

---

---

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 20-F/A**  
(Amendment No. 1)

(Mark One)

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2017**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report...

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number 001-35284**

**ELLOMAY CAPITAL LTD.**

(Exact Name of Registrant as specified in its charter)

**ISRAEL**

(Jurisdiction of incorporation or organization)

**9 Rothschild Boulevard, 2<sup>nd</sup> floor**

**Tel Aviv 6688112, Israel**

(Address of principal executive offices)

**Kalia Weintraub, Chief Financial Officer**

**Tel: +972-3-797-1111; Facsimile: +972-3-797-1122**

**9 Rothschild Boulevard, 2<sup>nd</sup> floor**

**Tel Aviv 6688112, Israel**

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

Ordinary Shares, par value NIS 10.00 per share

NYSE American LLC

---

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None  

---

Title of Class

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None  

---

Title of Class

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 10,675,508<sup>1</sup> ordinary shares, NIS 10.00 par value per share.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer     Accelerated filer     Non-accelerated filer     Emerging growth company

---

<sup>1</sup> Does not include a total of 258,046 ordinary shares held at that date as treasury shares under Israeli law, all of which were repurchased by Ellomay. For so long as such treasury shares are owned by Ellomay they have no rights and, accordingly, are neither eligible to participate in or receive any future dividends which may be paid to Ellomay's shareholders nor are they entitled to participate in, be voted at or be counted as part of the quorum for, any meetings of Ellomay's shareholders.

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued   
by the International Accounting Standards Board

Other

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes  No

## Table of Contents

	<b>Page</b>
<a href="#">Explanatory Note</a>	5
<a href="#">Item 18: Financial Statements</a>	5
<a href="#">Item 19: Exhibits</a>	6

## EXPLANATORY NOTE

This Amendment No. 1 to Form 20-F is being filed to amend the Annual Report on Form 20-F for the fiscal year ended December 31, 2017, filed by Ellomay Capital Ltd. (the “Company”) on March 29, 2018 (the “2017 Form 20-F”). This Form 20-F/A is being filed solely to replace the report of Somekh Chaikin, an independent registered public accounting firm and a member of KPMG International included in the audited financial statements of Dorad Energy Ltd. (the “Dorad Financial Statements”).

As required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended, updated certifications of our principal executive officer and our principal financial officer are being filed as exhibits to the Form 20-F/A. This Form 20-F/A also includes Exhibit 15.2, which contains the consent of Somekh Chaikin, an independent registered public accounting firm and a member of KPMG International, with respect to their report included in the Dorad Financial Statements.

This Form 20-F/A should be read in conjunction with the 2017 Form 20-F and our other filings with the Securities and Exchange Commission. This Amendment No. 1 to the 2017 Form 20-F speaks as of the date of the initial filing of the 2017 Form 20-F. Other than as expressly set forth above, this Form 20-F/A does not, and does not purport to, amend, update or restate the information in any part of the 2017 Form 20-F or reflect any events that have occurred after the 2017 Form 20-F was filed. The filing of this Form 20-F/A, and the inclusion of newly executed certifications, should not be understood to mean that any other statements contained in the 2017 Form 20-F are true and complete as of any date subsequent to March 29, 2018.

### **ITEM 18: Financial Statements**

The following financial statements are included in this Form 20-F/A:

Financial statements of Dorad Energy Ltd. are included in pages FD-1 – FD-49 of this amendment to the 2017 Form 20-F.

ITEM 19: Exhibits

<b>Number</b>	<b>Description</b>
<u>1.1</u>	<u>Memorandum of Association of the Registrant (translated from Hebrew), reflecting amendments through June 9, 2011*(1)</u>
<u>1.2</u>	<u>Second Amended and Restated Articles of the Registrant, reflecting amendments through June 20, 2012(1)</u>
<u>2.1</u>	<u>Specimen Certificate for ordinary shares(2)</u>
<u>4.1</u>	<u>1998 Share Option Plan for Non-Employee Directors(3)</u>
<u>4.2</u>	<u>2000 Stock Option Plan(1)</u>
<u>4.3</u>	<u>Form of Indemnification Agreement between the Registrant and its officers and directors(1)</u>
<u>4.4</u>	<u>Form of Exemption Letter between the Registrant and its officers and directors(1)</u>
<u>4.5</u>	<u>Form of Registration Rights Agreement, dated September 12, 2005, among the Registrant, certain investors, Bank Hapoalim, Bank Leumi and Israel Discount Bank(4)</u>
<u>4.6</u>	<u>Management Services Agreement, by and among the Registrant, Kanir Joint Investments (2005) Limited Partnership and Meisaf Blue &amp; White Holdings Ltd., effective as of March 31, 2008(5)</u>
<u>4.7</u>	<u>Giaché Building Right Agreement (summary of Italian version)(6)*</u>
<u>4.8</u>	<u>Massaccesi Building Right Agreement (summary of Italian version)(6)*</u>
<u>4.9</u>	<u>Troia 8 Building Right Agreement (summary of Italian version)(6)*</u>
<u>4.10</u>	<u>Troia 9 Building Right Agreement (summary of Italian version)(6)*</u>
<u>4.11</u>	<u>Investment Agreement, among U. Dori Group Ltd., U. Dori Energy Infrastructures Ltd. (currently Amos Luzon Entrepreneurship and Energy Group Ltd.) and Ellomay Clean Energy Ltd., dated November 25, 2010 (summary of Hebrew version)(6)*</u>
<u>4.12</u>	<u>Shareholders Agreement, among U. Dori Group Ltd. (currently Amos Luzon Entrepreneurship and Energy Group Ltd.), Ellomay Clean Energy Ltd. and U. Dori Energy Infrastructures Ltd., dated November 25, 2010 (summary of Hebrew version)(6)*</u>
<u>4.13</u>	<u>Acquafresca Building Right Agreement (summary of Italian version)(2)*</u>
<u>4.14</u>	<u>D'Angella Building Right Agreement (summary of Italian version)(2)*</u>
<u>4.15</u>	<u>Rinconada II Building Right Agreement (summary of Spanish version)(2)*</u>
<u>4.16</u>	<u>Amendment No. 1 to Management Services Agreement, by and among the Registrant, Kanir Joint Investments (2005) Limited Partnership and Meisaf Blue &amp; White Holdings Ltd., dated June 18, 2013(7)</u>
<u>4.17</u>	<u>Soleco Building Right Agreement (summary of Italian version)(7)*</u>
<u>4.18</u>	<u>Tecnoenergy Building Right Agreement (summary of Italian version)(7)*</u>
<u>4.19</u>	<u>Deed of Trust between the Registrant and Hermetic Trust (1975) Ltd., governing the Company's Series A Debentures, dated December 30, 2013 (translation of Hebrew version)(7)*</u>
<u>4.20</u>	<u>Rodríguez I Lease Agreements (summary of Spanish version)(3)*</u>

<b>Number</b>	<b>Description</b>
<a href="#">4.21</a>	<a href="#">Rodríguez II Lease Agreements (summary of Spanish version)<sup>(3)*</sup></a>
<a href="#">4.22</a>	<a href="#">Fuente Librilla Lease Agreement (summary of Spanish version)<sup>(3)*</sup></a>
<a href="#">4.23</a>	<a href="#">Updated Directors and Officers Compensation Policy, adopted July 5, 2016<sup>(8)</sup></a>
<a href="#">4.24</a>	<a href="#">Deed of Trust between the Registrant and Hermetic Trust (1975) Ltd., governing the Company's Series B Debentures, dated March 1, 2017 (translation of Hebrew version)<sup>(9)</sup></a>
<a href="#">4.25</a>	<a href="#">Talmei Yosef Lease Agreement (summary of Hebrew version)<sup>(8)*</sup></a>
<a href="#">8</a>	<a href="#">List of Subsidiaries of the Registrant<sup>(8)</sup></a>
<a href="#">12.1</a>	<a href="#">Certification of Principal Executive Officer required by Rule 13a-14(a) and Rule 15d-14(a) (Section 302 Certification)</a>
<a href="#">12.2</a>	<a href="#">Certification of Principal Financial Officer required by Rule 13a-14(a) and Rule 15d-14(a) (Section 302 Certification)</a>
<a href="#">13</a>	<a href="#">Certification of Principal Executive Officer and Principal Financial Officer required by Rule 13a-14(b) and Rule 15d-14(b) (Section 906 Certification)</a>
<a href="#">15.1</a>	<a href="#">Consent of Somekh Chaikin, Member Firm of KPMG International, Independent Registered Public Accounting Firm with respect to our financial statements<sup>(8)</sup></a>
<a href="#">15.2</a>	<a href="#">Consent of Somekh Chaikin, Member Firm of KPMG International, Independent Registered Public Accounting Firm with respect to the financial statements of Dorad Energy Ltd.</a>

\* The original language version is on file with the Registrant and is available upon request.

- (1) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2012 and incorporated by reference herein.
- (2) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2011 and incorporated by reference herein.
- (3) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2014 and incorporated by reference herein.
- (4) Included in the Registrant's Form 6-K dated October 14, 2005 and incorporated by reference herein.
- (5) Included in the Registrant's Form 6-K dated December 1, 2008 and incorporated by reference herein.
- (6) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2010 and incorporated by reference herein.
- (7) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2013 and incorporated by reference herein.
- (8) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2017 and incorporated by reference herein.
- (9) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2016 and incorporated by reference herein.

## SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this amendment no. 1 to the annual report on its behalf.

Ellomay Capital Ltd.

By: /s/ Ran Fridrich  
*Ran Fridrich*  
*Chief Executive Officer and Director*

Dated: March 30, 2018

**Dorad Energy Ltd.**

**Financial Statements**

**As at December 31, 2017**

---

**Financial Statements as at December 31, 2017**

---

**Contents**

	<b>Page</b>
<a href="#"><u>Auditors' Report</u></a>	FD-2
<a href="#"><u>Statements of Financial Position</u></a>	FD-3
<a href="#"><u>Statements of Profit or Loss</u></a>	FD-4
<a href="#"><u>Statements of Changes in Equity</u></a>	FD-5
<a href="#"><u>Statements of Cash Flows</u></a>	FD-6
<a href="#"><u>Notes to the Financial Statements</u></a>	FD-7 - FD-49

---



Somekh Chaikin  
KPMG Millennium Tower  
17 Ha'arba'a Street, PO Box 609  
Tel Aviv 61006, Israel  
+972 3 684 8000

### **Independent Auditors' Report**

The Board of Directors  
Dorad Energy Ltd.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Dorad Energy Ltd., which comprise the statements of financial position as of December 31, 2017 and 2016 and the related statements of profit or loss, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dorad Energy Ltd. as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2017 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

*/s/ Somekh Chaikin*  
Somekh Chaikin  
Certified Public Accountants (Israel)  
Member Firm of KPMG International

Tel Aviv  
February 28, 2018

## Statements of Financial Position

	Note	December 31 2017 NIS thousands	December 31 2016 NIS thousands
<b>Current assets</b>			
Cash and cash equivalents	4	184,182	80,967
Trade receivables		330,397	294,351
Other receivables	5	83,289	37,174
<b>Total current assets</b>		<b>597,868</b>	<b>412,492</b>
<b>Non-current assets</b>			
Restricted deposit	11A1B	405,306	411,574
Prepaid expenses	11A2, 11A5	43,821	45,938
Fixed assets	6	4,009,008	4,170,151
Intangible assets		6,097	8,551
<b>Total non-current assets</b>		<b>4,464,232</b>	<b>4,636,214</b>
<b>Total assets</b>		<b>5,062,100</b>	<b>5,048,706</b>
<b>Current liabilities</b>			
Current maturities of loans from banks	7	203,819	197,389
Current maturity of loans from related parties	9	140,464	80,000
Trade payables		415,798	293,613
Other payables	8	5,649	9,152
Financial derivatives		1,191	-
<b>Total current liabilities</b>		<b>766,921</b>	<b>580,154</b>
<b>Non-current liabilities</b>			
Loans from banks	7	3,187,873	3,367,832
Loans from related parties	9	54,764	151,638
Provision for dismantling and restoration		36,239	35,700
Deferred tax liabilities, net	10	89,298	65,618
Liabilities for employee benefits, net		160	160
<b>Total non-current liabilities</b>		<b>3,368,334</b>	<b>3,620,948</b>
<b>Equity</b>			
Share capital	12	11	11
Share premium		642,199	642,199
Capital reserve for activities with controlling shareholders		3,748	3,748
Retained earnings		280,887	201,646
<b>Total equity</b>		<b>926,845</b>	<b>847,604</b>
<b>Total liabilities and equity</b>		<b>5,062,100</b>	<b>5,048,706</b>

/s/ Erez Halfon

Erez Halfon  
Chairman of the  
Board of Directors

/s/ Eli Asulin

Eli Asulin  
Chief Executive Officer

/s/ David Bitton

David Bitton  
Chief Financial Officer

Date of approval of the financial statements: February 28, 2018

The accompanying notes are an integral part of the financial statements.

