
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 20-F

(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, 2020

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)

18 Rothschild Boulevard, 1st floor

Tel Aviv 6688121, Israel

(Address of principal executive offices)

Kalia Weintraub, Chief Financial Officer

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

18 Rothschild Boulevard, 1st floor

Tel Aviv 6688121, 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	Trading Symbol	Name of each exchange on which registered
Ordinary Shares, par value NIS 10.00 per share	ELLO	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: 12,652,094¹ 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 every Interactive Data File required to be submitted 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 ☐

¹ 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 whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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 ☒

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INTRODUCTION

The following is the Report on Form 20-F of Ellomay Capital Ltd., or the Report. Unless the context in which such terms are used would require a different meaning, all references to "Ellomay," "us," "we," "our" or the "Company" refer to Ellomay Capital Ltd. and its consolidated subsidiaries.

All references to "€" "euro" or "EUR" are to the legal currency of the European Union, or EU, all references to "NIS" or "New Israeli Shekel" are to the legal currency of Israel and all references to "\$," "dollar," "US\$," "USD" or "U.S. dollar" are to the legal currency of the United States of America. Other than as specifically noted, all amounts translated into a different currency were translated based on the exchange rate as of December 31, 2020.

We prepare our consolidated financial statements in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB.

All trademarks, service marks, trade names and registered marks used in this Report are trademarks, trade names or registered marks of their respective owners.

Statements made in this Report concerning the contents of any agreement, contract or other document are summaries of such agreements, contracts or documents and are not complete description of all of their terms. If we filed any of these agreements, contracts or documents as exhibits to this report or to any previous filing with the Securities and Exchange Commission, or SEC, you may read the document itself for a complete understanding of its terms.

Effective December 31, 2017, we changed the presentation currency of our consolidated financial statements from the US dollar to the euro to better reflect the profile of our assets, revenues, costs and cash flows, which are primarily generated in euro, and hence, to better present our financial performance. All comparative financial information has been restated into euro in this Report.

FORWARD-LOOKING STATEMENTS

In addition to historical information, this report on Form 20-F contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Some of the statements under “Item 3.D: Risk Factors,” “Item 4: Information on Ellomay,” “Item 5: Operating and Financial Review and Prospects” and elsewhere in this report, constitute forward-looking statements. Forward-looking statements reflect our current view about future plans, intentions or expectations. These statements relate to future events or other future financial performance, plans strategies and prospects, and are identified by terminology such as “may,” “will,” “should,” “expect,” “scheduled,” “plan,” “intend,” “anticipate,” “believe,” “estimate,” “aim,” “potential,” or “continue” or the negative of those terms or other comparable terminology, but the absence of these words does not mean that a statement is not forward-looking.

The forward-looking statements contained in this Report are based on current expectations and beliefs concerning future developments and the potential effects on our business. There can be no assurance that future developments actually affecting us will be those anticipated. These forward-looking statements involve a number of risks, uncertainties or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements, including the following:

- *risks related to projects that are in the development stage, among other issues due to the inability to obtain or maintain licenses or project finance and to regulatory requirements;*
- *our EPC contractors’ technical, professional and financial ability to construct, install, test and commission a renewable energy plant;*
- *changes in the prices of electricity;*
- *our contractors’ technical, professional and financial ability to deliver on and comply with their operation and maintenance, or O&M, undertakings in connection with the operation of our renewable energy plants;*
- *the effects of the Covid-19 pandemic on the development, construction and operation of projects, including in connection with actions taken by governments and authorities, delays in construction due to quarantine and other measures, changes in regulation, changes in the price of electricity and in the consumption of electricity;*

- *dependency on the availability of financial incentives and government subsidies and on governmental regulations for our operating renewable energy projects and the potential reduction or elimination, including retroactive amendments, of the government subsidies and economic incentives applicable to, or amendments to regulations governing the, renewable energy markets in which we operate or to which we may in the future enter;*
- *defects in the components of the renewable energy plants we operate;*
- *risks relating to operations in foreign countries, including cross currency movements, payment cycles and tax issues;*
- *changes in the prices of the components or raw materials required for the production of renewable energy;*
- *the market, economic and political factors in the countries in which we operate;*
- *weather conditions and various meteorological and geographic factors;*
- *our ability to maintain and gain expertise in the energy market, and to track, monitor and manage the projects which we have undertaken;*
- *our ability to meet our undertakings under various financing agreements, including to our debenture holders, and our ability to raise additional equity or debt financing in the future;*
- *future disagreements with our partners who own a portion of the renewable energy plants;*
- *the risks we are exposed to due to our holdings in U. Dori Energy Infrastructures Ltd. and Dorad Energy Ltd.;*
- *the risks we are exposed to due to our involvement in Waste-to-Energy, or WtE, projects in the Netherlands;*
- *fluctuations in the value of currency and interest rates;*

- *the price and market liquidity of our ordinary shares;*
- *the fact that we may be deemed to be an “investment company” under the Investment Company Act of 1940 under certain circumstances (including due to the investments of assets following the sale of our business), and the risk that we may be required to take certain actions with respect to the investment of our assets or the distribution of cash to shareholders in order to avoid being deemed an “investment company”;*
- *our plans with respect to the management of our financial and other assets and our ability to identify, evaluate and consummate additional suitable business opportunities and strategic alternatives; and*
- *the resolution of existing litigation and the possibility of future litigation.*

Assumptions relating to the foregoing involve judgment with respect to, among other things, future economic, competitive and market conditions, and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. In light of the significant uncertainties inherent in the forward-looking information included herein, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives or plans will be achieved. Factors that could cause actual results to differ from our expectations or projections include the risks and uncertainties relating to our business described in this report under “Item 3.D: Risk Factors,” “Item 4: Information on Ellomay,” “Item 5: Operating and Financial Review and Prospects” and elsewhere in this report. In addition, new factors emerge from time to time, and it is not possible for management to predict all such factors, nor assess the impact of any such factor on our business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management’s analysis as of the date hereof. We undertake no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof, except as required by applicable law. In addition to the disclosure contained herein, readers should carefully review any disclosure of risks and uncertainties contained in other documents that we file from time to time with the SEC.

To the extent that this Report contains forward-looking statements (as distinct from historical information), we desire to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and we are therefore including this statement for the express purpose of availing ourselves of the protections of the safe harbor with respect to all forward-looking statements.

PART I

ITEM 1: Identity of Directors, Senior Management and Advisers

Not Applicable.

ITEM 2: Offer Statistics and Expected Timetable

Not Applicable.

ITEM 3: Key Information

A. Selected Financial Data

The following tables set forth our selected consolidated financial and other financial and operating data. Historical results are not indicative of the results to be expected in the future. Our financial statements have been prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board. The selected consolidated financial data set forth below should be read in conjunction with and is qualified by reference to our consolidated financial statements and the related notes, as well as “Item 5: Operating and Financial Review and Prospects.” The consolidated statements of profit or loss and other comprehensive income (loss) for each of the years in the three-year period ended December 31, 2020 and the consolidated statements of financial position as of December 31, 2020 and December 31, 2019 are derived from our audited consolidated financial statements appearing elsewhere in this Report. The consolidated statements of profit or loss and other comprehensive income (loss) for each of the years in the two-year period ended December 31, 2017 and the consolidated statements of financial position data as of December 31, 2018, 2017 and 2016 are derived from our audited consolidated financial statements that are not included in this Report.

Effective December 31, 2017, we changed the presentation currency of our consolidated financial statements from the US dollar to the euro to better reflect the profile of our assets, revenues, costs and cash flows, which are primarily generated in euro, and hence, to better present our financial performance. All comparative financial information has been restated into euro in this Report.

Consolidated Statements of Profit or Loss and Other Comprehensive Income (Loss)
(in thousands except per share and share data)

	Year ended December 31,					
	2020	2019	2018	2017	2016	2020 Convenience Translation into US\$ ⁽¹⁾
	euro					
Revenues	9,645	18,988	18,117	13,636	11,632	11,832
Operating expenses	(4,951)	(6,638)	(6,342)	(2,549)	(2,082)	(6,074)
Depreciation and amortization expenses	(2,975)	(6,416)	(5,816)	(4,518)	(4,411)	(3,650)
Gross profit	1,719	5,934	5,959	6,569	5,139	2,108
Project development costs	(3,491)	(4,213)	(2,878)	*(2,739)	*(2,201)	(4,283)
General and administrative expenses	(4,512)	(3,827)	(3,600)	*(2,420)	*(2,032)	(5,535)
Share of profits of equity accounted investee	1,525	3,086	2,545	1,531	1,375	1,871
Other income (expenses), net	2,100	(2,100)	884	18	90	2,576
Capital gain	-	18,770	-	-	-	-
Operating profit	(2,659)	17,650	2,910	2,959	2,371	(3,263)
Financing income	2,134	1,827	2,936	1,333	263	2,618
Financing income (expenses) in connection with derivatives, net	1,094	897	494	(3,156)	636	1,342
Financing expenses	(6,862)	(10,877)	(5,521)	(7,405)	(3,333)	(8,418)
Financing income (expenses), net	(3,634)	(8,153)	(2,091)	(9,228)	(2,434)	(4,458)
Profit (loss) before taxes on income	(6,293)	9,497	819	(6,269)	(63)	(7,721)
Tax benefit (taxes on income)	125	287	(215)	(372)	(569)	153
Profit (loss) for the year	(6,168)	9,784	604	(6,641)	(632)	(7,568)
Profit (Loss) attributable to:						
Owners of the Company	(4,627)	12,060	1,057	(6,115)	(209)	(5,676)
Non-controlling interests	(1,541)	(2,276)	(453)	(526)	(423)	(1,892)
Profit (loss) for the year	(6,168)	9,784	604	(6,641)	(632)	(7,568)
Other comprehensive income (loss) items that after initial recognition in comprehensive income (loss) were or will be transferred to profit or loss:						
Foreign currency translation differences for foreign operations	(482)	2,103	(787)	(359)	692	(591)
Effective portion of change in fair value of cash flow hedges	2,210	1,076	(1,008)	(1,244)	-	2,711
Net change in fair value of cash flow hedges transferred to profit or loss	555	(1,922)	643	1,382	-	681
Total other comprehensive income (loss)	2,283	1,257	(1,152)	(221)	692	2,801
Total comprehensive income (loss) for the year	(3,885)	11,041	(548)	(6,862)	60	(4,767)
Basic earnings (loss) per share	(0.38)	1.09	0.10	(0.57)	(0.02)	(0.47)
Diluted earnings (loss) per share	(0.38)	1.09	0.10	(0.57)	(0.02)	(0.47)
Weighted average number of shares used for computing basic earnings (loss) per share	12,304,269	11,064,847	10,675,508	10,675,757	10,667,700	12,304,269
Weighted average number of shares used for computing diluted earnings (loss) per share	12,327,818	11,070,436	10,678,857	10,675,757	10,667,700	12,327,818

* During the year ended December 31, 2017, we changed the income statement classification of expenses related to project development from general and administrative expenses to project development costs to reflect more appropriately their nature and the way in which economic benefits are expected to be derived from the use of such costs. Comparative amounts were reclassified for consistency.

