**	**3**	(16)	(57)	(73)	(176)	10	(166)
Holders of non-controlling interests	**(11)**	**(3)**	**(14)**	12	(24)	(12)	15	(33)	(18)
Total comprehensive income (loss) for the period	**87**	**(98)**	**(11)**	(4)	(81)	(85)	(161)	(23)	(184)

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 (Cont.)

	For the Three Months Ended June 30					
	2021			2020		
	Before Proforma Event	Adjustments in respect of Proforma Data	Proforma Data	Before Proforma Event	Adjustments in respect of Proforma Data	Proforma Data
		(Unaudited)			(Unaudited)	
	In Millions of New Israeli Shekels					
Loss for the period	**(110)**	**–**	**(110)**	(16)	(77)	(93)
Components of other comprehensive 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	**1**	**–**	**1**	(6)	–	(6)
Net change in fair value of derivative financial instruments used for hedging cash flows recorded to the cost of the hedged item	**(1)**	**–**	**(1)**	4	–	4
Net change in fair value of derivative financial instruments used to hedge cash flows transferred to the statement of income	**(9)**	**–**	**(9)**	5	–	5
Foreign currency translation differences in respect of foreign activities	**(40)**	**–**	**(40)**	–	(59)	(59)
Share of Group in other comprehensive loss of equity-accounted investee companies	**(1)**	**–**	**(1)**	–	(5)	(5)
Taxes on income in respect of items of other comprehensive	**1**	**–**	**1**	–	–	–
Total other comprehensive income (loss) for the period, net of tax	**(49)**	–	**(49)**	3	(64)	(61)
Total comprehensive loss for the period	**(159)**	**–**	**(159)**	(13)	(141)	(154)
Attributable to:						
The Company's owners	**(122)**	**–**	**(122)**	(15)	(99)	(114)
Holders of non-controlling interests	**(37)**	**–**	**(37)**	2	(42)	(40)
Total loss for the comprehensive period	**(159)**	**–**	**(159)**	(13)	(141)	(154)

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 June 30, 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 six-month and three-month periods ended on June 30, 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 statements of comprehensive income for the six-month and three-month periods ended on June 30, 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 interim statements of cash flows and consolidated interim statements of changes in equity 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 June 30, 2021 and for the six-month and three-month periods 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").

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 CPVPH, 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.

Note 2 – The Proforma Event (Cont.)

The CPV Group operates power plants, in the conventional area, that are powered by natural gas (of the advanced generation integrated open-cycle type) and in the area of renewable energy. As at the approval date of the financial statements, the share of the CPV Group in the power plants powered by natural gas is about 1,290 MW, out of 4,045 MW (5 power plants), and in wind energy the share of the CPV Group is 152 MW (1 power plant).

In addition, 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 990 megawatts, and a number of other projects in initial development stages with a total cumulative scope of 990 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 176 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 consolidated interim statements of income and the proforma consolidated interim statements of comprehensive income for each of the six-month and three-month periods ended on June 30, 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 consolidated interim statements of income for the six-month periods ended on June 30, 2021 and June 30, 2020 and the year ended December 31, 2020, income from exchange rate differences was included, in the amounts of about NIS 7 million and about NIS 1 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 consolidated interim statements of comprehensive income for the six-month periods ended on June 30, 2021 and June 30, 2020, positive translation differences were included in the amounts of about NIS 26 million and about NIS 6 million respectively, and for the year ended December 31, 2020, negative translation differences were included in the amount of about NIS 144 million.

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 temporary 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 temporarily (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 interim statement of income for the six months ended June 30, 2020 and for the year ended December 31, 2020, amortization of excess cost expenses were recorded in the category “Company’s share in income (losses) of affiliated companies”, in the amounts of about NIS 0.8 million and about NIS 1.5 million, respectively. For the six months ended June 30, 2021, it was assumed that the fair-value adjustments as presented in Note 6 to the consolidated interim financial statements as at June 30, 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 six months ended June 30, 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 consolidated statements of income for the six months ended June 30, 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 consolidated statements of income. The tax impacts were included as applicable.