## Statements of Profit or Loss

	Note	Year ended December 31,		
		2017	2016	2015
		NIS thousands	NIS thousands	NIS thousands
<b>Revenues</b>		<b>2,523,263</b>	2,299,565	2,356,832
<b>Operating costs of the power plant</b>				
Energy costs		616,221	550,401	613,689
Electricity purchase and infrastructure services		1,212,431	1,104,826	1,000,947
Depreciation and amortization		208,705	209,057	209,953
Other operating costs		122,345	141,132	149,808
<b>Total cost of power plant</b>		<b>2,159,702</b>	2,005,416	1,974,397
<b>Profit from operating the power plant</b>		<b>363,561</b>	294,149	382,435
General and administrative expenses	13	18,712	19,178	25,681
<b>Operating profit</b>		<b>344,849</b>	274,971	356,754
Financing income		3,195	7,025	476
Financing expenses		245,122	226,054	216,808
<b>Financing expenses, net</b>	14	<b>241,927</b>	219,029	216,332
<b>Profit before taxes on income</b>		<b>102,922</b>	55,942	140,422
Taxes on income	10	23,681	4,736	37,607
<b>Profit for the year</b>		<b>79,241</b>	51,206	102,815

The accompanying notes are an integral part of the financial statements.

## Statements of Changes in Equity

	<u>Share capital</u>	<u>Share premium</u>	<u>Capital reserve for activities with controlling shareholders</u>	<u>Retained earnings</u>	<u>Total equity</u>
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
<b>For the year ended December 31, 2017</b>					
<b>Balance as at January 1, 2017</b>	<b>11</b>	<b>642,199</b>	<b>3,748</b>	<b>201,646</b>	<b>847,604</b>
Profit for the year	-	-	-	79,241	79,241
<b>Balance as at December 31, 2017</b>	<b>11</b>	<b>642,199</b>	<b>3,748</b>	<b>280,887</b>	<b>926,845</b>
<b>For the year ended December 31, 2016</b>					
<b>Balance as at January 1, 2016</b>	<b>11</b>	<b>642,199</b>	<b>3,748</b>	<b>150,440</b>	<b>796,398</b>
Profit for the year	-	-	-	51,206	51,206
<b>Balance as at December 31, 2016</b>	<b>11</b>	<b>642,199</b>	<b>3,748</b>	<b>201,646</b>	<b>847,604</b>
<b>For the year ended December 31, 2015</b>					
<b>Balance as at January 1, 2015</b>	<b>11</b>	<b>642,199</b>	<b>3,748</b>	<b>47,625</b>	<b>693,583</b>
Profit for the year	-	-	-	102,815	102,815
<b>Balance as at December 31, 2015</b>	<b>11</b>	<b>642,199</b>	<b>3,748</b>	<b>150,440</b>	<b>796,398</b>

The accompanying notes are an integral part of the financial statements.

## Statements of Cash Flows

	Year ended December 31,		
	2017	2016	2015
	NIS thousands	NIS thousands	NIS thousands
<b>Cash flows from operating activities:</b>			
Profit for the year	79,241	51,206	102,815
Adjustments:			
Depreciation, amortization and fuel consumption	286,542	238,484	237,295
Taxes on income	23,681	4,736	37,607
Financing expenses, net	241,927	219,029	216,332
	<u>552,150</u>	<u>462,249</u>	<u>491,234</u>
Change in trade receivables	(35,465)	(14,761)	49,693
Change in other receivables	(84,857)	(5,179)	(20,876)
Change in trade payables	123,045	48,807	(129,385)
Change in other payables	(2,669)	677	(6,842)
Change in employee benefits, net	-	-	55
	<u>54</u>	<u>29,544</u>	<u>(107,355)</u>
<b>Net cash provided by operating activities</b>	<b>631,445</b>	<b>542,999</b>	<b>486,694</b>
<b>Cash flows from investing activities:</b>			
Proceeds from (payment for) settlement of financial derivatives	(10,596)	(2,017)	9,609
Release of pledged deposits	-	29,486	38,679
Insurance proceeds in respect of damage to fixed asset	38,742	-	-
Investment in long-term restricted deposits	(34,000)	(143,891)	(135,000)
Release of long-term restricted deposit	25,790	70,000	-
Long-term prepaid expenses	-	(1,056)	-
Investment in fixed assets	(121,361)	(25,415)	(447,338)
Investment in intangible assets	(413)	(2,804)	(1,767)
Interest received	1,268	624	115
<b>Net cash used in investing activities</b>	<b>(100,570)</b>	<b>(75,073)</b>	<b>(535,702)</b>
<b>Cash flows from financing activities:</b>			
Receipt of long-term loans from related parties	-	16,689	23,208
Receipt of long-term loans from banks	-	242,772	318,100
Repayment of loans from related parties	(39,628)	(147,219)	-
Repayment of loans from banks	(161,668)	(143,896)	(105,121)
Interest paid	(227,530)	(408,071)	(206,032)
<b>Net cash provided by (used in) financing activities</b>	<b>(428,826)</b>	<b>(439,725)</b>	<b>30,155</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>102,049</b>	<b>28,201</b>	<b>(18,853)</b>
Effect of exchange rate fluctuations on cash and cash equivalents	1,166	872	(1,031)
<b>Cash and cash equivalents at beginning of year</b>	<b>80,967</b>	<b>51,894</b>	<b>71,778</b>
<b>Cash and cash equivalents at end of year</b>	<b>184,182</b>	<b>80,967</b>	<b>51,894</b>

The accompanying notes are an integral part of the financial statements.

**Notes to the Financial Statements as at December 31, 2017**

---

**Note 1 - General****A. Reporting entity**

Dorad Energy Ltd. (hereinafter - "the Company") was incorporated on November 25, 2002, with the aim of engaging in the production of electricity and construction of the infrastructure required for said operation.

The company's shareholders:

Eilat Ashkelon Infrastructure Services Ltd. (hereinafter – EAIS) – 37.5%

Zorlu Enerji Elektrik Uretim A.S (a foreign company) (hereinafter – Zorlu) – 25%

U. Dori Energy Infrastructures Ltd. (hereinafter – Dori Energy) – 18.75%

Edelcom Ltd. (hereinafter – Edelcom) – 18.75%

**B. Definitions**

In this financial statement

- Related party as defined in international accounting standard (2009) 24 regarding related parties.
- Interested parties as defined in paragraph 1 of the definition of "interested parties" in a cooperation section 1 of the securities law 1968.

**C. Licenses and legal environment**

1. The construction of the power plant was officially designated a "National Infrastructure" Project, as defined in paragraph 1 of the Planning and Building Law-1965 by the Prime Minister, Minister of Finance and Minister of the Interior. In July 2009, the Licensing Authority of the National Planning and Construction Board for National Infrastructures approved the building permit for the establishment of a power station. (Building License No. 2-01-2008).

On April 13, 2014 the Public Utilities Authority - Electricity ("PUA") passed a resolution of which a permanent production license and a supply license will be granted to the Company, subject to the approval of the Minister of National Infrastructure, Energy and Water ("Minister of Energy"). Accordingly, on May 12, 2014 the Company was issued production licenses for 20 years with an option for additional period of extension and a supply license for one year and on May 19, 2014 the Company began commercial operation of the station.

On August 12, 2014 the Company filed a request to extend the supply license for an additional 19 years. On July 13, 2015, after the Company filed a petition with the High Court of Justice against the Minister of National Infrastructures and the Public Electricity Services Authority for issuance of a conditional order that will require extending the license for the said period, the license was received, which is effective up to May 11, 2034.

2. On July 9, 2014 and on June 1, 2015, the company submitted to the High Court two petitions against the Public Utilities Authority - Electricity ("PUA") and the Israeli Electric Corporation Ltd. ("IEC") in view of the PUA's intention to make a decision which includes, inter alia, to require the private electricity producers to pay IEC a general tariff which referred to by the PUA as "system costs". The Company's claims which were raised in the petitions were, inter alia, that the decision is contrary to the explicit instructions of the Electricity Sector Law, 1996, with respect to the manner of determining tariffs by the PUA, also, it has the potential to change the rules of the game established by the PUA and in addition severely undermines the principle of reliance of the Company, the financing entities and other third parties who relied on the information and activities of the PUA.

**Notes to the Financial Statements as at December 31, 2017**

---

**Note 1 – General (cont'd)****C. Licenses and legal environment (cont'd)**

## 2. (cont'd)

In addition, the company claimed that the PUA did not provide the Company data, information and calculations that were in its possession when determining the rate of system cost, without which the Company is not able to fully and completely examine the proposed decision and the tariffs proposed therein, and it is not able to raise all of its contentions in connection therewith.

On December 7, 2014 and on June 22, 2015 the PUA filed a response to the petition in which it contended that the petition should be denied for various reasons as detailed in PUA's response.

On June 25, 2015, the Supreme Court decided that there is no basis for instructing the PUA not to make the decision.

Pursuant to the decision of the Supreme Court, on July 5, 2015, the Company notified that it remains steadfast with respect to its petition and instructed to join the petitions regarding the matter of the system costs. On July 9, 2015, the Court rejected the Additional Petition since the proceeding was premature and the PUA had not yet decided with respect to the contentions regarding the hearing. On October 13, 2015, an agreed-to request was filed on the part of the Company for cancellation of the petition and on October 15, 2015, the Court's decision was rendered whereby the petition was cancelled.

In the meantime, the PUA published a summary decision regarding the "Determination of Tariffs for Management Services of the Electricity System (System cost Tariffs)". As part of the decision, detail was provided of, among other things, management services for the system and it was provided that an accounting will be made with reference to the past commencing from June 1, 2013, however from the standpoint of the Company, only commencing from the commercial operation date at the rate of 90% of the annual system tariff.

As at December 31, 2015 the accounting had been completed for the period until June 2015 at the amount of NIS 73 million paid by the company to the IEC.

In 2015, the Company updated the provisions in its financial statements that as at December 31, 2014 amounted to NIS 123 million and adjusted them to, inter alia, the amounts that were paid according to the aforesaid. The aforesaid adjustment was included in the item of operating cost of the power plant.

3. On January 21, 2015 PUA published a summary decision regarding "Electricity Rates for Customers of IEC in 2015" which includes a reduction of the rates for the Company's customers. Pursuant to the decision the rates of the manufacturing component which serves as the basis for charging the Company's customers and to which the gas price is linked, were reduced by about 9% as from February 1, 2015.

Later on, on September 7, 2015, PUA published another summary decision, which in accordance the rates for the production component was further reduced by about 6.8%, commencing from September 13, 2015. It should be noted that the linkage mechanism of the gas price including a final floor price which started to occur in March 2016.

**Notes to the Financial Statements as at December 31, 2017**

---

**Note 1 – General (cont'd)****C. Licenses and legal environment (cont'd)**

## 3. (cont'd)

On December 19, 2016 the PUA published a summary decision regarding “Electricity Rates for Customers of IEC in 2016” which in accordance the average production component was reduced by about 0.5% as from January 1, 2017 and will remain in effect to the end of 2017. The effect of this update on the report was negligible.