Other financial data (in thousands)

	Year ended December 31,					2020 Convenience Translation into US\$ ⁽¹⁾
	2020	2019	2018	2017	2016	
	euro					
EBITDA*	316	24,066	8,726	7,477	6,782	387

* EBITDA is a non-IFRS measure and is defined as earnings before financial expenses, net, taxes, depreciation and amortization. We present this measure to enhance the understanding of our historical financial performance and to enable comparability between periods. While we consider EBITDA to be an important measure of comparative operating performance, EBITDA should not be considered in isolation or as a substitute for net income or other statement of operations or cash flow data prepared in accordance with IFRS as a measure of profitability or liquidity. EBITDA does not take into account our commitments, including capital expenditures and restricted cash and, accordingly, is not necessarily indicative of amounts that may be available for discretionary uses. Not all companies calculate EBITDA in the same manner, and the measure as presented may not be comparable to similarly-titled measures presented by other companies. Our EBITDA may not be indicative of our historic operating results; nor is it meant to be predictive of potential future results.

Reconciliation of Profit (Loss) to EBITDA (in thousands)

	Year ended December 31,					2020 Convenience Translation into US\$ ⁽¹⁾
	2020	2019	2018	2017	2016	
	euro					
Profit (loss) for the year	(6,168)	9,784	604	(6,641)	(632)	(7,568)
Financing expenses (income), net	3,634	8,153	2,091	9,228	2,434	4,458
Taxes on income (tax benefit)	(125)	(287)	215	372	569	(153)
Depreciation and amortization	2,975	6,416	5,816	4,518	4,411	3,650
EBITDA	316	24,066	8,726	7,477	6,782	387

Consolidated Statements of Financial Position Data (in thousands, except share data)

	At December 31,					2020 Convenience Translation into US\$ ⁽¹⁾
	2020	2019	2018	2017	2016	
	euro					
Working capital	42,883	45,436	35,675	31,286	22,402	52,607
Total assets	460,172	310,172	211,160	198,088	148,464	564,530
Total liabilities	335,146	202,606	134,203	120,588	64,093	411,150
Total equity	125,026	107,566	76,957	77,500	84,371	153,380
Capital stock	105,767 ⁽²⁾	84,422 ⁽²⁾	76,588 ⁽²⁾	76,583 ⁽²⁾	76,592 ⁽³⁾	129,753 ⁽²⁾
Ordinary shares outstanding	12,910,140 ⁽²⁾	11,737,140 ⁽²⁾	10,675,508 ⁽²⁾	10,675,508 ⁽²⁾	10,677,370 ⁽³⁾	12,910,140 ⁽²⁾

1. The euro figures at December 31, 2020, and for the period then ended have been translated throughout this report into U.S. dollars using the representative exchange rate of the dollar at December 31, 2020 (euro 1 = US\$1.227). The translation was made solely for convenience, is supplementary information, and is distinguished from the financial statements. The translated dollar figures should not be construed as a representation that the European currency amounts actually represent, or could be converted into, U.S. dollars.
2. Net of 258,046 treasury shares.
3. Net of 256,184 treasury shares.

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

Investing in our securities involves significant risk and uncertainty. You should carefully consider the risks and uncertainties described below as well as the other information contained in this report before making an investment decision with respect to our securities. If any of the following risks actually occurs, our business, financial condition, prospects, results of operations and cash flows could be harmed and could therefore have a negative effect on the trading price of our securities.

The risks described below are the material risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition or results of operations in the future.

Risks Related to our Business

Risks Related to our Renewable Energy Operations

In recent years, we entered the development and entrepreneurship renewable energy market. These operations are exposed to regulatory and other development risks that may cause such projects not to enter into the construction phase and other risks that may cause damages, delays and interruptions during the construction phase, and thereby cause the total or partial loss of the project development funds invested in the project. We are currently active in several projects in various development stages, including the development of a 156 MW pumped storage project in the Manara Cliff in Israel, or the Manara PSP, and the development of various PV projects in Italy, Israel and Spain. Projects in the development stages are exposed to various risks, including the inability to obtain or maintain regulatory permits and approvals, the inability to obtain project finance, upon terms economically beneficial or at all, and the inability to secure the project's income through a PPA or a hedging agreement supported by a government or a corporation with sufficient financial capabilities. Projects in the construction stage are exposed to various risks, including delays in the construction, interferences from third parties such as adjacent plot owners, residents living in the vicinity, governmental, municipal, environmental and other authorities, malfunctions in construction equipment, shortage in equipment or personnel required for the construction and damage caused by weather conditions and other factors that cannot be controlled by us. All projects in the development stages are subject to additional risks, including potential disagreements and conflicts with partners, dependency on technical consultants and surveys and risks associated with operations in foreign countries, as applicable. If any of these risks materialize, the entire project may be delayed or cancelled altogether, causing the loss of all part of the funds invested in the project development efforts. Even if we succeed in selling our rights in a project to third parties, the return of our project development expenses will likely be conditioned upon the continued development of the project by such third parties.

Existing regulations, and changes to such regulations, may present technical, regulatory and economic barriers and restrictions to the construction and operation of renewable energy plants, which may adversely affect our operations. The installation and operation of renewable energy plants is subject to oversight and regulation in accordance with international, European (to the extent applicable), national and local ordinances, building codes, zoning (or permitting), environmental protection regulation, including waste disposal regulations, utility interconnection requirements, security requirements and other rules and regulations. Any changes in applicable regulations that increases the burdens or restrictions on the operation of our renewable energy plants, such as a change in regulations governing waste disposal times and locations in countries in which our WtE plants dispose the digestate resulting from their operations, could increase our costs of operation and, as a result, adversely affect our results of operations. In addition, various governmental, municipal and other regulatory entities require the issuance and continued effectiveness of relevant permits, licenses and authorizations for the construction and operation of renewable energy plants. If such permits, licenses and authorizations are not issued on a timely basis, this could result in the interruption, cessation or abandonment of a newly constructed renewable energy plant, or may require making significant changes to such renewable energy plant, any of which may cause severe losses. In addition, if issued, these licenses and permits may be revoked by the authorities following their issuance in the event the authorities discover irregularities or deviations from the scope of the license or permit. Any revocation of existing licenses may obligate us to cease operating the relevant renewable energy plant for the period required in order to renew the relevant license or indefinitely and therefore will adversely affect our business and results of operations.

A drop in the price of energy may negatively impact our results of operations. The revenue from the sale of energy produced by renewable energy plants is based on proceeds from the sale of electricity and gas produced in the electricity and gas market at market price and sometimes also includes incentives in the form of governmental subsidies. Revisions to the governmental subsidies regime in several countries, including Spain, Italy and Israel, which reduced or eliminated the scope of the incentives paid by governments, increased the dependency of renewable energy plants on market prices or on tariffs determined in a public bid process. A decrease in the price of electricity and gas, particularly in the countries in which we operate and in which some of our revenues are based on the market price of electricity and gas, may negatively impact our profitability and our ability or interest to expand our renewable energy operations.

Success of our renewable energy plants, from their construction through their commissioning and ongoing commercial operation, depends to a large extent on the cooperation, reliability, solvency, and proper performance of the contractors we engage for the construction, operation and maintenance of our renewable energy plants, or the Contractors, and of the other third parties involved, including subcontractors, local advisors, financing entities, land owners, suppliers of parts and equipment, suppliers of feedstock, the energy grid regulator, governmental agencies and other potential purchasers of electricity. The construction and operation of a renewable energy plant requires timely input, often of a highly specialized technical nature, from several parties, including the suppliers of the various system components (such as solar panels or CHP engine) and plant operators, other suppliers of relevant parts and materials (including replacement parts), feedstock suppliers, land owners, subcontractors, electricity brokers, financing entities and governmental and related agencies (as subsidizers and as regulators). In addition, as we use Contractors to construct and thereafter operate and maintain our renewable energy plants, we depend on the Contractors' expertise and experience, representations, warranties and undertakings regarding, *inter alia*: the construction quality, schedule of construction, operation, maintenance and performance of each of the plants, the use of high-quality materials, strict compliance with applicable legal requirements and the Contractors' financial stability. If the Contractors' representations or warranties are inaccurate or untrue, or if any of the Contractors or other entities fail to perform their obligations properly, this could result in the interruption, cessation or abandonment of the relevant plant, or may require significant expenses to mitigate the damages or repair them, any of which may cause us severe losses.

The performance of our renewable energy plants depends on the quality of the equipment installed in such plants and on the reliability of the suppliers of spare and replacement parts.

The performance of our renewable energy plants depend on the quality of the components of the plants and the equipment installed in the plants. Any defects or deterioration in the quality of such components and equipment could harm our results of operations, and if we will not be able to quickly locate quality replacement parts or perform repairs, our results of operations could be adversely affected for a long period of time. For example, the performance of our photovoltaic plants, or the PV Plants, depends on the quality of the solar panels installed. Degradation in the performance of the solar panels above a certain level is guaranteed by the panel suppliers and we generally receive undertakings from the Contractors with respect to minimum performances. Therefore, one of the critical factors in the success of our PV Plants is the existence of reliable solar panel suppliers, who guarantee the performance and quality of the solar panels supplied and their ability to provide us with replacement and spare parts that are of sufficient quality. If the suppliers of solar panels will not meet their undertakings under the guarantees and no replacement panels will be available at a reasonable price, this could result in the interruption, cessation or abandonment of the relevant PV Plant, or may require significant expenses to mitigate the damages or repair them, any of which may cause us severe losses.

In the event we are unable to comply with the obligations and undertakings, including with respect to financial covenants, which we undertook in connection with the project financing of our renewable energy plants, our results of operations may be adversely affected. In connection with the financing of our PV Plants, our WtE plants, and the Manara PSP, we entered into long-term agreements with various financing entities and may in the future enter into additional project finance agreements in connection with our other projects, for example, the projects currently under development in Italy. The agreements that govern the provision of financing include, and future project finance agreements are expected to include, *inter alia*, undertakings and financial covenants, the majority of which are based on the ongoing income derived from the relevant plant, which may be adversely affected by the various risks detailed herein. If we fail to comply with any of these undertakings and covenants, we may be subject to penalties, future financing requirements, and the acceleration of the repayment of debt. These occurrences would have an adverse effect on our financial position and results of operations and on our ability to obtain outside financing for other projects.