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 statements of income for the six months ended June 30, 2020 and for the year ended December 31, 2020, in the amounts of about NIS 6 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 consolidated 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 consolidated statements of income for the six months ended June 30, 2021 and June 30, 2020 and for the year ended December 31, 2020 were reduced by about NIS 1 million, about NIS 8 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 consolidated statements as at June 30, 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 six months ended on June 30, 2021 and 2020, and for the year ended December 31, 2020, the Company recorded additional tax expenses, in the amount of about NIS 5 million, tax income in the amount of about NIS 12 million and tax expenses, in the amount of about NIS 12 million, respectively.

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 six months ended June 30, 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 2020, in the amount of about $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.

Note 4 – Associated Companies

Condensed financial information regarding the results of operations for the six-month periods ended June 30, 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)
	(Unaudited)						
	In millions of New Israeli Shekels						
For the six months ended June 30, 2021							
CPV Shore Holdings LLC	37.53%	250	25	16	41	9	15
CPV Maryland LLC	25.00%	210	(35)	36	1	(9)	*–
CPV Valley Holdings LLC	50.00%	151	(168)	9	(159)	(84)	(79)
CPV Towantic LLC	26.00%	492	93	21	114	24	30
CPV Fairview LLC	25.00%	294	(16)	21	5	(4)	1
CPV Three Rivers LLC	10.00%	1	(16)	45	29	(2)	3
Total share of the Company in the loss						**(66)**	
Adjustments						18	
Total share of the Company in losses of associated companies in the consolidated statements						**(48)**	

	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)
	(Unaudited)						
	In millions of New Israeli Shekels						
For the six months ended June 30, 2020							
CPV Shore Holdings LLC	37.53%	203	(8)	(34)	(42)	(3)	(16)
CPV Maryland LLC	25.00%	242	(11)	(15)	(26)	(3)	(6)
CPV Valley Holdings LLC	50.00%	257	(23)	(32)	(55)	(11)	(28)
CPV Towantic LLC	26.00%	376	82	(89)	(7)	21	(2)
CPV Fairview LLC	25.00%	229	(34)	(63)	(97)	(8)	(24)
CPV Keenan LLC	*100.00%	57	1	(10)	(9)	34	27
Total share of the Company in the income						**30**	
Adjustments						(1)	
Total share of the Company in the income of associated companies in the consolidated statements						**29**	

* Of Class B rights.

Note 4 – Associated Companies

Condensed financial information regarding the results of operations for the three-month periods ended June 30, 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)
	(Unaudited)						
	In millions of New Israeli Shekels						
For the three months ended June 30, 2021							
CPV Shore Holdings LLC	37.53%	155	31	(4)	27	11	9
CPV Maryland LLC	25.00%	104	(28)	34	6	(7)	1
CPV Valley Holdings LLC	50.00%	57	(73)	–	(73)	(37)	(36)
CPV Towantic LLC	26.00%	202	37	(4)	33	9	9
CPV Fairview LLC	25.00%	138	(3)	(4)	(7)	(1)	(2)
CPV Three Rivers LLC	10.00%	7	(7)	(29)	(36)	(1)	(4)
Total share of the Company in the loss						**(26)**	
Adjustments						12	
Total share of the Company in losses of associated companies in the consolidated statements						**(14)**	

	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)
	(Unaudited)						
	In millions of New Israeli Shekels						
For the three months ended June 30, 2020							
CPV Shore Holdings LLC	37.53%	28	(48)	(1)	(49)	(18)	(19)
CPV Maryland LLC	25.00%	83	(16)	(5)	(21)	(4)	(5)
CPV Valley Holdings LLC	50.00%	2	(121)	2	(119)	(60)	(60)
CPV Towantic LLC	26.00%	166	28	(7)	21	7	5
CPV Fairview LLC	25.00%	22	(62)	(8)	(70)	(15)	(17)
CPV Keenan LLC	*100.00%	30	3	–	3	19	21
Total share of the Company in the loss						**(71)**	
Adjustments						–	
Total share of the Company in the losses of associated companies in the consolidated statements						**(71)**	

* Of Class B rights.

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)
	(Audited)						
	In millions of New Israeli Shekels						
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 loss						**(4)**	
Adjustments						(2)	
Total share of the Company in losses of associated companies in the consolidated statements						**(6)**	

* Of Class B rights.