In addition, it was stated in the decision that during 2017 the Electricity Authority intends to implement a new methodology adapted to the current market structure. A decision has not yet been made as of the publication of the report.

On January 15, 2018 the PUA published a decision regarding “Electricity Rates for Customers of IEC in 2018” which in accordance the average production component will increase by about 6% from January 15, 2018 and will remain in effect to the end of 2018.

**Notes to the Financial Statements as at December 31, 2017**

---

**Note 2 - Basis of Preparation****A. Declaration of compliance with international financial reporting standards.**

The financial statements have been prepared by the Company, in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial statements were authorized for issue by the Company's Board of Directors on February 28, 2018.

**B. Functional and presentation currency**

These financial statements are presented in NIS, which is the Company's functional currency, and have been rounded to the nearest thousand. The NIS is the currency that represents the principal economic environment in which the Company operates.

**C. Basis of measurement**

The financial statements have been prepared on the historical cost basis except for the following assets and liabilities:

- Derivative financial instruments at fair value through profit or loss;
- Deferred tax liabilities
- Provisions

For further information regarding the basis of measurement of the above assets and liabilities, see Note 3, regarding Significant Accounting Policies.

**D. Use of estimates and judgments**

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of accounting estimates used in the preparation of the Company's financial statements requires management to make assumptions regarding circumstances and events that involve considerable uncertainty. Management of the Company prepares the estimates on the basis of past experience, various facts, external circumstances, and reasonable assumptions according to the pertinent circumstances of each estimate.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

**Notes to the Financial Statements as at December 31, 2017**

---

**Note 2 - Basis of Preparation (cont'd)****D. Use of estimates and judgments (cont'd)**

Information about assumptions made by the Company with respect to the future and other reasons for uncertainty with respect to estimates that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities in the next financial year.

*Useful lives of fixed assets and residual value*

On May 19, 2014 the construction of the power plant was completed and is available for use as of this date and therefore as of this date, the depreciation of the power plant began. Accordingly, the Company examined the useful life of each significant item of fixed assets as described in Note 3C below considering the expected residual value at the end of the useful life. The estimated residual value, depreciation method and useful life, will be evaluated by the Company, as of the date of depreciation and an update will be made if necessary. Regarding the change in the useful life of the maintenance component in the fixed assets see note 11(15).

*Impairment of assets*

The Company examines on each cutoff date whether there have been any events or changes in circumstances that indicate impairment of fixed assets. It is examined whether the carrying amount of the fixed assets is recoverable out of the discounted cash flows expected from that asset or the fair value of the asset less selling costs ("net selling price") of that asset, and if necessary an impairment provision is recorded up to the amount that is recoverable.

*Assessment of the probability of contingent liabilities*

The Company creates provisions or reverses provisions in respect of contingent liabilities on the basis of, inter alia, whether it is more likely than not that an outflow of economic resources will be required in respect of the aforesaid liabilities.

**E. Operating cycle period**

The Company's normal operating cycle is one year. As a result, current assets and current liabilities include items whose exercise date will take place in the Company's normal operating cycle.

The accounting policies set out below have been applied consistently for all periods presented in these financial statements.

**Notes to the Financial Statements as at December 31, 2017**

---

**Note 3 - Significant Accounting Policies****A. Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currency of the Company entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

**B. Financial instruments****1. Non-derivative financial assets**Initial recognition of financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are created. All other financial assets acquired in a regular way purchase, including assets designated at fair value through profit or loss, are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument, meaning on the date the Company undertook to purchase or sell the asset.

Non-derivative financial assets include accounts receivables, other accounts receivable and restricted deposits.

Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the Company to the cash flows from the asset expire, or the Company transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Regular way sales of financial assets are recognized on the trade date, meaning on the date the Company undertook to sell the asset.

See (2) hereunder regarding the offset of financial assets and financial liabilities.

Loans and receivables

Loans and receivables include cash and cash equivalents, restricted deposits, trade receivables and other receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. After initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

**Notes to the Financial Statements as at December 31, 2017**

---

**Note 3 - Significant Accounting Policies (cont'd)****B. Financial instruments (cont'd)****1. Non-derivative financial assets (cont'd)**

Cash and cash equivalents include cash balances available for immediate use and call deposits. Cash equivalents include short-term highly liquid investments (with original maturities of three months or less) that are readily convertible into known amounts of cash and are exposed to insignificant risks of change in value.

**2. Non-derivative financial liabilities**Initial recognition of financial liabilities

Non-derivative financial liabilities include loans and borrowings from banks and related parties, trade and other payables.

The Company initially recognizes debt securities issued on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities are recognized initially at fair value plus all of the costs that can be attributed to the transaction. After the initial recognition, the financial liabilities are measured at amortized cost according to the effective interest rate method.

Derecognition of financial liabilities

Financial liabilities are derecognized when the obligation of the Company, as specified in the agreement, expires or when it is discharged or cancelled.

Offset of financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

**3. Derivative financial instruments**

The Company holds derivative financial instruments for the purpose of economic hedging (not accounting hedging) against foreign currency risks. Changes in the fair value of such derivatives are recognized in profit or loss under financing income or expenses.

**4. CPI-linked assets and liabilities that are not measured at fair value**

The value of CPI-linked financial assets and liabilities, which are not measured at fair value, is remeasured every period in accordance with the actual increase/decrease in the CPI.

**5. Share capital****Ordinary shares**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity.

**Notes to the Financial Statements as at December 31, 2017**

---

**Note 3 - Significant Accounting Policies (cont'd)****C. Fixed assets****1. Recognition and measurement**

Fixed asset items are measured at cost less accumulated depreciation and accumulated impairment losses.

The cost of self-constructed assets includes costs directly attributable to the assets, direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, estimates of dismantling and restoration costs of the power plant, and capitalized borrowing costs. During the running period, the Company capitalized costs and revenues incurred as a result of competence tests attributed to the power plant.

Spare parts, auxiliary equipment and backup equipment are classified as fixed assets once they meet the definition of fixed assets in accordance with IAS-16, otherwise they are classified as Inventory.

When major parts of a fixed asset item (including costs of major periodic inspections) have different useful lives, they are accounted for as separate items (major components) of fixed assets. Gains and losses on disposal of a fixed asset item are determined by comparing the proceeds from disposal with the carrying amount of the asset and are recognized net within "other income" or "other expenses", as relevant, in profit or loss.

Changes in commitments to dismantle and restore the power plant except for changes caused by the passage of time, are added to or deducted from the cost of asset during the period in which they occur. The amount deducted from the cost of asset will not exceed its book value. The balance, if any, is recognized immediately in the profit or loss statement.

**2. Subsequent costs**

The cost of replacing part of a fixed asset item and other subsequent expenses is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The costs of day-to-day servicing are recognized in profit or loss as incurred.

**3. Depreciation**

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Recoverable amount is the cost of the asset, or other amount replacement cost, less its residual value.

Depreciation of fixed assets begins when it is available for use. This means that it should be in the location and condition necessary for it to be capable of operating in the manner intended by the management. As stated in Note 1B (1), the Company began to depreciate fixed assets from the day of the beginning of commercial operations, in accordance with the depreciation rates listed below. Depreciation is recognized in the profit and loss statement on a straight-line basis (unless otherwise stated) over the estimated useful life of each significant part of the fixed asset, since this method reflects the expected pattern of consumption of future economic benefits best embodied in the asset.

## Notes to the Financial Statements as at December 31, 2017

## Note 3 - Significant Accounting Policies (cont'd)

## C. Fixed assets (cont'd)

## 3. Depreciation (cont'd)

The estimated useful lives for the current period are as follows:

	<b>Depreciation rate (percentage)</b>
Buildings and permanent connections	4
Turbine components	4 or by operating hours
Machinery, equipment and apparatus	mainly 4
Monitoring station	10
Spare parts	4
Backup diesel	upon usage

Depreciation methods, useful lives and residual values are reviewed at each reporting period and adjusted when necessary.

## D. Intangible assets

## 1. Recognition and measurement

Intangible assets are identifiable non-monetary assets that do not have a physical substance. The Company's intangible assets consist of the costs of software systems that were adapted to the Company's needs. Among others, these include the billing system, the customer consumption forecast system, operating system and the ERP system. The intangible assets that were acquired by the Company have a finite useful life and are measured at cost less accumulated amortization and accumulated impairment losses.

## 2. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

## 3. Amortization

Amortization is the systematic allocation of the amount of an intangible asset over its useful life. Recoverable amount is the cost of the asset, or other amount replacement cost, less its residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the intangible assets from the date that they are available for use, since these methods reflect the anticipated consumption program of future economic benefits embodied in the asset in the best form.

The estimated useful life for the current software systems is five years.

Estimates regarding the amortization method and useful lives are reviewed at each reporting period and adjusted when necessary.

**Notes to the Financial Statements as at December 31, 2017**

---

**Note 3 - Significant Accounting Policies (cont'd)****E. Impairment**1) Non derivative financial assets

A financial asset not carried at fair value through profit or loss is tested for impairment when objective evidence indicates that a loss event has occurred after the initial recognition of the assets, and that the loss event had a negative effect on the estimated future cash flows of the asset that can be estimated reliably.

*Accounting for impairment losses of financial assets measured at amortized cost*

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in a provision for loss against the balance of the financial asset measured at amortized cost. Interest income on the impaired assets is recognized using the interest rate that was used to discount the future cash flows for the purpose of measuring the impairment loss.

2) Non-financial assetsTiming of impairment testing

The carrying amounts of the Company's non-financial assets, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Determining cash-generating units

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

Measurement of recoverable amount

The recoverable amount of an assets or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value that reflects current market assessments of the value of money and the risks specific to the assets, for which the estimated future cash flows from the asset were not adjusted.

Recognition of impairment loss

An impairment loss is recognized if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Reversal of impairment loss

In respect of other assets, for which impairment losses were recognized in prior periods, an assessment is performed at each reporting date for any indications that these losses have decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**F. Capitalization of borrowing costs**

Specific and non-specific borrowing costs were capitalized to qualifying assets throughout the period required for completion and construction until they are ready for their intended use. Non-specific borrowing costs are capitalized in the same manner to the same investment in qualifying assets, or portion thereof, which was not financed with specific credit by means of a rate which is the weighted-average cost of the credit sources which were not specifically capitalized. Foreign currency differences from credit in foreign currency are capitalized if they are considered an adjustment of interest costs. Other borrowing costs are expensed as incurred.

**Notes to the Financial Statements as at December 31, 2017**

---

**Note 3 - Significant Accounting Policies (cont'd)****G. Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The carrying amount of the provision is adjusted each period to reflect the time that has passed and is recognized as a financing expense.

Provision for dismantling and restoration – The Company recognized a provision for removal and restoration costs regarding its commitment under long-term lease on which the power plant is located. Changes to this provision arising from changes of the interest rate are added to or deducted against the fixed asset.

**H. Indemnification Asset**

The Company recognized an indemnification asset if it is certain that the indemnification does not exceed the amount of the provision.

**I. Revenues**

The Company recognizes a revenue when it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably.

Revenues are measured at the fair value of the amounts received and/or the amounts the Company is entitled to receive in respect of revenues from sale of electricity net of discounts and credits.

The company's revenues mainly include revenues from selling electricity to end customers and to the IEC and from providing availability to the system manager.

**J. Taxes on Income**

Income tax expense is comprised of deferred taxes.

Deferred taxes are recognized with respect to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The measurement of deferred taxes reflects the tax consequences that will result from the way the Company expects, at the end of the reporting period, to restore or remove the carrying amounts of assets and liabilities. Deferred tax is measured at the tax rates expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognized for tax loss carry forwards, tax benefits and deductible temporary differences, when it is probable that future taxable income against which can be utilized. Deferred tax assets are reviewed at each reporting date and if it is not expected that the related tax benefit will be exercised, they are reduced.