As a substantial part of our business is currently located in Europe, we are subject to additional risks that may negatively impact our operations. We currently have substantial PV operations in Spain and WtE operations in the Netherlands, all of which are held by our Luxembourg subsidiary, and may make additional investments in projects located in Europe, such as the development and construction of additional PV plants in Spain and Italy. Due to these existing operations and any additional future investments, we are subject to special considerations or risks associated with companies operating in other jurisdictions, including rules and regulations, cross currency movements, different payment cycles, tax issues, such as tax law changes and variations in tax laws as compared to Israel, cultural and language differences, crime, strikes, riots, civil disturbances, terrorist attacks and wars and deterioration of political and economic relations with Israel. Our European operations subject us to a number of these risks, as well as the requirement to comply with the local laws, such as the Spanish, Dutch and EU laws.

On January 31, 2020 the United Kingdom due to the Brexit referendum stopped being a member of the EU. Brexit has created significant uncertainty about the future relationship between the United Kingdom and the EU, and given rise for the governments of other EU member states to consider withdrawal. Our regulatory risk could increase if there were to be future divergence with the EU regime.

These developments, or the perception that any of them could occur, could have a material adverse effect on global economic conditions and the stability of global financial markets, and could significantly reduce global market liquidity and future growth. Asset valuations, currency exchange rates and credit ratings may be especially subject to increased market volatility. We cannot assure you that we would be able to adequately address some or all of these additional risks. If we were unable to do so, our operations might suffer.

The continued global crisis resulting from the current novel strain of coronavirus (Covid-19) and any other pandemic, epidemic or outbreak of an infectious disease may adversely affect our operations. If a pandemic, epidemic or outbreak of an infectious disease occurs in Europe, Israel or elsewhere, our business may be adversely affected. In December 2019, Covid-19 was identified in Wuhan, China. Since then, this virus spread globally and as of the end of March 2021, has spread to over 180 countries, including European countries and Israel. The spread of Covid-19 has resulted in the World Health Organization declaring the outbreak of Covid-19 as a “pandemic.” Due to the spread of Covid-19 and the measures taken by governments in order to control the spread, there was a decrease in economic activity in many areas around the world, including Israel and Europe since March 2020. The spread of the virus has led, inter alia, to a disruption in the supply chain, a decrease in global transportation and a decrease in the value of financial assets and commodities on the markets in Israel and the world. Many countries around the world, including Spain, Israel, the Netherlands and Italy, have imposed quarantines and restrictions on travel, mass gatherings, education, commerce and other activities, and curtailed and limited non-essential works. In recent months, Spain, Italy and Israel have experienced a resurgence in the number of Covid-19 cases, causing the local governments to renew restrictions and implement additional measures in order to attempt to curb the spread of the pandemic. Although our operations have not thus far been materially adversely affected by the restrictions imposed by local governments and authorities in the countries in which we operate, in the event the restrictions continue, or new restrictions are imposed, our operations, including the projects under construction and development, may be adversely affected. The spread of Covid-19 and its implications may also indirectly affect our operations, for example through changes in the prices of oil resulting in a decrease in the electricity prices, and through reduction in demand for electricity, delays in construction of projects due to curtailment of work, limited availability of components required in order to operate or construct new projects, regulatory changes by countries affected by the virus, including changes in subsidies, collection delays, delays in obtaining permits, limited availability or changes in terms of financing for future projects, limited availability of corporate financing and lower returns on potential future investments. As a result, our business and operating results could be negatively affected. The extent to which the Covid-19 pandemic impacts our business will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of Covid-19, the resurgence of mutations of the virus and the actions to contain Covid-19 or treat its impact, among others. These potential effects could last until a vaccine or successful treatment plan are successfully implemented worldwide or at least in the countries and regions in which we operate.

Our business is affected by the availability of financial incentives. The reduction or elimination of government subsidies and economic incentives could reduce our profitability and our revenues. Many countries, such as Spain, Italy, the Netherlands and Israel, introduced substantial incentives to offset the cost of renewable energy production in the past, including photovoltaic power systems and WtE technologies in the form of Feed-in-Tariff, or FiT, or other incentives aimed at promoting the use of clean energy (including solar energy and biogas) and reducing dependence on other forms of energy. In addition, several countries encourage manufacturers and farmers to choose waste management methods that are more environmentally-friendly, either by establishing fines on non-environmentally friendly waste management methods or by payment of incentives. Certain of these government incentives were reduced or eliminated in the past years (for example in Italy and Spain) and the remaining incentives could potentially be reduced or eliminated in the future. If the Spanish or Israeli governments elect to revise the existing incentive schemes, this may adversely affect the profitability of our PV Plants. If the Dutch government revises the incentive scheme for existing or future WtE plants to reduce the support or increase the liabilities of WtE plants, it may adversely affect our profitability from future WtE plants in the Netherlands. Any retroactive or prospective changes in the incentive schemes in these and other countries may affect our business plan and potential future projects we may be interested in developing or acquiring in such countries. In general, uncertainty about the introduction of, reduction in, or elimination of, incentives or delays or interruptions in the implementation of favorable laws could affect our profitability and potentially our ability to continue and develop new renewable energy plants.

Natural disasters, terrorist attacks, or other catastrophic events could harm our operations. Our worldwide operations could be subject to natural disasters terrorist attacks, public health events and other business disruptions, which could harm our future revenue and financial condition and increase our costs and expenses. Among others, floods, storms, seismic turbulence and earth movements may damage our PV Plants or our WtE Plants. The insurance coverage we have for a portion of such risks may not cover the damage in full because these circumstances are sometimes deemed “acts of god.” In the event that an earthquake, fire, tsunami, typhoon, terrorist attack, or other natural, manmade or technical catastrophe were to damage or destroy any part of our plants or those of manufacturers on which we rely, destroy or disrupt vital infrastructure systems or interrupt our operations or services for any extended period of time, our business, financial condition and results of operations would be materially and adversely affected.

An increase in the prices of components of a renewable energy plant may adversely affect our projects under development, our future growth and our business. Installations of renewable energy plants have substantially increased over the past few years. The increased demand led to fluctuations in the prices of the components of the plants resulting from oversupply and undersupply. For example, the increased demand for solar panels resulted in substantial investments in solar panels production facilities, creating oversupply and a sharp continuing decrease in the prices of solar panels. A future reversal in the trend and an increase in the prices of solar panels and other components of the system (such as invertors and related electric components) or an increase in the prices of components of other renewable energy plants, may increase the costs of replacing components in our existing plants or the costs of constructing new plants and impact the profitability of constructing plants and our ability to expand our business. Additionally, if there is a shortage of key components necessary for the production of the components, that may constrain our revenue growth.

The market for renewable energy is intensely competitive and rapidly evolving. The market for renewable energy attracts many initiatives and therefore is intensely competitive. Our competitors who strive to construct new renewable energy plants and acquire existing plants may have established more prominent market positions, have greater resources and may have more experience in this field. Extensive competition may adversely affect our ability to continue to acquire and develop new plants.

Our success depends in part on our senior management team and other key employees and our ability to attract, integrate and retain key personnel and qualified individuals. We depend on the expertise of our senior management team and other key employees to help us meet our strategic objectives. The inability to maintain our senior management team and other key employees or to attract highly skilled personnel, may materially adversely affect the implementation of our development business plan and could ultimately adversely impact our business.

We do not wholly-own a few of our operating projects and projects under development. Although we currently control these projects, disagreements with our partners could cause delays in the construction or development of the projects or affect decisions made in connection with operating plants. We wholly-own all of our operating PV plants and the Netherlands' WtE plants, except the 300 MW photovoltaic plant in the municipality of Talaván, Cáceres, Spain, which was connected to the Spanish national grid in December 2020, or the Talasol PV Plant, of which we hold 51% and the Manara PSP, of which we hold 83.333%, and may in the future enter into projects that we do not wholly-own or introduce additional partners to the Manara PSP or other projects under development or operating plants. Although we control both the Talasol PV Plant and the Manara PSP, any disagreements with our partners could delay the development or construction of the Manara PSP, affect decisions made in connection with the Talasol PV Plant or require management resources and attention. Any delays or damages caused due to such disagreements could adversely affect our business plans and results of operations.

We may be subject to disruptions or failures in information technology, telecommunication systems and network infrastructures that could have a material adverse effect on our business and financial condition. Our renewable energy business relies, among other things, on information technology and on telecommunication services as we remotely monitor and control our assets and interface with regulatory agencies and wholesale power markets. Disruptions or failures in such systems may result due to various causes, including internal malfunctions in our systems or in the systems of third parties such as suppliers, governmental authorities, from employee error, theft or misuse, malfeasance, power disruptions, natural disasters or accidents and may also result from cyber-attacks or other breaches of information technology security. Such disruptions and failures of our information technology systems could have an adverse effect on our business operations, financial reporting, financial condition and results of operations.

The revenues derived from several of our PV Plants mainly depend on payments received from governmental entities. Any future deterioration in the financial position of the local governments or regulated entities, resulting in partial or no payment or in regulatory changes may adversely affect the results of our operations. The revenues derived by several of our PV Plants are based mainly on payments received from governmental or regulated entities. In Spain (except the 300 MW photovoltaic plant in the municipality of Talaván, Cáceres, Spain), our revenues are primarily based on payments from governmental entities in accordance with a specific remuneration incentive scheme and in Israel all of our income is based on a fixed tariff from the Israel Electric Company, or the IEC, a governmental company that controls the Israeli electricity market. We cannot assure you that there will not be changes to the governments' photovoltaic energy incentive schemes. Any changes in the financial stability of the governmental entities paying all or a portion of our PV revenues and any resulting change in the regulation may directly or indirectly affect the payments we receive and, therefore, our operations and revenues.

We are exposed to the possibility of damages to, or theft of, the various components of our PV Plants. Such occurrences may cause disruptions in the production of electricity and additional costs. Our PV Plants may suffer damages and disruption in the production of electricity due to theft of panels and other components, or due to bad weather and land conditions. Although such damages are generally covered by the PV Plants' insurance policies, under certain circumstances such occurrences may not be covered or may only be partially covered by the insurance and, if covered, utilization of the insurance may cause an increase in the premiums paid to our insurance companies, all of which may adversely affect our results of operations and profitability.

Our ability to produce solar power depends upon the magnitude and duration of sunlight as well as other meteorological and geographic factors. Solar power production has a seasonal cycle, and adverse meteorological conditions can materially impact the output of photovoltaic plants and result in production of electricity below expected output, which in turn could adversely affect our profitability. For example, 2018 was characterized with relatively low levels of radiation, which resulted in a decrease in our PV-related revenues for that year. Lower electricity output due to changes in meteorological conditions and other geographic factors may adversely affect our profitability.