The Company offsets assets and deferred tax liability if there is a legally enforceable right to offset the assets and current tax liabilities, and they relate to the same taxable income levied by the same tax authority.

**Notes to the Financial Statements as at December 31, 2017**

---

**Note 3 - Significant Accounting Policies (cont'd)****K. Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an expense in profit or loss in the periods during which related services are rendered by employees.

**L. Leased assets**

Leases, where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased assets are measured and a liability is recognized at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Other leases are classified as operating leases, and the leased assets are not recognized on the Company's statement of financial position.

Lease fees paid in respect of land leases classified as operating leases are presented on the statement of financial position as prepaid expenses and recognized in profit or loss over the lease period. The lease period takes into consideration an option to extend the lease period if at the beginning of the lease it was probable that the option will be exercised.

**M. Financing income and expenses**

Financing income and expenses include changes in the fair value of financial assets presented at fair value through the profit and loss and derivative hedging instruments which are recognized in profit and loss. Interest income is recognized as it accrues using the effective interest method. Financing expenses include interest expenses on bank loans, bank commissions and change in time value regarding provisions.

In the statements of cash flows, interest received is presented as part of cash flows from investing activities. Interest paid is presented as part of cash flows from financing activities.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either financing income or financing expenses depending on whether foreign currency movements are in a net gain or net loss position.

**N. Transactions with controlling shareholder**

Assets and liabilities included in a transaction with a controlling shareholder are measured at fair value on the date of the transaction. As the transaction is on the equity level, the Company includes the difference between the fair value and the consideration from the transaction in its equity.

**Notes to the Financial Statements as at December 31, 2017**


---

**Note 3 - Significant Accounting Policies (cont'd)**
**O. New standards and interpretations not yet adopted**
**(1) IFRS 9 (2014), Financial Instruments**

IFRS 9 (2014) replaces the current guidance in IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 (2014) includes revised guidance on the classification and measurement of financial instruments, a new 'expected credit loss' model for calculating impairment for most financial assets, and new guidance and requirements with respect to hedge accounting.

IFRS 9 (2014) is effective for annual periods beginning on or after January 1, 2018 with early adoption being permitted.

The Company has examined the effects of applying IFRS 9 (2014), and in its opinion the effect on the financial statements will be immaterial.

**(2) IFRS 15, Revenue from Contracts with Customers**

IFRS 15 replaces the current guidance regarding recognition of revenues and presents a new model for recognizing revenue from contracts with customers. IFRS 15 provides two approaches for recognizing revenue: at a point in time or over time. The model includes five steps for analyzing transactions so as to determine when to recognize revenue and at what amount. Furthermore, IFRS 15 provides new and more extensive disclosure requirements than those that exist under current guidance.

IFRS 15 is applicable for annual periods beginning on or after January 1, 2018 and earlier application is permitted. The Company has examined the effects of applying IFRS 15, and in its opinion the effect on the financial statements will be immaterial.

**(3) IFRS 16, Leases**

IFRS 16 replaces IAS 17, Leases and its related interpretations. The standard's instructions annul the existing requirement from lessees to classify leases as operating or finance leases. Instead of this, for lessees, the new standard presents a unified model for the accounting treatment of all leases according to which the lessee has to recognize an asset and liability in respect of the lease in its financial statements.

IFRS 16 is applicable for annual periods as of January 1, 2019, with the possibility of early adoption, so long as the company has also early adopted IFRS 15, Revenue.

The Company is examining the effects of IFRS 16 on the financial statements with no plans for early adoption.

The Company intends to adopt the Standard as of January 1, 2019 in the cumulative effect approach, while adjusting the retained earnings as at January 1, 2019.

Material changes and expected effects:

It should be noted that the information regarding the effects of the initial implementation of the Standard constitutes an initial assessment of the Company and it is possible that an update will be required in respect of the issues identified below with progress in examining the implications of implementing the Standard. In addition, the company examines the expected effects of the implementation of the Standard, the company is unable at this stage to reliably estimate the quantitative impact on its financial statements.

The Company estimates that it is expected to have a material effect on the financial statements on the following matters:

- An increase in non-current assets and in financial liabilities.
- An increase in operating profit and financing expenses.
- Increase in operating cash flow and decrease in cash flow from financing activities.

## Notes to the Financial Statements as at December 31, 2017

## Note 4 - Cash and Cash Equivalents

	December 31	
	2017	2016
	NIS thousands	NIS thousands
Balance in banks	6	6
Deposits on demand (*)	184,176	80,961
	<b>184,182</b>	<b>80,967</b>

(\*) Deposits on demand bear interest rate of 0.1%.

## Note 5 - Other Receivable

	December 31	
	2017	2016
	NIS thousands	NIS thousands
Government institutions	6,656	262
Receivables for warranty and insurance	55,921	25,751
Advances to suppliers and prepaid expenses	20,712	11,161
	<b>83,289</b>	<b>37,174</b>

## Notes to the Financial Statements as at December 31, 2017

## Note 6 - Fixed Assets

## A. Composition

	Power plant	Furniture and equipment	Leasehold improvements	Total
	NIS thousands			
<b>Cost</b>				
Balance as at January 1, 2016	4,739,535	2,393	736	4,742,664
Additions	16,882	103	-	16,985
Disposals	(26,174)	-	-	(26,174)
Balance as at December 31, 2016	4,730,243	2,496	736	4,733,475
<b>Additions</b>	<b>128,513</b>	<b>42</b>	<b>-</b>	<b>128,555</b>
<b>Disposals</b>	<b>(59,190)</b>	<b>-</b>	<b>-</b>	<b>(59,190)</b>
<b>Balance as at December 31, 2017</b>	<b>4,799,566</b>	<b>2,538</b>	<b>736</b>	<b>4,802,840</b>
<b>Depreciation</b>				
Balance as at January 1, 2016	354,555	1,020	118	355,693
Additions	233,050	682	73	233,805
Disposals	(26,174)	-	-	(26,174)
Balance as at December 31, 2016	561,431	1,702	191	563,324
<b>Additions</b>	<b>251,294</b>	<b>347</b>	<b>74</b>	<b>251,715</b>
<b>Disposals</b>	<b>(21,207)</b>	<b>-</b>	<b>-</b>	<b>(21,207)</b>
<b>Balance as at December 31, 2017</b>	<b>791,518</b>	<b>2,049</b>	<b>265</b>	<b>793,832</b>
<b>Carrying amounts</b>				
As at January 1, 2016	4,384,980	1,373	618	4,386,971
As at December 31, 2016	4,168,812	794	545	4,170,151
<b>As at December 31, 2017</b>	<b>4,008,048</b>	<b>489</b>	<b>471</b>	<b>4,009,008</b>

## B. Security

See Note 11C regarding a lien on the Company's assets that serves as security for the liabilities of the Company and the shareholders.

## C. Acquisition of fixed assets on credit

In 2017 the company purchased fixed assets with credit in the amount of NIS 10 million. In addition, the company paid NIS 3 million for fixed assets purchased with credit in previous years (In 2016 the company paid NIS 8 million for fixed assets purchased with credit in previous years).

## D. Provision for restoration and dismantling

Changes in the time value of the provision on the books are recognized within financing expenses.

## Notes to the Financial Statements as at December 31, 2017

## Note 7 - Loans from Banks

Presented hereunder are contractual terms of the bank loans of the company and its carrying amounts. For further information regarding the company's exposure to interest rate risks and liquidity risks see Note 14 – financial instruments.

## Details regarding interest rates and linkage\*

	Currency and linkage base	Effective interest %	Carrying amount as at December 31	
			2017	2016
			NIS thousands	NIS thousands
Loans from banks	CPI-linked	5.58%-		
		5.77%	3,391,692	3,565,221
Less current maturities (including interest as at December 31)	NIS		(203,819)	(197,389)
			<u>3,187,873</u>	<u>3,367,832</u>

\* See also Note 11A(1) regarding credit terms and financial covenants.

## Note 8 - Other Payables

	December 31	
	2017	2016
	NIS thousands	NIS thousands
Governmental institutions	-	72
Accrued expenses (*)	4,555	5,790
Other payables	1,094	3,290
	<u>5,649</u>	<u>9,152</u>
(*) Including other payables due to related and interested parties	680	4,140

## Note 9 - Loans from Related Parties

	December 31	
	2017	2016
	NIS thousands	NIS thousands
Shareholders (1)		
Eilat-Ashkelon Infrastructure Services Ltd. (2)	74,011	85,680
Zorlu Enerji Elektrik Uretim A.S. (2)	46,176	59,344
U. Dori Energy Infrastructure Ltd. (2)	36,809	42,663
Edelcom Ltd. (2)	38,232	43,951
	<u>195,228</u>	<u>231,638</u>
Less current maturities (2)	(140,464)	(80,000)
	<u>54,764</u>	<u>151,638</u>

---

**Notes to the Financial Statements as at December 31, 2017**


---

**Note 9 - Loans from Related Parties (cont'd)**

1. In accordance with the agreement regarding the subordinated shareholders' loans, the loans bear interest at the rate of 10% and are linked to the CPI. As at December 31, 2017, the amount of loans received including accrued interest is NIS 1,168 million, of which an amount of NIS 642 million was converted to equity during 2011-2013. The remaining balance is expected to be repaid in the future subject to compliance with financial covenants as specified in the financing agreements. See Note 11A(1)(a).
2. According to the financing agreements, two years after the date of commercial operation, and subject to the Company's compliance with financial covenants and other commitments as specified in the agreement, it will be possible to repay shareholders' loans. During 2017 the company repaid amount of NIS 50 million, NIS 11 million is repayment of interest and linkage differentials and the remaining balance of NIS 39 million is principle repayment. During 2016 the Company repaid amount of NIS 346 million out of approved amount of NIS 350 million and the remaining balance was repaid during 2017 (out of the approved amount NIS 204 million is repayment of interest and linkage differentials and the remaining balance of NIS 146 million is principle repayment). The Company expects to comply with the financial covenants and commitments provided in the financing agreements, and accordingly, after the report date, on January 7, 2018, the company repaid a shareholders' loans in the amount of NIS 80 million and expect to repay an additional shareholders loan in the amount of NIS 60 million. Considering the above, the Company classified NIS 140 million as current maturities in the financial statements as at December 31, 2017

**Note 10 - Income Tax****A. Details regarding the tax environment of the Company**

- (1) Presented hereunder are the tax rates relevant to the Company in the years 2015-2018:

2015 – 26.5%  
 2016 – 25%  
 2017 – 24%  
 2018 – 23%

On January 4, 2016 the Knesset plenum passed the Law for the Amendment of the Income Tax Ordinance (Amendment 216) - 2016, by which, inter alia, the corporate tax rate would be reduced by 1.5% to a rate of 25% as from January 1, 2016.

As a result of the reduction in the tax rate to 25%, the deferred tax balances as at January 4, 2016 were calculated according to the new tax rate specified in the Law for the Amendment of the Income Tax Ordinance, at the tax rate expected to apply on the date of reversal.

Furthermore, on December 22, 2016 the Knesset plenum passed the Economic Efficiency Law (Legislative Amendments for Achieving Budget Objectives in the Years 2017 and 2018) – 2016, by which, inter alia, the corporate tax rate would be reduced from 25% to 23% in two steps. The first step will be to a rate of 24% as from January 2017 and the second step will be to a rate of 23% as from January 2018.

As a result of the reduction in the tax rate to 23% in two steps, the deferred tax balances as at December 31, 2017 were calculated according to the new tax rate specified in the Economic Efficiency Law (Legislative Amendments for Achieving Budget Objectives in the Years 2017 and 2018), at the tax rate expected to apply on the date of reversal.

Deferred taxes for the reported periods are calculated according to the tax rates presented above.