In addition to the risks involved in the construction and operation of, and the regulatory risks applicable to, renewable energy plants in general, WtE plants are exposed to risks specific to this industry. In addition to the risks detailed above under “Risks Related to our Renewable Energy Operations,” WtE plants are exposed to additional risks specific to this industry, including:

- As the raw materials used to produce energy in the WtE market are not freely available (as is the case with wind and solar energies), the success of a WtE plant depends, among other things, on the prices of feedstock required in order to maintain the optimal mix of feedstock necessary to maximize performance of the plants, in order to meet a certain range of energy (gas, electricity or heat) production levels. In order to ensure continuous supply of raw materials, both in terms of the quantity and the quality and composition of the raw materials, the WtE plant is required to enter into supply relationships with several feedstock suppliers, such as farmers, food manufacturers and other specialized feedstock suppliers and to continuously monitor the proposed sales in order to locate the most efficient and beneficial offers. Any increase in the price of feedstock or shortage in the type or quality of feedstock required to produce the desired energy levels with the technology used by the plant could slow down or halt operations, causing a material adverse effect on the results of operations. The price and quality of a range of a certain feedstock mix might also increase the plant’s operating costs, either due to the need to purchase a more expensive feedstock mix in order to meet the desired energy production levels, or due to increase in the amounts of residues and the resulting increase of surplus quantities that require removal. In addition to the impact of the quality of the feedstock on the production levels, maintaining and monitoring the feedstock quality is crucial for preventing malfunctions in the process, for example due to high levels of certain chemicals that might harm the CHP engines. Additionally, a wrong feedstock mix and/or low feedstock quality might create biology problems such as lower bacteria population, which directly adversely impacts the biogas production. Therefore, any shortage of quality feedstock and changes in the feedstock mix available for use could have a material adverse effect on the results of operations of our WtE plants.
- The WtE industry is subject to many laws and regulations which govern the protection of the environment, quality control standards, health and safety requirements, and the management, transportation and disposal of different types of waste. Environmental laws and regulations may require removal or remediation of pollutants and may impose civil and criminal penalties for violations. The costs arising from compliance with environmental laws and regulations may increase operating costs for our WtE plants and we may be exposed to penalties for failure to comply with such laws and regulations. In addition, existing regulation governing waste management and waste disposal provide incentives to feedstock suppliers to use waste management solutions such as the provision of feedstock to WtE plants. Any regulatory changes that impose additional environmental restrictions on the WtE industry or that relieve feedstock suppliers from the stringent regulation concerning waste management and disposal could increase our operating costs, limit or change the cost of the feedstock available to us, and adversely affect our results of operations.

Risks Related to our Israeli Operations

The electricity sector in Israel is highly regulated. Any changes in the tariffs, system charges or applicable regulations may adversely affect our operations and results of operations. In addition, failure to obtain and maintain electricity production and supply licenses from the regulator could materially adversely affect our operations and results of operations. The Israeli electricity sector is subject to various laws and regulations, such as the tariffs charged by the IEC, including a resolution to charge private manufacturers, such as Dorad Energy Ltd., or Dorad, in which we indirectly hold 9.375%, for the IEC's system operation services, and the licensing requirement. The prices paid by Dorad to the IEC for system operation services provided to Dorad and the fees received by Dorad and by our PV Plant located in Talmei Yosef, Israel, or the Talmei Yosef PV Plant, from the IEC for electricity sold to the IEC and for providing the IEC with energy availability, are all based on tariffs determined by the Israeli regulator. The updates and changes to the regulation and tariffs required to be paid to the IEC by Dorad may not necessarily involve negotiations or consultations with Dorad and may be unilaterally imposed on it. Any changes in the tariffs, system charges or applicable regulations may adversely affect our operations and results of operations. In addition, a manufacturer of energy in Israel is required to initially hold a conditional license and thereafter hold a permanent license, issued by the Israeli Electricity Authority, which include ongoing milestones and conditions. Failure to maintain such licenses could adversely affect our development efforts and our results of operations.

The electricity sector in Israel is highly centralized. The IEC controls and operates the electricity system and all stages of the transmission of electricity. The electricity sector in Israel is dominated by the IEC, which controls and operates the electricity system in Israel, including the delivery and transmission of electricity, and also manufactures the substantial majority of electricity in Israel. The IEC is also the only customer of the Talmei Yosef PV Plant and is subject to the requirement to pay a fixed tariff for the electricity manufactured by such plant. Similarly, it is currently expected that the sole customer of the Manara PSP will be the IEC, who will be required to pay the Manara PSP for availability and electricity produced. The ability of the IEC to pay the renewable energy manufacturers could be affected by the financial instability of the IEC. The inability of the IEC to pay Dorad, Talmei Yosef, the Manara PSP or any energy project we may be involved in in Israel, may adversely affect our plan of operations and could have a material adverse effect on our profitability.

The Talmei Yosef PV Plant and the Dorad Power Plant are located in the southern part of Israel, in proximity to the Gaza Strip and within range of missile and mortar bombs launched from the Gaza Strip. The Manara PSP is expected to be located the northern part of Israel, in proximity to the border with Lebanon. The Talmei Yosef Project is located near the Gaza Strip border and the Dorad Power Plant is located in Ashkelon, a town in the southern part of Israel, in proximity to the Gaza Strip. In recent years, there has been an escalation in violence and missile attacks from the Gaza Strip to Southern and Central Israel. The Manara PSP is expected to be constructed in close proximity to Israel's border with Lebanon, in an area that has also been attacked by missiles in the past. Certain measures were taken to protect the Dorad Power Plant from missile attacks. However, any such further attacks to the area surrounding the Gaza Strip or to the area in close proximity to the northern border of Israel or any direct damage to the location of these plants may damage the relevant plants and disrupt the operations of the projects and thereafter their operations, and may cause losses and delays.

We have joint control in U. Dori Energy Infrastructures Ltd., or Dori Energy, who, in turn, holds a minority stake in Dorad. Therefore, we do not control the operations and actions of Dorad. We currently hold 50% of the equity of Dori Energy who, in turn, holds 18.75% of Dorad and accordingly our indirect interest in Dorad is 9.375%. Although we entered into a shareholders' agreement, or the Dori SHA, with Dori Energy and the other shareholder of Dori Energy, Amos Luzon Entrepreneurship and Energy Group Ltd. (f/k/a U. Dori Group Ltd.), or the Luzon Group, providing us with joint control of Dori Energy, should differences of opinion as to the management, prospects and operations of Dori Energy arise, such differences may limit our ability to direct the operations of Dori Energy. Moreover, Dori Energy holds a minority stake in Dorad and as of the date hereof is entitled to nominate only one director in Dorad, which, according to the Dori SHA, we are entitled to nominate. As we have one representative on the Dorad board of directors, which has a total of seven directors, we do not control Dorad's operations. Therefore, as we have joint control over Dori Energy and limited control over Dorad, we may be unable to prevent certain developments that may adversely affect their business and results of operations. Since July 2015, several of Dorad's direct and indirect shareholders, including Ellomay Clean Energy Ltd., or Ellomay Energy, our wholly-owned subsidiary that holds Dori Energy's shares, are involved in various legal proceedings, all as more fully described in "Item 4.B: Business Overview" below. In addition, to the extent our interest in Dori Energy is deemed an investment security, as defined in the Investment Company Act of 1940, or the Investment Company Act, we could be deemed to be an investment company under the Investment Company Act, depending on the value of our other assets. Please see "We may be deemed to be an "investment company" under the Investment Company Act of 1940, which could subject us to material adverse consequences" below.

The Dori Energy Shareholders Agreement contains restrictions on our right to transfer our holdings in Dori Energy, which may make it difficult for us to terminate our involvement with Dori Energy. The Luzon Group registered a pledge on its rights and shares of Dori Energy for the benefit of its debenture holders. The Dori SHA contains several restrictions on our ability to transfer our holdings in Dori Energy, including a right of first refusal. The aforesaid restrictions may make it difficult for us to terminate our involvement with Dori Energy should we elect to do so and may adversely affect the return on our investment in Dori Energy.

Dorad, which is currently the only substantial asset held by Dori Energy, operates the Dorad Power Plant, whose successful operations and profitability depends on a variety of factors, many of which are not within Dorad's control. Dorad's only substantial asset is the Dorad Power Plant, situated on the premises of the Eilat-Ashkelon Pipeline Company, or EAPC, located south of Ashkelon, Israel. The Dorad Power Plant is subject to various complex agreements with third parties (the Israeli Electric Company, or IEC, the operations and maintenance contractor, suppliers, private customers, etc.) and to regulatory restrictions and guidelines in connection with, among other issues, the tariffs to be paid by the IEC to Dorad for the energy it produces. Various factors and events may materially adversely affect Dorad's results of operations and profitability and, in turn, have a material adverse effect on Dori Energy's and on our results of operations and profitability. These factors and events include:

- The operation of the Dorad Power Plant is highly complex and depends upon the continued ability: (i) to operate the various turbines, and (ii) to turn the turbines on and shut them down quickly based on demand. The profitability of Dorad also depends on the accuracy of the proprietary forecasting system used by Dorad. Any defects or disruptions, or inaccuracies in forecasts, may result in an inability to provide the amount of electricity required by Dorad's customers or in over-production, both of which could have a material adverse effect on Dorad's operations and profitability.

- Dorad's operations depend upon the expertise and success of its operations and maintenance contractor, who is responsible for the day-to-day operations of the Dorad Power Plant. If the services provided by such contractor will cause delays in the production of energy or any other damage to the Dorad Power Plant or to Dorad's customers, Dorad may be subject to claims for damages and to additional expenses and losses and therefore Dorad's profitability could be adversely affected.
- Significant equipment failures may limit Dorad's production of energy. Although such damages are generally covered by insurance policies, any such failures may cause disruption in the production, may not all be covered by the insurance and the correction of such failures may involve a considerable amount of resources and investment and could therefore adversely affect Dorad's profitability.
- The construction of the Dorad Power Plant was mainly financed by a consortium of financing entities pursuant to a long-term credit facility and such credit facility provides for pre-approval by the consortium of certain of Dorad's actions and contracts with third parties. Changes in the credit ratings of Dorad and its shareholders, non-compliance with financing and other covenants, delays in provision of required pre-approvals or disagreements with the financial entities and additional factors may adversely affect Dorad's operations and profitability.
- Dorad entered into a long-term natural gas supply agreement with the partners in the "Tamar" license, or Tamar, located in the Mediterranean Sea off the coast of Israel. This agreement includes a "take or pay" mechanism, subject to certain restrictions and conditions that may result in Dorad paying for natural gas not actually required for its operations. In the event Dorad will be required to pay for natural gas that it does not need, Dorad's results of operations and profitability could be adversely affected. Tamar is currently (until the agreement regarding the acquisition of natural gas from Energean Israel Ltd., or Energean, becomes effective, as expected by the end of 2021 or the first quarter of 2022) Dorad's sole supplier of natural gas and has undertaken to supply natural gas to various customers and is permitted to export a certain amount of the natural gas to customers outside of Israel. Dorad's operations depend on the timely, continuous and uninterrupted supply of natural gas from Tamar and on the existence of sufficient reserves throughout the term of the agreement with Tamar. In addition, the price of natural gas under the supply agreement with Tamar is linked to production tariffs determined by the Israeli Electricity Authority but cannot be lower than the "final floor price" included in the agreement. Due to the reduction in fuel and energy prices and the resulting reduction in the production tariff during 2019, the price for natural gas under the agreement with Tamar reached the final floor price in January 2020. Therefore, in the event of future reductions in the fuel and energy prices and the production tariff, the price of gas will not be further reduced. Any delays, disruptions, increases in the price of natural gas under the agreement, or shortages in the gas supply from Tamar will adversely affect Dorad's results of operations.
- The Dorad power plant is subject to environmental regulations, aimed at increasing the protection of the environment and reducing environmental hazards, including by way of imposing restrictions regarding noise, harmful emissions to the environment and handling of hazardous materials. Currently the costs of compliance with the foregoing requirements are not material. Any breach or other noncompliance with the applicable laws may cause Dorad to incur additional costs due to penalties and fines and expenses incurred in order to regain compliance with the applicable laws, all of which may have an adverse effect on Dorad's profitability and results of operations.

- Due to the agreements with contractors of the Dorad Power Plant and the indexation included in the gas supply agreement, Dorad is exposed to changes in the exchange rates of the U.S. dollar against the NIS. To minimize this exposure Dorad executed forward transactions to purchase U.S. dollars against the NIS. In addition, due to the indexing to the Israeli consumer price index under Dorad's credit facility, it is exposed to fluctuations in the Israeli CPI, which may adversely affect its results of operations and profitability. Dorad's profitability might be adversely affected due to future changes in exchange rates or in the Israeli consumer price index.
- Dorad is involved in several arbitration and court proceedings initiated by Dorad's shareholders, including Dori Energy, most recently in connection with Dorad's examination of the possible expansion of the Dorad Power Plant, or the "Dorad 2" project. Disagreements and disputes among shareholders may interfere with Dorad's operations and specifically with Dorad's business plan and potential growth.
- The Covid-19 crisis affects Dorad's customers (which include hotels and other industrial customers), and therefore any decrease in electricity consumption by Dorad's customers and in Israel generally (affecting the amount of electricity purchased by the IEC from Dorad), may affect Dorad's financial results. During 2020, Dorad reported a certain decrease in consumption of electricity by its customers and by the IEC due to the Covid-19 crisis, which did not have a material impact on Dorad as of December 31, 2020, and it is continuously examining the options available to it in the event of a material impact on its revenues as a result of the spread of Covid-19.

Risks Related to the Manara PSP

The Manara PSP currently holds a conditional license. Such conditional license may be revoked for various reasons, such as non-compliance with milestones stipulated in the conditional license. The Manara Project currently holds a conditional license for the construction of a 156 MW pumped storage project, or the Conditional License, issued to it on June 17, 2020. Conditional licenses issued by the Israeli Electricity Authority include several milestones, and deadlines for completing such milestones, including the financial closing, and the completion of the construction works of the pumped storage power plant. For example, the deadline for financial closing of the Manara PSP under its Conditional License was February 11, 2021 and the financial closing of the Manara PSP occurred on such date. The Conditional License includes additional milestones following the financial closing, such as the deadline for the completion of the construction works and the Israeli Electricity Authority could revoke the Conditional License if Ellomay PS does not timely meet the milestones included in it. Any such attempted revocation is subject to a written notice from the Israeli Electricity Authority, which shall include the reasons for the proposed revocation, and to a hearing of Ellomay PS before the Israeli Electricity Authority. If the Conditional License will be revoked in the future, that could prevent the completion of the Manara PSP, resulting in a loss of some or all the funds invested in the Manara PSP.

The construction of the Manara PSP constitutes a complex and unique engineering challenge. The consultation process includes planning and conducting of a comprehensive investigation to characterize the variety of soils and rocks at the construction sites. In accordance with the infrastructure characteristics and the seismic risks that exist on site, stability calculations need to be performed on the basis of which instructions are given for the planning and execution of the reservoirs. Any complications during the construction period of the Manara PSP could cause delays in the construction and could expose the Manara PSP to non-compliance with the terms of the conditional license issued to it by the Israeli Electricity Authority and could otherwise materially adversely affect our results of operations in connection with the Manara PSP.

Risks Related to our Operations and Ownership Structure

Our ability to leverage our operations and increase our operations depends, *inter alia*, on our ability to obtain attractive project and corporate financing from financial entities. Our ability to obtain attractive financing and the terms of such financing, including interest rates, equity to debt ratio requirement and timing of debt availability will significantly impact our ability to leverage our investments and enhance our operations. Although we have financing agreements with respect to several of our PV Plants, WtE Plants and the Manara PSP and although we raised significant funds in Israel through the issuance of debentures, there is no assurance we will be able to procure additional project financing for projects under development or any operations we will acquire or projects we wish to advance in the future, or to obtain additional corporate financing, on terms favorable to us or at all. Our inability to obtain additional financing on favorable terms, or at all, may adversely affect our ability to leverage our investments and to procure the equity required in order to increase and further develop our operations.

Our ability to freely operate our business is limited due to certain restrictive covenants contained in the deeds of trust of our Debentures. The deeds of trust governing our Series C Debentures and our Series D Debentures, or the Deeds of Trust and the Debentures, respectively, contain restrictive covenants that limit our operating and financial flexibility. These covenants include, among other things, a “negative pledge” with respect to a floating pledge on all of our assets. The Deeds of Trust also contain covenants regarding maintaining certain levels of financial ratios and criteria, including as a condition to the distribution of dividends, as a trigger for an obligation to pay additional interest and as a cause for immediate repayment, and other customary immediate repayment conditions, including, under certain circumstances, in the event of a change of control, a default under the deed of trust of the other debentures issued by us, a change in our field of operations or a disposition of a substantial amount of assets. Our ability to continue to comply with these and other obligations depends in part on the future performance of our business. Such obligations may hinder our ability to finance our future operations or the manner in which we operate our business. In particular, any non-compliance with performance-related covenants and other undertakings of the Debentures could result in increased interest payments for some or all of the Debentures or a demand for immediate repayment of the outstanding amount under the Debentures and restrict our ability to obtain additional funds, which could have a material adverse effect on our business, financial condition or results of operations.

Our debt increases our exposure to market risks, may limit our ability to incur additional debt that may be necessary to fund our operations and could adversely affect our financial stability. As of December 31, 2020, our total indebtedness in connection with corporate and project financing (including the 300 MW photovoltaic plant in the municipality of Talaván, Cáceres, Spain, of which we hold 51%) was approximately €64 million, including principal and interest expected repayments, financing related swap transactions and excluding any related capitalized costs. The Deeds of Trust permit us to incur additional indebtedness, including by issuing additional debentures of the existing series of Debentures subject to maintaining certain financial ratios and covenants. Our debt, including the Debentures, and any additional debt we may incur, could adversely affect our financial condition by, among other things:

- increasing our vulnerability to adverse economic, industry or business conditions and cross currency movements and limiting our flexibility in planning for, or reacting to, changes in our industry and the economy in general;
- requiring us to dedicate a substantial portion of our cash flow from operations to service our debt, thus reducing the funds available for operations and future business development; and
- limiting our ability to obtain additional financing to operate, develop and expand our business.

We may incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial indebtedness. We may be able to incur substantial additional indebtedness, including additional issuances of debentures and secured indebtedness, in the future. Although the Deeds of Trust governing our Debentures contain conditions that may affect our ability to incur additional debt, mainly through the issuing additional debentures of the existing series of the Debentures, these conditions are limited and we will be able to incur additional debt and enter into highly leveraged transactions, so long as we do not breach the financial covenants and meet these conditions. If new debt is added to our existing debt levels, the related risks that we face would intensify and we may not be able to meet all our debt obligations, including the obligations in connection with repayment of the Debentures.

We cannot assure you that our business will generate sufficient cash flow from operations or future borrowings from other sources in an amount sufficient to enable us to service our indebtedness, including the Debentures, or to fund our other liquidity needs. To service our indebtedness, we require a significant amount of cash. Our ability to make payments on and to refinance our indebtedness, including the Debentures, to fund planned capital expenditures and to maintain sufficient working capital depends on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. As such, we may not be able to generate sufficient cash to service the Debentures or our other indebtedness, and may be forced to take other actions to satisfy our obligations under our indebtedness, such as reduce or delay capital expenditures, sell assets, seek additional capital or restructure or refinance all or a portion of our indebtedness, including the Debentures, on or before the maturity thereof, which may not be successful and could have a material adverse effect on our operations. We cannot assure you that we will be able to refinance any of our indebtedness, including the Debentures, on commercially reasonable terms or at all, or that the terms of that indebtedness will allow any of the above alternative measures or that these measures would satisfy our scheduled debt service obligations. If we are unable to generate sufficient cash flow to repay or refinance our debt on favorable terms, it could significantly adversely affect our financial condition, the value of our outstanding debt, including the Debentures, and our ability to make any required cash payments under our indebtedness, including the Debentures. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at that time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations.

Our business results may be affected by currency and interest rate fluctuations and the hedging transactions we enter into in order to manage currency and interest rate related risks. We hold cash and cash equivalents, restricted cash and marketable securities mainly in euro and NIS. Our holdings in our PV Plants located in Spain and in the WtE Plants located in the Netherlands are denominated in euro and our holdings in the Talmei Yosef PV Plant and in Dori Energy are denominated in NIS. Our Debentures and the project finance obtained in connection with the Talmei Yosef PV Plant and the Manara PSP are denominated in NIS and the interest and principal payments are to be made in NIS. The financing for several of our PV Plants bears interest based on EURIBOR rate. Therefore our repayment obligations and undertakings may be affected by adverse movements in the exchange and interest rates. Although we attempt to manage these risks by entering into various swap interest and currency transactions as more fully explained in “Item 11: Quantitative and Qualitative Disclosures About Market Risk” below, we cannot ensure we will manage to eliminate these risks in their entirety. The current Covid-19 outbreak and government programs related to the outbreak may also affect exchange and interest rates. These swap transactions may also impact the results of our operations due to fluctuations in their value based on changes in the relevant exchange or interest rate.

Our ability to effectively hedge interest rate, currency and other market-related risks may adversely affect our profitability. We use hedging instruments in an attempt to manage interest rate, currency and other market-related risks. If any of the variety of instruments we use to hedge our exposure to these various types of risk is not effective, we may incur losses, which may have an adverse effect on our financial condition. The majority of our derivative contracts are OTC derivatives, i.e., derivative contracts that are not transacted on an exchange. These derivatives are entered into under ISDA Master Agreements. If a counterparty defaults on these contracts, the underlying exposure would no longer be effectively hedged, which could result in losses. In addition, there can be no assurance that we will continue to be able to hedge risks related to current or future assets or liabilities in an efficient manner or at all. Disruptions such as market crises and economic recessions may put a strain on the availability and effectiveness of hedging instruments. For example, the expected transition away from LIBOR and similar benchmark rates may have a different impact on the hedged item and the hedging instrument, which could cause some of our hedge to become ineffective, resulting in potential losses.