**Note 10 - Income Tax (cont'd)**

**A. Details regarding the tax environment of the Company (cont'd)**

- (2) On January 12, 2012 Amendment 188 to the Income Tax Ordinance (New Version) – 1961 (hereinafter – “the Ordinance”) was published in the Official Gazette. The amendment amended Section 87A to the Ordinance, and provides a temporary order whereby Accounting Standard No. 29 “Adoption of International Financial Reporting Standards (IFRS)” that was issued by the Israel Accounting Standards Board shall not apply when determining the taxable income for the tax years 2010-2011 even if this standard was applied when preparing the financial statements (hereinafter – “the Temporary Order”). On July 31, 2014 Amendment 202 to the Ordinance was issued, by which the Temporary Order was extended to the 2012 and 2013 tax years.
- (3) The Company is an “Industrial Company” as defined in the Encouragement of Industry (Taxes) 1969 and accordingly is entitled to certain benefits including accelerated depreciation.

**B. Composition of income tax expense**

	<b>Year ended</b>	<b>Year ended</b>	<b>Year ended</b>
	<b>December</b>	<b>December</b>	<b>December</b>
	<b>31,</b>	<b>31,</b>	<b>31,</b>
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>NIS</b>	<b>NIS</b>	<b>NIS</b>
	<b>thousands</b>	<b>thousands</b>	<b>thousands</b>
Deferred tax expense	<b>23,681</b>	<b>4,736</b>	<b>37,607</b>

## Notes to the Financial Statements as at December 31, 2017

## Note 10 - Income Tax (cont'd)

## C. Deferred tax liabilities and assets recognized

The deferred taxes are calculated using the tax rate expected to apply when reversed as described above. Changes in the tax liabilities and assets are attributed to the following items:

	Fixed assets	Provisions and other timing differences	Tax losses carried forward	Total
	NIS thousands			
<b>Balance of deferred tax asset (liability) as at January 1, 2016</b>	(251,417)	13,452	177,084	(60,881)
Changes recognized in the profit and loss statements	(146,564)	(3,096)	135,768	(13,890)
impact of decrease in tax rate	44,931	(1,525)	(34,250)	9,154
	(101,633)	(4,621)	101,518	(4,736)
<b>Balance of deferred tax asset (liability) as at December 31, 2016</b>	(353,050)	8,830	278,602	(65,617)
Changes recognized in the profit and loss statements	(135,287)	574	110,002	(24,711)
Impact of decrease in tax rate	5,636	(23)	(4,583)	1,030
	(129,651)	551	105,419	(23,681)
<b>Balance of deferred tax asset (liability) as at December 31, 2017</b>	(482,701)	9,382	384,021	(89,298)

## Notes to the Financial Statements as at December 31, 2017

## Note 10 - Income Tax (cont'd)

## D. Reconciliation between the theoretical tax on the pre-tax profit and the tax expense.

	Year ended December 31, 2017 <u>NIS</u> <u>thousands</u>	Year ended December 31, 2016 <u>NIS</u> <u>thousands</u>	Year ended December 31, 2015 <u>NIS</u> <u>thousands</u>
Profit before taxes on income	102,922	55,942	140,422
Statutory tax rate of the company	<u>24%</u>	<u>25%</u>	<u>26.5%</u>
Tax calculated according to the Company's statutory tax rate	24,701	13,985	37,212
Impact of decrease in tax rate	(1,030)	(9,154)	-
Non-deductible expenses and others	<u>10</u>	<u>(95)</u>	<u>395</u>
Income tax expense	<u><u>23,681</u></u>	<u><u>4,736</u></u>	<u><u>37,607</u></u>

## E. Tax losses carried forward

The total amount of forward losses from business as at December 31, 2017 is about NIS 1,669 million (as of December 31 2016 – NIS 1,217 million). The Company has recorded deferred taxes in respect of these losses because it expects the exploitation against taxable incomes will be created in the foreseeable future.

## F. Tax assessments

The Company has not yet received tax assessments since its establishment. Although, the company has final tax assessments up to and including the year ended December 31, 2013 (subject to the limitations prescribed by law).

**Notes to the Financial Statements as at December 31, 2017**

---

**Note 11 - Contingent Liabilities, Commitments and Guarantees****A. Commitments****1. Financing agreements**

On November 29, 2010 (hereinafter: "the Financial Closing Date"), the Company signed a financing agreement and several related agreements with Bank Hapoalim Ltd. as the financial organizer, Clal Credit and Financing Ltd. from the Clal Insurance Enterprises Holdings Ltd. Group as the organizer of the institutional consortium as well as the bank and institutional investors consortium (hereinafter: "the Financing Parties") to provide financing in the amount of up to NIS 3,850 million linked to CPI, though not more than 80% of the costs of the construction of a power plant for generating electricity in Ashkelon, subject to the terms of the provisions of the financing agreement and the related agreements (hereinafter: "the Financing Agreements"). Likewise, bank guarantees will be provided to third parties according to the project documents. The financing agreement includes representations and warranties concerning the Company and the project where breaching these representations and warranties is likely to lead, inter alia, to the demand for immediate repayment of the outstanding credit and/or a breach of its obligations and/or to the cancellation of the license.

Accordingly, the Company is required to comply the following debt coverage:

1. The Company is required to maintain a debt coverage ratio of 1.10:1 over two consecutive calculation periods, and a debt coverage ratio of 1.05:1 over the entire calculation period.
2. The Company is required to maintain a minimal loan life coverage ratio of 1.10:1.

As at December 31, 2017, in accordance with the expected Company cash flow, the Company is in compliance with the above coverage ratios.

On July 2016 the Company withdraw its final drawdown from the credit facilities of the project amount of NIS 243 million in order to finance construction costs and reserve accounts that were included under the credit facility of the project. Following the final drawdown the remaining facility was cancelled.

Within the framework of the Financing Agreements, and at the same time as the signing of the financing agreement, other agreements related to the financing agreement were signed including the following:

**a. Capital Injection Agreement and a Subordinated Loan Agreement**

These agreements include the obligation of the shareholders towards the Company and the Financing Parties, to inject, separately, and each according to their relative share, from time to time and in parallel with each request to draw from the financing facilities, a total of up to approximately 20% cash (hereinafter: "the Shareholders' Investment"), and this either for the issuance of shares or as shareholders loans, which in any case, will be subordinate to and pledged to the obligations of the Company towards the Financing Parties, according to the terms of the agreements. According to the Capital Infusion Agreement and as security for the commitment of the shareholders to provide their relative portion of the Shareholders' Investment, the shareholders provided on the same date, cash and bank guarantees in the amount of their obligation to inject the Shareholders Investment; this, less any equity provided to the Company prior to that date.

**Notes to the Financial Statements as at December 31, 2017**

---

**Note 11 - Contingent Liabilities, Commitments and Guarantees (cont'd)****A. Commitments (cont'd)****1. Financing agreements (cont'd)****a. Capital Injection Agreement and a Subordinated Loan Agreement (cont'd)**

The Capital Infusion Agreement includes representations and obligations with regards to the shareholders and the project where their breach is likely to lead, inter alia, to the demand for immediate repayment of the outstanding credit and/or a breach of the Company's obligations and/or to the cancellation of the license. According to the Subordinated Loan Agreement, any shareholder loan will be linked to the CPI and bear interest at an annual rate of 10%. In addition, it was agreed that any distribution to the shareholders, including loans repayment, will be subject to the compliance of the company with the financial covenants as described in the financial agreement (see Note 9). During the period of this statement there was no change in the relative holdings of the shareholders. Within the framework of the financing agreement, there is a lien on all of the issued share capital of the Company in favor of Poalim Trust Services Ltd., as the trustee of the Financing Parties.

**b. Bank accounts agreement**

The agreement sets the establishment of the project bank accounts and sets out the distribution of the cash flows among the accounts. In addition, the agreement sets out terms and procedures for executing deposits and withdrawals from each account, determines the minimum balances in each of the capital reserves, and sets out the priorities with respect to payments between the accounts and other terms regarding the management of the accounts, including the issue of transfers between accounts.

The main reserves are a debt service reserve, a heavy maintenance reserve, a reserve for third party guarantees and a distribution reserve.

As at December 31, 2017, the Company deposited in the debt service reserve an amount of NIS 200 million, an amount of NIS 60 million in the major maintenance fund and an amount of NIS 130 million in the distribution fund, an amount of NIS 15 million in the fines and regulation fund. These amounts are classified in the statement of financial position as "long-term restricted deposits".

**2. Agreement to lease land under operating lease**

In 2008 an agreement was signed between the Company and EAIS for the lease of 74.5 dunams of land for the power plant, for a period of 24 years and 11 months from the date of its operation. Also, in 2008, the Company participated in this payment and transferred to EAIS the amount of NIS 3,047 thousand in respect of its relative share in the lease period which were paid by EAIS to ILA. This amount is classified as "long-term prepaid expenses" and is amortized over the lease period.

During 2010 the Company signed on addendum to the land sub-lease agreement. According to the addendum to the agreement, in exchange for the lease of the lands designated for the project, an annual payment of NIS 3,705 thousand will be paid for a period of 25 years. See also Note 16.

**Notes to the Financial Statements as at December 31, 2017**

---

**Note 11 - Contingent Liabilities, Commitments and Guarantees (cont'd)****A. Commitments (cont'd)****3. The EPC Agreement**

An agreement between the Company and Wood Group Gas Turbines Services Ltd. (hereinafter – the Construction Contractor) for the planning, purchasing and construction of the power plant at a set and predetermined price of \$877,150 thousand.

On December 6, 2013 the Company received from the Construction Contractor notification of the estimated costs of a number of the project's change orders that it alleges were caused as a result of it carrying out the Company's request to make changes in the project's planning. In view of the counter allegations that were raised by the Company and were discussed in negotiations with the Contractor, the accounts were settled and in December 2014 the parties reached a compromise by which the Contractor would receive an additional final payment for settling all the Company's liabilities towards the Contractor (hereinafter: the additional payment).

As at December 31, 2015, the Company paid the construction contractor all of the contractual liabilities, including the additional payment.

**4. O&M Agreement**

An agreement between the Company and the Eilat-Ashkelon Power Plant Services Company - EAPPS ("the Maintenance Contractor") for the operation and maintenance of the power plant for a predetermined monthly payment defined in the Agreement for a period of 24 years and 11 months commencing the date of receipt of the Permanent Production certificate. The Maintenance Contractor will transfer some of the larger maintenance projects to a subcontractor (Zolru O&M) under a separate agreement, however it will retain full responsibility towards the Company with respect to all of its obligations under the agreement.

During 2013, the Maintenance Contractor entered into a sub-contracting agreement with EZOM Ltd, a related party held by related companies. The maintenance and operation will be managed by EZOM Ltd. The maintenance contractor will retain full responsibility regarding his obligations toward the Company.

During August 2016 and in accordance with price review mechanism existing in the O&M agreement there was an update for the prices of some of the items included in the O&M agreement. The update was applied retroactively from the beginning of 2016.

In December 2017 a direct agreement was signed between the company and EZOM which replaced EAPPS. The agreement terms are the same as the agreement with EAPPS.

**Notes to the Financial Statements as at December 31, 2017**

---

**Note 11 - Contingent Liabilities, Commitments and Guarantees (cont'd)****A. Commitments (cont'd)****5. Gas Pipeline Agreement**

On November 25, 2010, the Company signed a standard agreement approved by the Gas Authority according to which in accordance the government company Israel Natural Gas Lines Ltd. ("INGL") connected the power plant to the natural gas pipeline. Dorad paid connection fees in the amount of NIS 47 million which was recognized as prepaid expenses classified under non-current assets and will be amortized over the operating period. In addition, according to the agreement, Dorad is obligated to pay INGL a payment in respect of the pipe capacity commencing on the date that the connection is completed. In addition, Dorad is obligated to pay a variable payment for the gas flowing through the pipeline.

**6. Petrol Storage agreement**

On June 17, 2013 the company entered into an agreement with Eilat Ashklon Pipeline Company Ltd (hereinafter: "EAPC") regarding storage of petrol in their plant.

According to the agreement, the company will store petrol at the necessary quantities for backup of reserve fuel as required by Electricity Market Regulations and also for the Company's current needs, estimating at 14,000 square meters.