If we do not conduct an adequate due diligence investigation of a target project or if certain events beyond our control occur, we may be required to subsequently take write-downs or write-offs, restructuring, and impairment or other charges that could have a significant negative effect on our financial condition, results of operations and our stock price. We must conduct a due diligence investigation of target projects that we intend to acquire or purchase an interest in. Intensive due diligence is time consuming and expensive due to the cost of the technical, accounting, finance and legal professionals involved in the due diligence process. Even if we conduct extensive due diligence on a target business, we cannot assure you that this due diligence will reveal all material issues that may affect a particular target project, or that factors outside the control of the target project and outside of our control will not later arise. If our due diligence review fails to identify issues specific to a target project, industry or the environment in which the target project operates, or if certain events or circumstances occur that are beyond our control, we may be forced to later write-down or write-off assets, restructure our operations, or incur impairment or other charges that could result in losses. Even though these charges may be non-cash items and may not have an immediate impact on our liquidity, the fact that we report charges of this nature could contribute to negative market perceptions about us or our ordinary shares.

We may be deemed to be an “investment company” under the Investment Company Act of 1940, which could subject us to material adverse consequences. We could be deemed to be an “investment company” under the Investment Company Act if we invest more than 40% of our assets in “investment securities,” as defined in the Investment Company Act. Investments in securities of majority owned subsidiaries (defined for these purposes as companies in which we control 50% or more of the voting securities) are not “investment securities” for purposes of this definition. As our interest in Dori Energy is not considered an investment in majority owned securities, unless we maintain the required portion of our assets under our control, limit the nature of the requisite portion of our investments of our cash assets to cash and cash equivalents (which are generally not “investment securities”), succeed in making additional strategic “controlling” investments and continue to monitor our investment in Dori Energy, we may be deemed to be an “investment company.” We do not believe that our holdings in the Spanish PV Plants or the WtE Plants would be considered “investment securities,” as we control the PV Plants (other than the Talasol PV Plant) and the WtE Plants via wholly-owned subsidiaries. In addition, despite minority holder protective rights granted to the minority shareholders of the Talasol PV Plant and the Manara PSP, including several rights which effectively require the unanimous consent of all shareholders, we believe that our interests in the in the Talasol PV Plant and the Manara PSP do not constitute “investment securities” given, among other things, our majority shareholder and board membership status in the project companies. We do not believe that the current fair value of our holdings in Dori Energy (all as more fully set forth under “Business” below) and other relevant assets, all of which may be deemed to be “investment securities,” would result in our being deemed to be an “investment company.” If we were deemed to be an “investment company,” we would not be permitted to register under the Investment Company Act without an order from the SEC permitting us to register because we are incorporated outside of the United States and, prior to being permitted to register, we would not be permitted to publicly offer or promote our securities in the United States. Even if we were permitted to register, it would subject us to additional commitments and regulatory compliance. Investments in cash and cash equivalents might not be as favorable to us as other investments we might make if we were not potentially subject to regulation under the Investment Company Act. We seek to conduct our operations, including by way of investing our cash and cash equivalents, to the extent possible, so as not to become subject to regulation under the Investment Company Act. In addition, because we are actively engaged in exploring and considering strategic investments and business opportunities, and in fact the majority of our investments to date (mainly in the Italian, Spanish and Israeli photovoltaic power plants markets and in the Netherlands’ WtE market) were made through a controlling investment, we do not believe that we are currently engaged in “investment company” activities or business. These strategies may force us to pursue less than optimal business strategies or forego business arrangements and to forgo certain cash management strategies that could have been financially advantageous to us and to our financial situation and business prospect.

Our ability to successfully develop projects and acquire projects and to be successful in the operation of such projects thereafter will be significantly dependent upon the efforts of our controlling shareholders that function as key personnel. Several of our key personnel allocate their time to other businesses. Our ability to successfully develop projects and effect acquisitions is dependent upon the efforts of our key personnel, including Shlomo Nehama, our chairman of the board, and Ran Fridrich, a director and our Chief Executive Officer. We entered into a management services agreement, or the Management Services Agreement, with entities affiliated with these officers and board members and they have allocated a significant portion of their time to our company since the execution of the Management Services Agreement. However, Messrs. Nehama and Fridrich are not required to commit their full time to our affairs, which could create a conflict of interest when allocating their time between our operations and their other commitments. If their other business affairs require them to devote more substantial amounts of time to such affairs, it could limit their ability to devote time to our affairs and could have a negative impact on our ability to consummate acquisitions.

We may be characterized as a passive foreign investment company. Our U.S. Holders may suffer adverse tax consequences. Under the passive foreign investment company or “PFIC” rules, for any taxable year that our passive income or our assets that produce passive income exceeds specified levels, we will be characterized as a PFIC for U.S. federal income tax purposes. This characterization could result in adverse U.S. tax consequences for our U.S. Holders (as defined below), which may include having certain distributions on our ordinary shares and gains realized on the sale of our ordinary shares treated as ordinary income, rather than as capital gains income, and having potentially punitive interest charges apply to the proceeds of sales of our ordinary shares and certain distributions.

Certain elections may be made to reduce or eliminate the adverse impact of the PFIC rules for our U.S. Holders, but these elections may be detrimental to such U.S. Holders under certain circumstances. The PFIC rules are extremely complex and U.S. Holders are urged to consult independent tax advisers regarding the potential consequences to them of our classification as a PFIC.

Based on our income and/or assets, we believe that we were a PFIC with respect to any U.S. Holder that held our shares in 2008 through 2012. We also believe, based on our income and assets, that it is likely that we were not a PFIC with respect to U.S. Holders that initially acquired our ordinary shares in 2013-2020. However, the Internal Revenue Service may disagree with our determinations regarding our prior or present PFIC status and, depending on future events, we could become a PFIC in future years.

For a more detailed discussion of the consequences of our being classified as a PFIC, see “Item 10.E: Taxation” below under the caption “U.S. Tax Considerations Regarding Ordinary Shares.”

Risks Relating to our Ordinary Shares

You may have difficulty enforcing U.S. judgments against us in Israel. We are organized under the laws of Israel and our headquarters are in Israel. All of our officers and directors reside outside of the United States. Therefore, it may be difficult to effect service of process upon us or any of these persons within the United States. In addition, you may not be able to enforce any judgment obtained in the U.S. against us or any of such persons in Israel and in any event will be required to file a request with an Israeli court for recognition or enforcement of any non-Israeli judgment. Subject to certain time limitations, executory judgments of a United States court for liquidated damages in civil matters may be enforced by an Israeli court, provided that: (i) the judgment was obtained after due process before a court of competent jurisdiction, that recognizes and enforces similar judgments of Israeli courts and according to the rules of private international law currently prevailing in Israel, (ii) adequate service of process was effected and the defendant had a reasonable opportunity to be heard, (iii) the judgment and its enforcement are not contrary to the law, public policy, security or sovereignty of the State of Israel, (iv) the judgment was not obtained by fraud and does not conflict with any other valid judgment in the same matter between the same parties, (v) the judgment is no longer appealable, and (vi) an action between the same parties in the same matter is not pending in any Israeli court at the time the lawsuit is instituted in the foreign court. If a foreign judgment is enforced by an Israeli court, it will be payable in Israeli currency. You may not be able to enforce civil actions under U.S. securities laws if you file a lawsuit in Israel.

We may rely on certain Israeli “home country” corporate governance practices which may not afford shareholders the same protection afforded to stockholders of U.S. companies.

As a foreign private issuer for purposes of U.S. securities laws, NYSE American LLC rules allow us to follow certain Israeli “home country” corporate governance practices in lieu of the corresponding NYSE American LLC corporate governance rules. Such home country practices may not afford shareholders the same level of rights or protections in certain matters as those of stockholders of U.S. domestic companies. To the extent we are entitled to elect to follow Israeli law and practice rather than corresponding U.S. law or practice, such as with regard to the requirement for shareholder approval of changes to option plans, our shareholders may not be afforded the same level of rights they would have under U.S. practice.

The rights and responsibilities of our shareholders are governed by Israeli law and differ in some respects from the rights and responsibilities of shareholders under U.S. law.

We are incorporated under Israeli law. The rights and responsibilities of holders of our ordinary shares are governed by our memorandum and articles of association and Israeli law. These rights and responsibilities differ in some respects from the rights and responsibilities of shareholders in typical U.S. corporations. In particular, each shareholder of an Israeli company has a duty to act in good faith in exercising his or her rights and fulfilling his or her obligations toward the company and other shareholders and to refrain from abusing his power in the company, including, among other things, in voting at the general meeting of shareholders on certain matters. Israeli law provides that these duties are applicable in shareholder votes on, among other things, amendments to a company’s articles of association, increases in a company’s authorized share capital, mergers and interested party transactions requiring shareholder approval. In addition, a controlling shareholder of an Israeli company or a shareholder who knows that it possesses the power to determine the outcome of a shareholder vote or who has the power to appoint or prevent the appointment of a director or officer in the company has a duty of fairness toward the company. However, Israeli law does not define the substance of this duty of fairness. Because Israeli corporate law has undergone extensive revisions in recent years, there is little case law available to assist in understanding the implications of these provisions that govern shareholder behavior.

You may be diluted by the future issuance of additional ordinary shares, among other reasons, for purposes of carrying out future acquisitions, financing needs, and also as a result of our incentive and compensation plans. During 2019 and 2020, we issued an aggregate of 1,965,000 ordinary shares in private placements to Israeli institutional and classified investors. In early 2021, the investors that participated in the private placement of our ordinary shares and warrants to purchase ordinary shares consummated in February 2020, exercised the warrants issued to them and as a result we issued an additional 178,750 ordinary shares to such investors. In addition, on October 26, 2020, we issued a new series of options (the Series 1 Options), tradable on the Tel Aviv Stock Exchange, to purchase an aggregate of 385,000 ordinary shares at an exercise price per share of NIS 150 (subject to adjustments upon customary terms) and on February 23, 2021 we issued our Series D Debentures, which are convertible into an aggregate of 375,757 ordinary shares at a conversion price per share of NIS 165 (subject to adjustments upon customary terms). In the event some or all of our Series 1 Options are exercised, or some or all of our Series D Debentures are converted, you may experience dilution of your percentage of holdings in our ordinary shares. We may also choose to raise additional equity capital in the future for various reasons and purposes. The issuance of any additional ordinary shares in the future, or any securities that are exercisable for or convertible into our ordinary shares, will have a dilutive effect on our shareholders as a consequence of the reduction in the percentage ownership.