EAPC are the Controller - of Eilat Ashkelon Infrastructure Services Ltd. who are an interested party and related party, see Note 16.

**7. Agreement to purchase natural gas**

On October 15, 2012 the Company entered into an agreement with the partners in the Tamar license ("Tamar") by which, subject to the fulfillment of suspense conditions provided in the agreement, the Company will purchase natural gas from Tamar for operating the power plant it is constructing in Ashkelon.

The Company is committed to purchase gas from the flow date, as it defined in the agreement. As at December 31, 2014 the amount of the obligation is estimated at NIS 100,800 million. This obligation was not recognized in the Company's books. Nevertheless, according to the agreement, if the Company did not use the minimum quantity of gas as committed, it shall be entitled to consume this quantity every year during the three following years and this is in addition to the minimum quantity of gas the company is committed to.

On April 30, 2015 the Company received a notification from Tamar whereby the "interim period", as defined in the agreement, began on May 5, 2015. Pursuant to the agreement, during the interim period supply of the gas to the Company will be subject to the quantities of the natural gas that will be available to Tamar at that time after supply of natural gas to other customers of Tamar with which contracts were signed for supply of natural gas prior to the signing of the agreement with the Company. The interim period will end when Tamar completes, should it ultimately complete, a project for expansion of the supply capacity of a system for treatment and transfer of natural gas from the Tamar reserve, upon existence of the preconditions detailed in the agreement. In the Company's estimation, the impact of Tamar's notification on its activities is not expected to be significant.

On November 26, 2016 the company received notification from Tamar whereby the interim period end in September 30, 2020.

**Notes to the Financial Statements as at December 31, 2017**

---

**Note 11 - Contingent Liabilities, Commitments and Guarantees (cont'd)****A. Commitments (cont'd)****8. Agreement to sell electricity**

As at the reporting date the Company has agreements to sell electricity at a scope of 95% of the production capacity of the power station. The electricity delivery agreements are, mainly, based on a reduced rate compared to the rate applicable to electricity consumers in the general market, as defined by the Authority for Public Services-Electricity.

**9. Property tax assessments in respect of the station**

In April 2014, the Company received a property tax assessment from Ashkelon Municipality for the years 2012-2014 in the amount of NIS 17,633 thousand including interest and linkage in the amount of NIS 2,487 thousand. It should be noted that the main assessments amount and interest expenses and linkage, refer to the period in which the Company had not yet received a completion of building permit. After negotiations for a compromise between the Company and the Municipality of Ashkelon, the parties reached a compromise whereby in exchange for the payment agreed upon in the compromise, all of the Municipality's charges will be discharged for periods up to the end of 2015, and the final annual amount was also determined for the period up to and including 2025. The compromise amount was paid during the final quarter of 2015.

**Notes to the Financial Statements as at December 31, 2017**

---

**Note 11 - Contingent Liabilities, Commitments and Guarantees (cont'd)****A. Commitments (cont'd)****10. Claims by Dori Energy, Zorlu and Edelcom****a) *Petition to Approve a Derivative Claim filed by Dori Energy and Hemi Raphael***

On April 12, 2015 the Company received two letters from representatives of Dori Energy (hereinafter- "The Representatives") that were addressed to the Company's Chairman of the Board. As part of these letters, the company is requested to take legal action in order to reveal the engagement between one of the shareholders of the Company, Zorlu Enerji Elektrik Uretim A.S., and the construction contractor of the Dorad power station, Wood Group (EPC contractor). The aforesaid letters are advance notices to the Company regarding the intention of the representatives to file a derivative claim insofar as their requests are not accepted.

After examining all the facts relevant to the aforesaid letters and consulting with legal counsel, the Company replied to the representatives on May 26, 2015 and rejected their request to take legal action. On July 16, 2015 the representatives filed with the court a motion to approve a derivative claim in the name of the Company against Zorlu (including the representatives of Zorlu on the Company's Board of Directors) and the EPC contractor. In the framework of the motion to which also the derivative claim was attached, the representatives demanded that documents and information regarding the engagement between Zorlu and the EPC contractor be disclosed and handed over.

On November 15, 2015 the Company filed its reply in which it reiterated its position that the motion for approval of the derivative claim should be denied.

On January 12, 2016 the representatives filed a motion to amend the motion for approval of a derivative claim (hereinafter: "the motion for amendment"). The motion for amendment raises new allegations by which Zorlu together with Ori Edelsberg (a director in Dorad) and companies under his control supposedly conspired to deceive the Company by "inflating" the cost of the EPC agreement for the purpose of splitting between them the profits from such "inflation". In addition, in the framework of the motion for amendment it is requested to add Mr. Ori Edelsberg and companies under his control as defendants to the amended motion for approval of a derivative claim and, also, to remove from the claim the representatives of Zorlu on the Company's Board of Directors. It is noted that the motion for approval of a derivative claim as well as the amended motion for approval of a derivative claim that was attached to the motion for amendment, do not include any monetary relief rather request that the court give the representatives permission to split the relief so that they may file a separate monetary claim in the future on behalf of Dorad with respect to Dorad's financial damages, after they receive all the documents and information they are requesting.

**Notes to the Financial Statements as at December 31, 2017**

---

**Note 11 - Contingent Liabilities, Commitments and Guarantees (cont'd)****A. Commitments (cont'd)****10. Claims by Dori Energy, Zorlu and Edelcom (cont'd)***a) Petition to Approve a Derivative Claim filed by Dori Energy and Hemi Raphael (cont'd)*

It is noted that the motion for approval of a derivative claim as well as the amended motion for approval of a derivative claim that was attached to the motion for amendment, do not include any monetary relief rather request that the court give the representatives permission to split the relief so that they may file a separate monetary claim in the future on behalf of Dorad with respect to Dorad's financial damages, after they receive all the documents and information they are requesting.

On April 20, 2016 a discussion in court focused on the application to amend the derivative claim was held in court. At the end of the discussion, the court accepted the application to amend the derivative claim in a matter that the amended derivative claim is on the agenda.

At the end of July 2016, the respondents filed their responses to the court regarding the amended application of the derivative claim. In accordance with their responses, they deny the Allegations included in the application and according to them they did not do any injustice to the company and therefore the company has no cause of action against them.

On December 27, 2016, following a negotiation between the parties, an arbitration agreement has been signed between the parties which in accordance, it was agreed to transfer the proceeding to arbitration and on January 3, 2017 The Representatives filed a motion to cancel the proceedings which was approved by the Supreme Court on January 8, 2017.

On April 30, 2017, Zorlu sent a third party notice to the Company, Dori Energy and Dori Group, according to which, to the extent Dori Energy claim is accepted, it will comply with all the rights it had in connection with its right to construct the power plant, including the right to the profits it was supposed to receive under this construction in such a manner that the third parties They would owe Zorlu.

In the Company's estimation, based on the opinion of its legal counsel, at this stage cannot intelligently assess the results of the arbitration proceedings.

*b) A letter from Zorlu*

On December 27, 2015 the Company received a letter from the representatives of Zorlu that is addressed to the Company's board of directors (hereinafter: "Zorlu's letter"). Most of Zorlu's letter refers to the execution of civil engineering work in a project of Dorad by the Amos Luzon group Ltd. and U. Dori Construction Ltd. (hereinafter and together: "Dori") whose services were retained by the EPC contractor. According the letter of Zorlu, Dori did not fulfill its commitments regarding execution of the civil engineering work in Dorad's project which resulted in delays in construction of the power station. Zorlu is requesting that the Company exercise its legal rights against Dori and the representatives, and insofar as its requests do not receive a positive reply, Zorlu plans to file a motion for approval of a derivative claim.

On February 3, 2016 the Company replied to Zorlu's letter and advised that it requires an additional period beyond that prescribed in the law to examine the matters referred to in Zorlu's letter. Zorlu replied that it agrees to the Company's request for additional time.

This application was added to the arbitration process. See section (d) below.

**Notes to the Financial Statements as at December 31, 2017**

---

**Note 11 - Contingent Liabilities, Commitments and Guarantees (cont'd)****A. Commitments (cont'd)****10. Claims by Dori Energy, Zorlu and Edelcom (cont'd)***c) Petition to Approve a Derivative Claim filed by Edelcom*

On July 25, 2016, Edelcom submitted an application for approval of a derivative claim on behalf of the Company against Amos Luzon group, currently set Amos Luzon Development and Energy Ltd. (hereinafter: "the Dori Group"), Dori Energy and Ellomay Clean Energy Ltd. (hereinafter: "Ellomay"). Edelcom's claim is about an entrepreneurship agreement that was signed on November 25, 2010 between the Company and Dori Group, pursuant to which in consideration for the management and entrepreneurship services of the power station project the Dori Group received from the Company payment in the amount of NIS 49.4 million and it undertook to continue holding, directly or indirectly, at least 10% of the Company's share capital for a period of 12 months from the date the power station is handed over to the Company by the construction contractor (hereinafter and respectively: "the entrepreneurship agreement" and "the entrepreneurship fee"). According to Edelcom, Dori Group's holdings in the Company are through Dori Energy, which on November 25, 2010 entered into a triangular investment agreement between Dori Energy, Ellomay and the Dori Group (hereinafter: "the Dori Energy investment agreement"). In addition, according to Edelcom, when the Dori Energy investment agreement was signed Ellomay received management rights in Dori Energy that are equal to those of the Dori Group while at the same time Ellomay formally held only 40% of the issued share capital of Dori Energy and therefore it was expected that the management rights granted to it would correspond to its holding rate in Dori Energy at that time. In view of the aforesaid, according to Edelcom the Dori Group holdings have fallen below 10% and it has therefore breached its commitment according to the entrepreneurship agreement.

On January 4 2017, following a signed arbitration agreement between the parties, a request was filed to the court by the parties for cancellation of the claim and the claim will be heard within the arbitration proceedings. In the Company's estimation, based on the opinion of its legal counsel, at this stage cannot intelligently assess the results of the arbitration proceedings.

*d) Statement of Claim filed by Edelcom*

On July 27, 2016, Edelcom submitted a lawsuit against Dori Group, Dori Energy and Ellumei ("Defendants"), in respect of the transfer of company's shares in contrary to the provisions of the shareholders' agreement signed between the Company and its shareholders on November 25, 2010 ("Shareholders Agreement"). According to Edelcom, the defendants interpreted unlawfully and in bad faith the provisions of the shareholders' agreement while contracted in investment agreement followed by an allocation of shares made in contrary to the provisions of the shareholders agreement.

Edelcom claims for a various of declaratory remedies and an operative remedy which will enforce of the sanctions set forth in the shareholders agreement, an order directed to the company and ordered her to withhold any payment due to Dori Energy by virtue of its status as a shareholder in the company, including dividends or repayment of shareholders' loan, and an order addressed to the company and ordered her to suspend Mr. Menachem Refael role as a director of the Company from Dori energy and prohibit Mr. Rephael be present or vote in meetings of the Board.

The parties agreed that this claim will be transferred to the arbitration proceedings. In the Company's estimation, based on the opinion of its legal counsel, at this stage cannot intelligently assess the results of the arbitration proceedings.

**Notes to the Financial Statements as at December 31, 2017**

---

**Note 11 - Contingent Liabilities, Commitments and Guarantees (cont'd)****A. Commitments (cont'd)****11. Faults in production units**

In 2016 damages were discovered in two of the 12 gas turbines of the Company's power plant in a manner that these turbines were temporarily got out of service. In 2017 damages were discovered in additional three gas turbines. Until the turbines are repaired, the Company leases, as necessary, alternative turbines in a manner that to the Company's estimation, the operating activity is not expected to be a materially affected. In 2016 the Company recognized an indemnification property in the amount of USD 4.4 million regarding the damaged turbines and in 2017 the Company recognized an additional indemnification property in the amount of USD 20.9 million. In 2017 the company received from the insurance company an amount of USD 12.2 million regarding these indemnification properties. The Company estimates that it has an adequate insurance coverage for the consequences of the mentioned damages and it is expected that the company will receive the full balance amount of USD 13.1 million.