Tax audits may result in an obligation to make material payments to tax authorities at the conclusion of these audits. We conduct our business globally (currently in Israel, Luxembourg, Italy, Spain and The Netherlands). Our domestic and international tax liabilities are subject to the allocation of revenues and expenses in different jurisdictions and the timing of recognizing revenues and expenses. Additionally, the amount of income taxes paid is subject to our interpretation of applicable laws in the jurisdictions in which we file. Not all of the tax returns of our operations in other countries and in Israel are final and we may be subject to further audit and assessment by the applicable tax authorities. For example, during 2018, following a tax inspection and a final settlement reached with the tax authorities, we reduced our carry forward tax losses by approximately €20 million, resulting in remaining available carry forward tax losses, carry forward capital tax losses and deductions as of December 31, 2018 in an aggregate of approximately €20.8 million. Such audits often result in proposed assessments and any estimation of the potential outcome of an uncertain tax issue is a matter for judgment, which can be subjective and highly complex. While we believe we comply with applicable tax laws and that we provided adequately for any reasonably foreseeable outcomes related to the tax audit, there can be no assurance that a governing tax authority will not have a different interpretation of the law and assess us with additional taxes, as a result of which our future results may be adversely affected. Although we believe our estimates to be reasonable, the ultimate outcome of such audits, and of any related litigation, could differ materially from our provisions for taxes, which may have a material adverse effect on our consolidated financial statements.

We are controlled by a small number of shareholders, who may make decisions with which you may disagree and which may also prevent a change of control via purchases in the market. Currently, a group of investors comprised of Kanir Joint Investments (2005) Limited Partnership, or Kanir, and S. Nechama Investments (2008) Ltd., or Nechama Investments, hold an aggregate of 44.6% of our outstanding ordinary shares. Shlomo Nehama, our Chairman of the Board who controls Nechama Investments holds directly an additional 3.6% of our outstanding ordinary shares and the estate of Mr. Hemi Raphael, which holds a majority of the outstanding shares of Kanir Investments Ltd., or Kanir Ltd., the general partner of Kanir, holds an additional 2% of our outstanding ordinary shares. Therefore, acting together, these shareholders could exercise significant influence over our business, including with respect to the election of our directors and the approval of change in control and other material transactions. This concentration of control may have the effect of delaying or preventing changes in control or changes in management, or limiting the ability of our other shareholders to approve transactions that they may deem to be in their best interest. In addition, due to this concentration of control, we are deemed a “controlled company” for purposes of NYSE American LLC rules and as such we are not subject to certain NYSE American LLC corporate governance rules. Moreover, our Second Amended and Restated Articles includes the casting vote provided to our Chairman of the Board under certain circumstances and the ability of members of our Board to demand that certain issues be approved by our shareholders, requiring a special majority, all as more fully described in “Memorandum of Association and Second Amended and Restated Articles” below may have the effect of delaying or preventing certain changes and corporate actions that would otherwise benefit our shareholders.

Our failure to maintain effective internal controls over financial reporting could materially adversely affect our reported financial information and the market price of our ordinary shares. Due to the increase in the market value of our ordinary shares in 2020, as of June 30, 2020 we are characterized as an “accelerated filer” under the US Securities Law. Among other things, this characterization imposes a requirement that our registered public accounting firm issue an attestation report as to our internal control over financial reporting in connection with the filing of the Annual Report on Form 20-F for each fiscal year. Our efforts to comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 have resulted in increased general and administrative expenses and a diversion of management time and attention, and we expect these efforts to require the continued commitment of resources. We cannot predict the outcome of our testing in future periods and we may also experience higher than anticipated operating expenses and fees in this context. If we fail to maintain the adequacy of our internal controls, we may not be able to ensure that we or our registered public accounting firm can conclude on an ongoing basis that we have effective internal controls over financial reporting. Failure to maintain effective internal controls over financial reporting could result in investigation or sanctions by regulatory authorities, and could have a material adverse effect on our operating results, investor confidence in our reported financial information, and the market price of our ordinary shares.

Our ordinary shares are listed in two markets and this may result in price variations that could affect the trading price of our ordinary shares. Our ordinary shares are listed on the NYSE American LLC and on the Tel Aviv Stock Exchange, or TASE, both under the symbol “ELLO.” Trading in our ordinary shares on these markets is made in different currencies (U.S. dollars on the NYSE American LLC and New Israeli Shekels on the TASE), and at different times (due to the different time zones, different trading days and different public holidays in the United States and Israel). The trading prices of our ordinary shares on these two markets may differ due to these and other factors. Any decrease in the trading price of our ordinary shares on one of these markets could cause a decrease in the trading price of our ordinary shares on the other market.

We have not paid a cash dividend or executed a buyback of a substantial number of shares since 2016 and there is no assurance we will do so in the future. We have not paid any cash dividends or announces a share buyback plan since 2016. Future dividends or future share buyback plans will depend on our earnings, if any, capital requirements, general financial condition and applicable legal and contractual constraints in connection with distribution of profits, and will be within the discretion of our then-board of directors. There can be no assurance that any additional dividends will be paid or share buyback programs adopted, as to the timing or the amount of the dividends or share buyback programs, or as to whether our Board of Directors will elect to distribute our profits by means of share repurchases or a distribution of a cash or other dividend. In addition, the terms of the deeds of trust governing our Debentures restrict our ability to made “distributions” (as such term is defined in the Israeli Companies Law, 1999, as amended, or the Companies Law, which includes cash dividends and repurchase of shares). For more information see “Item 5.B: Liquidity and Capital Resources” and “Item 8.A: Financial Information; Consolidated Statements and Other Financial Information; Dividends” below.

Our stock price has been very volatile in the past and may in the future be volatile, which could adversely affect the market liquidity of our ordinary shares and our ability to raise additional funds. The market liquidity and analyst coverage of our ordinary shares is limited. Our ordinary shares have experienced substantial price volatility in the past, particularly during periods of very limited volume of trading in our ordinary shares resulting in every transaction performed significantly influencing the market price. Although our ordinary shares are listed both on the NYSE American LLC and on the TASE, there is still limited liquidity, and combined with the general economic and political conditions, these circumstances cause the market price for our ordinary shares to continue to be volatile. The continuance of such factors and other factors relating to our business may materially adversely affect the market price of our ordinary shares in the future and could result in lower prices for our ordinary shares than might otherwise prevail and in larger spreads between the bid and asked prices for our ordinary shares. These issues could materially impair our ability to raise funds through the issuance of our ordinary shares in the securities markets.

Provisions of Israeli law may delay, prevent or make difficult an acquisition of Ellomay or a controlling position in Ellomay, which could prevent a change of control and, therefore, depress the price of our shares. Israeli corporate law regulates mergers, requires tender offers for acquisitions of shares above specified thresholds, requires special approvals for transactions involving directors, officers or significant shareholders and regulates other matters that may be relevant to these types of transactions. Furthermore, Israeli tax considerations may make potential transactions unappealing to us or to some of our shareholders. These provisions of Israeli law may delay, prevent or make difficult an acquisition of Ellomay, which could prevent a change of control and therefore depress the price of our shares.

ITEM 4: Information on Ellomay

A. History and Development of Ellomay

Our legal and commercial name is Ellomay Capital Ltd. Our office is located at 18 Rothschild Boulevard, 1st floor, Tel-Aviv 6688121, Israel, and our telephone number is +972-3-7971111. Our registered agent in the United States is CT Corporation System, 111 Eight Avenue, New York, New York 10011.

We were incorporated as an Israeli corporation under the name Nur Advertisement Industries 1987 Ltd. on July 29, 1987. On August 1, 1993, we changed our name to NUR Advanced Technologies Ltd., on November 16, 1997 we again changed our name to NUR Macroprinters Ltd. and on April 7, 2008, in connection with the closing of the sale of our business to HP, we again changed our name to Ellomay Capital Ltd. Our corporate governance is controlled by the Companies Law.

Our ordinary shares are currently listed on the NYSE American LLC and are also listed on the Tel Aviv Stock Exchange under the trading symbol “ELLO” under the Israeli regulatory “dual listing” regime that provides companies whose securities are listed both in the NYSE American LLC and the TASE certain reporting leniencies.

Recent Developments

The Talasol PV Plant

The Talasol PV Plant reached mechanical completion in September 2020 and was connected to the electricity grid and electricity production commenced at the end of December 2020. In parallel to the connection to the grid, hot commissioning tests have been initiated by the EPC contractor. On January 27, 2021 the EPC finalized the performance tests and the Provisional Acceptance Certificate (PAC) was signed.

Ellomay Solar

We are promoting the development and construction, through an indirectly wholly-owned subsidiary, Ellomay Solar S.L.U., or Ellomay Solar, of a PV plant in a plot adjacent to the land on which the Talasol PV Plant is located, or the Ellomay Solar Project. This PV plant is planned to have a capacity of 28 MW and Ellomay Solar received a grid connection permit and executed a land lease agreement.

On March 8, 2021, Ellomay Solar entered into an engineering, procurement & construction agreement in connection with the Ellomay Solar Project with METKA EGN Spain S.L.U., a 100% indirect subsidiary of MYTILINEOS S.A., under the Renewables & Storage Development Business Unit.

The Ellomay Solar EPC Agreement provides a fixed and lump-sum amount of €15.32 million for the complete execution and performance of the works defined in the EPC Agreement. The works include the engineering, procurement and construction of the Ellomay Solar Project and the ancillary facilities for injecting power into the grid and performance of two years of O&M services. The EPC Agreement contains additional standard provisions, including liquidated damages in connection with delays and performance, performance guarantees, suspension and termination.

METKA EGN Spain is expected to complete the works under the EPC Agreement within a period of 9 months from receipt of the Notice to Proceed. The early works commenced on March 1, 2021 and the Notice to Proceed is expected to be provided during May 2021.

The construction of the project promoted by Ellomay Solar and the connection of this project to the grid are subject to risks and uncertainties. For more information concerning these and other risks see under “Item 3.D: Risk Factors - Risks Related to our Business.”

The Manara PSP

Land Assessment from the Israel Land Authority

In December 2020, Ellomay PS received a land assessment from the Israel Land Authority, or ILA, in connection with the Manara PSP and paid approximately NIS 66.7 million including VAT (approximately €17 million) in consideration for the ILA's consent to the sublease of the land on which the Manara PSP is currently planned to be constructed. The amount paid includes an amount of approximately NIS 9.9 million (approximately €2.5 million), excluding VAT, for royalties related to excess ground removal to the ILA.

Conditional Tariff Approval

On December 31, 2020, Ellomay PS received the conditional tariff approval for the Manara PSP from the Israeli Electricity Authority that regulates the tariffs and formulas for purchasing energy from a pumped storage manufacturer connected to the transmission network for a period of 20 years beginning on the date of receipt of the permanent production license. The conditional tariff approval became effective following the financial closing of the Manara PSP in February 2021.

Financial Closing, EPC and O&M Agreements

On February 14, 2021, we announced the fulfillment of conditions precedent under the conditional license provided to the Manara Project, including financial closing and execution of EPC and O&M Agreements. For more information, see “Item 4.B: Business Overview” under the heading “Pumped Storage Project in the Manara Cliff in Israel.”