After the date of the report, in January 2018, the Company received an additional USD 5.4 million from the insurance company in respect of the indemnification property.

**12. Petition of the Forum of Private Electricity Producers**

On June 21, 2017, the Forum of Private Electricity Producers from Natural Gas and the State of Israel petitioned the High Court of Justice in two separate petitions against the National Labor Court, inter alia, in light of the approval by the National Labor Court allows the workers committee of IEC to take organizational measures including actions affecting the private electricity producers. On the same day the Supreme Court decided that the petitions would be heard on a consolidated basis. On July 10, 2017, the Company filed its response, in support of the Forum's petition, and joined its arguments and the requested remedies.

On July 20, 2017, a hearing was held in the Supreme Court, in which the workers committee of IEC announced that it was suspending the sanctions unilaterally for a period of 60 days in which it requested that the State and the Israel Electric Company conduct negotiations and consultations with it.

On January 4, 2018, the State submitted a notice stating that the state consultation with the IEC and the workers representatives regarding the reform in the outline of the IEC, and regarding the guidelines of the planned outline of workers' rights, has progressed significantly but has not yet reached collective agreements. Therefore, the State requested that the dates for the filing of arguments in the case be extended for one month. On January 17, 2018 it was determined that a hearing on the petitions would be held on March 12, 2018.

At this stage of the proceedings, in which no hearing has yet been held against the conditional orders, it is not possible to assess the chances of the petitions.

**13. Memorandum of Understanding for a possible acquisition of natural gas**

On October 30, 2017, the Company signed an agreement with Energian Israel Ltd. regarding the possible acquisition of natural gas, in a cumulative volume of approximately 6 BCM over a period of 14 years, from the Karish and Tanin reserves held by them and whose completion is expected to be by the end of 2020. The agreement is subject to certain suspending conditions which as of the report date, have not yet been fulfilled.

**Notes to the Financial Statements as at December 31, 2017**

---

**Note 11 - Contingent Liabilities, Commitments and Guarantees (cont'd)****A. Commitments (cont'd)****14. PUA decision on regulating the use of fuels in the electricity sector**

On June 12, 2017, the Electricity Authority reached a decision on regulating the use of fuels in the electricity sector, and within the framework of this decision it was determined that the Electricity Authority will recognize the full price of natural gas for private electricity producers with interruptible gas agreements with the gas supplier retroactively from March 2016. This decision updates the Electricity Authority's previous decision from November 5, 2012, in which the Electricity Authority decided that it would recognize only 90% of the price of natural gas for private electricity producers who purchase natural gas from the gas supplier under an interruptible agreement.

In addition, in the framework of that decision, an arrangement was set for the use of fuels for the implementation of a general loading plan whereby the system administrator should semi-annually plan the total quantity of diesel and liquid natural gas required for the electricity sector so that liquid natural gas (if required) will be allocated to the producer with the most expensive gas agreement, and diesel will be allocated according to the relative share of that facility out of the total production of dual-fuel facilities in the electricity sector in the previous calendar year. The aforesaid regulation also defines the required availability of producers for the use of diesel fuel and states that the sale of gas by the IEC to gas consumers outside of the electricity sector will not take place at times when there is a shortage of gas in the electricity sector. The Company estimates that no more extensive operation of diesel fuel is expected than in previous periods

**15. Promote turbines maintenance**

In 2017, the Company decided to Promote the maintenance of the gas turbines, some of which were carried out in 2017 and some were advanced and will be carried out during 2018. Accordingly, the Company updated the useful life of the fixed assets in respect of the maintenance components of these turbines and recorded additional depreciation expenses in the accounting books Of NIS 20.1 million.

**B. Bank guarantees**

As at the date of the report, the Company provided, through its shareholders, based on their proportionate holdings in the Company and pursuant by the financing agreements bank guarantees to INGL, the Public Utilities Authority ("PUA"), for purposes of compliance with the terms of the licenses granted to the Company, and in favor of the System Management Unit in the Electric Company, as required under the Company's agreement with the Electric Company, and in accordance with the guidelines published by the PUA. The total amount of the guarantees given, as detailed above, is approximately NIS 160 million. Subsequent to the date of the report, on January 2017, there was an update to the amount of the guarantee provided to system manager whereas the total updated amount is NIS 163 million. In January 2018, the amount of the guarantee provided in favor of the system management unit was updated the guarantees amount to NIS 172 million. The total guarantee in favor of the system management unit is affected by sales to customers during the months of July and August.

## Notes to the Financial Statements as at December 31, 2017

## Note 11 - Contingent Liabilities, Commitments and Guarantees (cont'd)

## C. Liens

During the month of January 2011, the Company placed liens on its assets as collateral for the obligations of the Company and its shareholders as follows:

1. Fixed lien – A fixed lien and first priority mortgage and an assignment by way of lien on all the assets and rights with respect to the power plant in Ashkelon (“the Project”) and all as detailed in the mortgage deed and its appendices.
2. Floating lien - An unlimited first priority floating lien on all of the rights and assets of the borrower, any object and/or equipment and any other tangible or intangible asset of any type as specified in the financing agreements.
3. Lien on account of guarantees to third parties – a fixed lien, mortgage and assignment by way of a first priority lien, and a second priority lien on all assets and rights with respect to the account of guarantees including the funds, the securities, the documents and the notes of others of any type that will be deposited in the account from time to time, as detailed in the mortgage deed and all of its appendices. In addition, during 2015, deposited NIS 70 million to guarantees to third parties account. During 2016, following the cancellation of the guarantee the lien was removed and the deposit was released.
4. Lien on the land of the project – A fixed lien and first priority mortgage and an assignment by way of lien on all of the rights, existing and future, of the pledger with no exceptions, per the development agreement that was signed between the pledger and the Israel Lands Administration (“ILA”) with respect to the land.

## Note 12 - Share Capital

## Composition of the share capital in nominal values:

	Number of shares	
	December 31	
	Authorized	Issued and paid-in
	2017	2016
Ordinary shares of NIS 1 par value	500,000	10,640

See Note 11A(1)(a) regarding an issuance of shares against a conversion of loans into equity.

## Notes to the Financial Statements as at December 31, 2017

## Note 13 - General and Administrative Expenses

	For the year ended December 31		
	2017	2016	2015
	NIS thousands		
Wages and related expenses	9,562	9,407	13,347
Rental and office maintenance	2,805	2,233	2,553
Profession services	5,800	6,592	8,927
Depreciation	420	755	712
Other	125	191	142
	<u>18,712</u>	<u>19,178</u>	<u>25,681</u>

## Note 14 - Financing Income and Expenses, Net

	Year ended December 31		
	2017	2016	2015
	NIS thousands		
<b>Financing income</b>			
Net foreign exchange gain	-	3,944	124
Other	3,195	3,081	352
	<u>3,195</u>	<u>7,025</u>	<u>476</u>
<b>Financing expenses</b>			
Revaluation of derivatives	11,788	2,663	835
Interest expense on bank loans	200,883	186,139	168,887
Interest expense on loans from related parties	18,676	35,267	40,791
Net foreign exchange loss	12,452	-	-
Bank commissions	785	1,455	2,858
Other financing expenses	538	530	3,437
	<u>245,122</u>	<u>226,054</u>	<u>216,808</u>
<b>Net financing expenses</b>	<u>241,927</u>	<u>219,029</u>	<u>216,332</u>

For further information regarding financial expenses due to transactions with related parties, see Note 15 - Related and Interested Parties.

## Notes to the Financial Statements as at December 31, 2017

## Note 15 - Financial Instruments

## A. Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents quantitative and qualitative information about the Company's exposure to each of the above risks, and the Company's objectives, policies and processes for measuring and managing risk.

In order to manage these risks and as described hereunder, the Company executes transactions in derivative financial instruments. Presented hereunder is the composition of the derivatives:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
	<b>NIS thousands</b>	
<b>Derivatives presented under current liability</b>		
Forward exchange contracts used for economic hedge	<b>(1,191)</b>	<b>-</b>

## B. Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Financial Committee, which is responsible for defining a risk management policy. The committee reports regularly to the Board of Directors on its activities.

## C. Credit Risk

Credit Risk is a risk for a financial loss caused to the company if the counterparty of the financial instrument fails to meet his contractual obligations.

Cash and cash equivalents

As at December 31, 2017, the Company has cash and cash equivalents in the amount of NIS 184,182 thousand (December 31, 2016 - NIS 80,967 thousand). The Company's cash and cash equivalents are deposited with a financial institution having a high credit rating (international rating scale).

Restricted deposits

As at December 31, 2017 the Company has deposits in the amount of NIS 405,306 thousand that are restricted according to the financing agreements (December 31, 2016 – NIS 411,574 thousand). The Company's restricted deposits are held with a financial institution having a high credit rating (international rating scale).

**Notes to the Financial Statements as at December 31, 2017**

---

**Note 15 - Financial Instruments (cont'd)****C. Credit Risk (cont'd)**Trade and other receivables (Current assets)

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company has established a credit policy under which each new customer is analyzed individually for credit worthiness. The Company's review includes external ratings, when available.

As at December 31, 2017 no impairment was recorded.

Bodies that provided financing for the project's construction

Credit risk from bodies that provided financing to the Company for the project's construction in respect of the financing agreements as described in Note 11A(1). These bodies have a high credit rating.

**D. Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company has contractual commitments due to financing agreements, O&M agreement, the Gas Purchase agreement and the Gas Pipeline agreement. For further information see Note 11.

## Notes to the Financial Statements as at December 31, 2017

## Note 15 - Financial Instruments (cont'd)

## D. Liquidity risk (cont'd)

The following are the contractual maturities of financial liabilities at undiscounted amounts and based on the rates at the reporting date, including estimated interest payments.

	December 31, 2017						
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
	NIS thousands						
<b>Non-derivative financial liabilities</b>							
Trade payables	415,798	415,798	415,798	-	-	-	-
Other payables	2,264	2,264	2,264	-	-	-	-
Loans from banks	3,391,692	4,690,040	189,589	176,932	371,251	1,126,690	2,825,578
Loans from related parties	195,228	225,275	140,464	-	84,811	-	-
	<u>4,004,982</u>	<u>5,333,377</u>	<u>748,115</u>	<u>176,932</u>	<u>456,062</u>	<u>1,126,690</u>	<u>2,825,578</u>

## Notes to the Financial Statements as at December 31, 2017

## Note 15 - Financial Instruments (cont'd)

## D. Liquidity risk (cont'd)

	December 31, 2016						
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
	NIS thousands						
<b>Non-derivative financial liabilities</b>							
Trade payables	293,613	293,613	293,613	-	-	-	-
Other payables	6,410	6,410	6,410	-	-	-	-
Loans from banks	3,565,221	5,054,106	188,000	176,066	366,521	1,106,546	3,216,973
Loans from related parties	231,638	278,237	50,000	30,000	80,000	118,237	-
	<u>4,096,882</u>	<u>5,632,366</u>	<u>538,023</u>	<u>206,066</u>	<u>446,521</u>	<u>1,224,783</u>	<u>3,216,973</u>

## Notes to the Financial Statements as at December 31, 2017

## Note 15 - Financial Instruments (cont'd)

## E. Market risk

Market risk is the risk that changes in market prices will affect the Company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

As of December 31, 2017, and since the beginning of commercial operation of the power plant, the management estimates that the main risks are: changes in regulations applicable to the area of operations as approved by the electricity authority, a change in the gas purchase costs and other changes in the electricity and gas market, political and security events.

## (1) Linkage and foreign currency risk

As a result of the Company's agreement with the construction contractor, maintenance contractor and the gas suppliers, as described in Note 11, the Company is exposed to changes in the dollar/NIS exchange rate. In order to reduce this exposure, the Company entered into forward transactions to purchase dollars for NIS.

## (a) The exposure to linkage and foreign currency risk

The Company's exposure to linkage and foreign currency risk is as follows:

	December 31, 2017					Total
	Non-financial	Unlinked	CPI-linked	US Dollar	EURO	
	NIS thousand					
<b>Financial assets and financial liabilities:</b>						
<b>Current assets:</b>						
Cash and cash equivalents	-	171,429	-	12,719	34	184,182
Trade receivables		330,396	-	-	-	330,396
Other receivables	83,289	-	-	-	-	83,289
<b>Non-current assets:</b>						
Restricted deposits	-	272,162	-	133,144	-	405,306
Prepaid expenses	43,821	-	-	-	-	43,821
Fixed assets	4,009,008	-	-	-	-	4,009,008
Intangible assets	6,097	-	-	-	-	6,097
<b>Current liabilities:</b>						
Current maturities of loans from banks	-	-	203,819	-	-	203,819
Current maturities of loans from related parties	-	-	140,464	-	-	140,464
Trade payables	-	350,333	-	65,465	-	415,798
Other accounts payable	3,385	1,049	-	1,215	-	5,649
Financial derivatives	-	-	-	1,191	-	1,191
<b>Non-current liabilities:</b>						
Deferred tax liabilities	89,297	-	-	-	-	89,297
Provisions for dismantling and restoration	36,239	-	-	-	-	36,239
Loans from banks	-	-	3,187,873	-	-	3,187,873
Long-term loans from related parties	-	-	54,764	-	-	54,764
Liabilities for employee benefits, net	160	-	-	-	-	160
<b>Total exposure in statement of financial position in respect of financial assets and financial liabilities</b>	<b>4,013,134</b>	<b>422,605</b>	<b>(3,586,920)</b>	<b>77,992</b>	<b>34</b>	<b>926,845</b>



## Notes to the Financial Statements as at December 31, 2017

## Note 15 - Financial Instruments (cont'd)

## E. Market risk (cont'd)

## (1) Linkage and foreign currency risks (cont'd)

## (a) The exposure to linkage and foreign currency risk (cont'd)

The Company's exposure to linkage and foreign currency risk is as follows:

	December 31, 2016				Total
	Non-financial	Unlinked	CPI-linked	US Dollar	
	NIS thousand				
<b>Financial assets and financial liabilities:</b>					
<b>Current assets:</b>					
Cash and cash equivalents	-	74,973	-	5,994	80,967
Trade receivables	-	294,351	-	-	294,351
Other receivables	37,174	-	-	-	37,174
<b>Non-current assets:</b>					
Restricted deposits	-	272,280	-	139,294	411,574
Prepaid expenses	45,938	-	-	-	45,938
Fixed assets	4,170,151	-	-	-	4,170,151
Intangible assets	8,551	-	-	-	8,551
<b>Current liabilities:</b>					
Current maturities of loans from banks	-	-	197,389	-	197,389
Current maturities of loans from related parties	-	-	80,000	-	80,000
Trade payables	-	241,469	-	52,144	293,613
Other accounts payable	2,742	1,610	-	4,800	9,152
<b>Non-current liabilities:</b>					
Deferred tax liabilities	65,618	-	-	-	65,618
Provisions for dismantling and restoration	35,700	-	-	-	35,700
Loans from banks	-	-	3,367,832	-	3,367,832
Long-term loans from related parties	-	-	151,638	-	151,638
Liabilities for employee benefits, net	160	-	-	-	160
<b>Total exposure in statement of financial position in respect of financial assets and financial liabilities</b>	<b>4,157,594</b>	<b>398,525</b>	<b>(3,796,859)</b>	<b>88,344</b>	<b>847,604</b>

## Notes to the Financial Statements as at December 31, 2017

## Note 15 - Financial Instruments (cont'd)

## E. Market risk (cont'd)

## (1) Linkage and foreign currency risks (cont'd)

## (a) The exposure to linkage and foreign currency risk (cont'd)

The Company's exposure to foreign currency risk due to derivative financial instruments is as follows:

	December 31, 2017				
	Currency/ linkage receivable	Currency/ linkage payable	Principal amount in \$ millions	Dates of expiration	Fair value NIS thousands
<b>Instruments used Economic Hedge:</b>					
Forward foreign currency contracts	US dollars	NIS	30	12.31.18	<u><u>(1,191)</u></u>

	December 31, 2016				
	Currency/ linkage receivable	Currency/ linkage payable	Principal amount in \$ millions	Dates of expiration	Fair value NIS thousands
<b>Instruments used Economic Hedge:</b>					
Forward foreign currency contracts	US dollars	NIS	-	-	<u><u>-</u></u>

## (b) Sensitivity analysis

A change as at December 31, 2017 in the exchange rates of the following currencies against the NIS, as indicated below, and a change in the CPI would have increased (decreased) profit or loss and equity by the amounts shown below. This analysis is based on foreign currency exchange rate and CPI variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

## Notes to the Financial Statements as at December 31, 2017

## Note 15 - Financial Instruments (cont'd)

## E. Market risk (cont'd)

## (1) Linkage and foreign currency risks (cont'd)

## (b) Sensitivity analysis (cont'd)

	December 31, 2017		December 31, 2016	
	Increase Profit or loss NIS thousands	Decrease Profit or loss NIS thousands	Increase Profit or loss NIS thousands	Decrease Profit or loss NIS thousands
Change in the exchange rate of:				
5% in the US dollar (1)	9,490	(8,768)	4,417	(4,417)
10% in the U.S. dollar (1)	18,620	(17,897)	8,834	(8,834)
1% change in CPI (2)	(35,870)	35,870	(37,969)	37,969
2% change in CPI (2)	(71,741)	71,741	(75,937)	75,937

(1) The sensitivity derives mainly from balances of cash, restricted deposits, derivatives and balances of trade and other payables in foreign currency.

(2) The effect of the change on equity is the same as in profit or loss.

## (2) Interest rate risk

As of December 31, 2017, the Company is exposed to changes in fair value since it has financial derivatives that are measured at fair value. As of December 31, 2016, the Company is not exposed to changes in fair value since it does not have financial derivatives measured at fair value.

## Notes to the Financial Statements as at December 31, 2017

## Note 15 - Financial Instruments (cont'd)

## F. Fair value

## (1) Fair values versus carrying amounts

The carrying amounts of certain financial assets and liabilities, including cash and cash equivalents, other accounts receivable, pledged deposits, derivative financial instruments, trade payables, long term loans from related parties and other accounts payable are the same or proximate to their fair value.

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

	December 31			
	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Long-term loans from banks (*)	<u>3,391,692</u>	<u>3,657,877</u>	<u>3,565,221</u>	<u>3,798,313</u>

(\*) Including current maturities.

## (2) Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date (level 2 on fair value hierarchy) plus an adequate credit spread, and were as follows:

	December 31	
	2017	2016
	%	%
Long-term loans from banks	<u>4.6%</u>	<u>4.6%</u>

## (3) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical instruments
- Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly
- Level 3: inputs that are not based on observable market data (unobservable inputs).

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
<b>Derivatives used for hedging:</b>				
Forward foreign currency contracts	<u>-</u>	<u>(1,191)</u>	<u>-</u>	<u>(1,191)</u>

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
<b>Derivatives used for hedging:</b>				
Forward foreign currency contracts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## Notes to the Financial Statements as at December 31, 2017

## Note 16 - Related and Interested Parties

## A. Transactions with related and interested parties

Details of transactions with related and interested parties are presented below (all the transactions are at market terms):

Related party/Interested party	Nature of transaction	Year ended December 31			December 31	
		2017	2016	2015	2017	2016
		Transactions amounts			Outstanding balance	
Parties having significant influence	On February 2015, the Company entered into an agreement with Ezom to completion of works related to the constructions of the station. On December 2017 the Company entered into an agreement with EZOM regarding operation and maintenance of the power plant including the purchasing of spare parts	2,542	-	* 58,272	6,208	4,140
Parties having significant influence	The Company entered into an agreement with EAPSS regarding operation and maintenance of the power plant including the purchasing of spare parts and repairs as from November 2012 see Note 11A(11). The payments will be made on a monthly basis throughout the period of the agreement. See Note 11A(4) regarding a subcontracting agreement between EAPSS and Ezom Ltd.	225,325	128,147	126,205	26,252	32,680
Parties having significant influence	The Company entered into an agreement with Eilat Ashkelon Pipelene Company Ltd. (EAPC) regarding petrol storage services as of July 2013. The payments will be paid on a quarterly basis (see Note 11A(6)).	4,000	3,596	3,619	1,055	-
Parties having significant influence	The Company entered into a lease agreement of the land for the power plant (see Note 11A(2)).	3,881	3,892	3,928	-	-
Parties having significant influence	On March 2015, the Company entered into an					

agreement with EAPC  
for renting an operational  
area near to the power  
station

**26**

151

251

-

-

\* The amount recognized in 2014 as fixed assets against accrued expenses

## Notes to the Financial Statements as at December 31, 2017

## Note 16 - Related and Interested Parties (cont'd)

## A. Transactions with related and interested parties (cont'd)

Details of transactions with related and interested parties are presented below (all the transactions are at market terms): (cont'd)

Related party/Interested party	Nature of transaction	Year ended December 31			December 31	
		2017	2016	2015	2017	2016
		Transactions amounts			Outstanding balance	
Parties having significant influence	The Company has several agreements with related companies for the sale of electricity.	20,270	27,252	44,401	1,826	2,035
Related Party	The Company engage with Ramat Negev Energy for purchase electricity.	476	86	-	-	-
Key management personnel	CEO current benefits	2,959	2,113	**5,419	734	720

\*\* The amount includes a bonus for the years 2014 and 2015.

## B. The liabilities of the Company to related and interested parties

	The terms of the loan			Balance as at December 31	
	Face value	Term of repayment	Interest rate	2017	2016
	NIS thousands		%	NIS thousands	
Loans from related parties (*)	(*)	10%	CPI	195,228	231,638

\* Financial expenses for loans from related parties until the date of commercial operation incurred in the loan fund. The loans would be returned in accordance with the Financing Agreements, see also Note 9. For further information regarding commitment of the shareholders to provide financing according to their relative share in the Company's shares - see Note 11(A) (1)(a).

**Certification Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934.**

I, Ran Fridrich, certify that:

1. I have reviewed this annual report on Form 20-F/A (Amendment No. 1) of Ellomay Capital Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 30, 2018

*/s/ Ran Fridrich*

\_\_\_\_\_  
Ran Fridrich  
Chief Executive Officer

---

---

**Certification Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934.**

I, Kalia Weintraub, certify that:

1. I have reviewed this annual report on Form 20-F/A (Amendment No. 1) of Ellomay Capital Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 30, 2018

/s/ Kalia Weintraub  
Kalia Weintraub  
Chief Financial Officer

---

---

**Certification Pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code.**

In connection with the Annual Report on Form 20-F of Ellomay Capital Ltd. (the “Company”) for the year ended December 31, 2017, as amended by Amendment No. 1 filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned officers of the Company hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- A) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- B) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*/s/ Ran Fridrich*

\_\_\_\_\_  
Ran Fridrich  
Chief Executive Officer

*/s/ Kalia Weintraub*

\_\_\_\_\_  
Kalia Weintraub  
Chief Financial Officer

Date: March 30, 2018

---

---

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors  
Dorad Energy Ltd.

We consent to the incorporation by reference in the registration statements (Nos. 333-187533, 333-102288 and 333-92491) on Form S-8 and (Nos. 333-199696 and 333-144171) on Form F-3 of Ellomay Capital Ltd. of our report dated February 28, 2018, with respect to the statements of financial position of Dorad Energy Ltd. as of December 31, 2017 and 2016 and the related statements of profit or loss, changes in equity and cash flows for each of the years in the three-year period ended December 31, 2017, which report appears in Amendment No. 1 to the December 31, 2017 annual report on Form 20-F of Ellomay Capital Ltd.

*/s/ Somekh Chaikin*  
Somekh Chaikin

Certified Public Accountants (Isr).  
Member firm of KPMG International

Tel-Aviv, Israel

March 30, 2018

---

---