PV Projects under Development

As of December 31, 2020, we had additional photovoltaic projects under various development stages as follows: (i) under advanced development stages – 415 MW in Italy and 20 MW plus storage in Israel; and (ii) in early development stages – 900 MW in Italy.

We continue promoting the development of these and other new projects. Due to the travel restrictions imposed in connection with Covid-19, the works is mainly performed through conference calls and other telecommunication measures. We have local managers in each of our countries of operations (Spain, Italy and the Netherlands) that continue advancing the ongoing operations under the guidance of the business development team located in Israel.

The advancement and development of these and other projects are subject to the projects reaching several milestones, including receipt of regulatory approvals and authorizations, procurement of land rights, obtaining financing, commencement and completion of construction and connection to the grid, and to various risks and uncertainties applicable to projects under development as more fully set forth under “Item 3.D: Risk Factors” above.

There can be no assurance as to how many projects, if any, will reach the final stage of connection to the grid and operational status. We may advance some or all of the projects with partners and therefore we may not wholly-own such projects in the future.

Acquisition of a Biogas Plant in the Netherlands

On December 1, 2020, we acquired all issued and outstanding shares of Groen Gas Gelderland B.V., or GG Gelderland, through our wholly-owned subsidiary, Ellomay Luxembourg. We paid €1.567 million for the shares and the repayment of shareholder loans. An additional shareholder loan of approximately €5.9 million was granted to GG Gelderland by Ellomay Luxembourg on December 1, 2020 for the repayment of other existing loans as at the date of the acquisition. The previous owners are entitled to receive an additional amount from the Dutch Government for subsidy payments. This amount is estimated at €0.493 million, but will be determined and paid before June 2021. Ellomay Luxembourg has no liability to compensate the previous owners if the Dutch government pays less than the estimated amount. GG Gelderland owns an operating anaerobic digestion plant in Gelderland, the Netherlands, with a permit that enables it to produce approximately 7.5 million Nm³ per year. The actual production capacity of the plant is approximately 9.5 million Nm³ per year.

Israeli Tender Process for PV plus Storage

On July 19, 2020, we were notified that we are one of the winners of a first-in-kind quota tender process published by the Israeli Electricity Authority for combined photovoltaic and electricity storage facilities in Israel. The tariff per kWh determined in the tender process is NIS 0.199 for a quota of 20 MW. This tariff is linked to the Israeli CPI and is valid for a period of 23 years commencing on the commercial operation of each relevant facility.

As noted, the tender process was for a quota and we are currently examining and expect to further examine potential sites for the construction of the facilities. With respect to each project we will be required to obtain approvals, if applicable, from the ILA in connection with the site for such project, and to take all other actions necessary for the promotion of such project. Pursuant to the terms of the tender, we are further required to receive approvals for connection to the electricity grid and a grid synchronization approval from the Israeli Electric Company within up to 37 months. Following the receipt of the notice from the Israeli Electricity Authority, we submitted a performance guarantee in an aggregate amount of NIS 12 million (approximately €3 million based on the euro/NIS exchange rate at that time).

The continued development and construction of the facilities depends upon various factors, including, but not limited to, the Company's ability to locate sites for construction, enter into EPC agreements and obtain project finance and all other required approvals, all upon terms acceptable to us. Therefore, there is no assurance as to whether and when such process will be completed.

Additional Series C Debentures and Series 1 Options Offering in Israel

On October 26, 2020, we completed a public offering in Israel of additional Series C Debentures and a new series of options, tradable on the Tel Aviv Stock Exchange, to purchase the Company's ordinary shares at an exercise price per share of NIS 150 (subject to adjustments upon customary terms), or the Series 1 Options. We issued an aggregate principal amount of NIS 154 million (approximately €38.5 million) of our Series C Debentures and 385,000 Series 1 Options. The gross proceeds from the offering were NIS 164.2 million (approximately €41.1 million) and the net proceeds of the offering, net of related expenses such as consultancy fee and commissions, were approximately NIS 162.4 million (approximately €40.3 million). For additional information concerning the Series C Debentures see "Item 5.B: Liquidity and Capital Resources" and "Item 10.C: Material Contracts."

Additional Series C Debentures Offering in Israel

On February 23, 2021, we issued additional Series C Debentures in a public offering in Israel in an aggregate principal amount of NIS 100.939 million (approximately €25.6 million based on the Euro /NIS exchange rate as of December 31, 2020). The gross proceeds from the offering were NIS 102.4 million and the net proceeds of the offering, net of related expenses such as consultancy fee and commissions, were approximately NIS 101.5 million (approximately €25.7 million based on the Euro /NIS exchange rate as of December 31, 2020).

Series D Debentures Offering in Israel

On February 23, 2021, we issued new Series D Convertible Debentures in a public offering in Israel in the aggregate principal amount of NIS 62 million (approximately €15.7 million based on the Euro/NIS exchange rate as of December 31, 2020). The principal amount of the Series D Debentures is repayable in one installment on December 31, 2026. The Series D Debentures bear a fixed interest at the rate of 1.2% per year (that is not linked to the Israeli CPI or otherwise), payable semi-annually on June 30 and December 31 commencing June 30, 2021 through December 31, 2026 (inclusive). The Series D Debentures are convertible into the Company's ordinary shares, NIS 10.00 par value per share, at a conversion price of NIS 165 (approximately \$51.3 based on the Dollar/NIS exchange rate as of December 31, 2020), subject to adjustment upon customary terms. The Series D Debentures are not rated. The gross proceeds from the offering were approximately NIS 62.6 million and the net proceeds of the offering, net of related expenses such as consultancy fee and commissions, were approximately NIS 61.8 million (approximately €15.7 million based on the Euro/NIS exchange rate as of December 31, 2020). For additional information concerning the Series D Debentures see "Item 10.C: Material Contracts."

Our Debentures are listed for trading on the TASE. However, our Debentures are not registered under the Securities Act, and may not be offered or sold in the United States or to U.S. Persons (as defined in Regulation "S" promulgated under the Securities Act) without registration under the Securities Act or an exemption from the registration requirements of the Securities Act.

Early Repayment of Series B Debentures

On March 18, 2021, our Series B Debentures were repaid in full. Pursuant to the terms of the deed of trust governing the Series B Debentures, the early repayment consisted of a principal payment in the amount of approximately NIS 86.3 million (approximately €21.5 million), accrued interest in the amount of approximately NIS 0.7 million (approximately €0.16 million) and a prepayment charge of approximately NIS 3.4 million (approximately €0.86 million), amounting to an aggregate repayment amount of approximately NIS 90.4 million (approximately €22.5 million).

July 2020 Private Placement of Ordinary Shares

On July 20, 2020, we issued 450,000 ordinary shares to several Israeli qualified investors in a private placement undertaken in accordance with Regulation S. The price per share was NIS 70.5 and we received gross proceeds of approximately NIS 31.7 million (approximately €8.1 million based on the Euro/NIS exchange rate at that time).

Exercise of Warrants to Purchase Ordinary Shares

During January and February 2021, Israeli institutional investors who purchased our ordinary shares and warrants in a private placement consummated in February 2020, exercised all of the warrants issued to them in such private placement. As a result of the exercises, we issued an aggregate of 178,750 ordinary shares, at a price per ordinary share of NIS 80 (approximately \$24.6 based on the Dollar /NIS exchange rate at that time), and received gross proceeds of NIS 14.3 million (approximately \$4.4 million).

Principal Capital Expenditures and Divestitures

From 2017 through March 15, 2021, we made aggregate capital expenditures of approximately €206.4 million in connection with our operating Spanish PV Plants. Our aggregate capital expenditures in connection with the acquisition of the Talmei Yosef PV Plant was approximately NIS 48.6 million (approximately €1.9 million). Our aggregate capital expenditures in connection with PV Plants under development in Europe and Israel was approximately €3.6 million. The aggregate capital expenditures in connection with the Manara PSP through March 15, 2021, including amounts recorded in the general and administrative expense, were approximately NIS 110 million (approximately €28 million). From 2017 through March 15, 2021, capital expenditures incurred by the project companies in connection with the Waste-to-Energy Projects in the Netherlands were approximately €33.1 million.

For further information on our financing activities please refer to “Item 4.B: Business Overview” and “Item 5: Operating and Financial Review and Prospects.”

The SEC maintains an Internet site (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding registrants that we file electronically with the SEC. These SEC filings are also available to the public from commercial document retrieval services. Our website is <http://www.ellomay.com>. The information on our website is not incorporated by reference into this annual report.

B. Business Overview

We are involved in the production of renewable and clean energy. We own six PV Plants that are operating and connected to their respective national grids as follows: (i) four photovoltaic plants in Spain with an aggregate installed capacity of approximately 7.9 MWp, (ii) 51% of Talasol, which owns a photovoltaic plant with installed capacity of 300 MW in the municipality of Talaván, Cáceres, Spain that was connected to the Spanish electricity grid in the end of December 2020, and (iii) one photovoltaic plant in Israel with an installed capacity of approximately 9 MWp. In addition, we indirectly own: (i) 9.375% of Dorad, which owns an approximate 860 MWp dual-fuel operated power plant in the vicinity of Ashkelon, Israel, (ii) 83.333% of Ellomay Pumped Storage (2014) Ltd., which is promoting the Manara PSP, (iii) Ellomay Solar S.L.U. that is constructing a photovoltaic plant with installed capacity of 28MW in the municipality of Talaván, Cáceres, Spain, and (iv) Groen Gas Goor B.V., Groen Gas Oude-Tonge B.V. and Groen Gas Gelderland B.V., project companies operating anaerobic digestion plants in the Netherlands, with a green gas production capacity of approximately 3 million, 3.8 million and 9.5 million (with a license to produce 7.5 million) Nm³ per year, respectively.

PV Plants

Photovoltaic Industry Background

Clean electricity generation accounts for a growing share of electric power. While a majority of the world's current electricity supply is still generated from fossil fuels such as coal, oil and natural gas, these traditional energy sources face a number of challenges including fluctuating prices, security concerns over dependence on imports from a limited number of countries, and growing environmental concerns over the climate change risks associated with power generation using fossil fuels. As a result of these and other challenges facing traditional energy sources, governments, businesses and consumers are increasingly supporting the development of alternative energy sources, including solar energy, the fastest-growing source of renewable energy.

By extracting energy directly from the sun and converting it into an immediately usable form, either as heat or electricity, intermediate steps are eliminated.

Global trends in the industry

Solar PV power in the European Union has shown strong resilience in 2020 despite Coronavirus negatively impacting everyone's life in many aspects. Surprisingly, demand for solar power technology in the European Union did not decrease but rather increased notably in 2020. EU members states installed 18.2 GW of solar power capacity in 2020, an 11% improvement over the 16.2 GW deployed in the previous year.

For the following 2 years, SolarPower Europe project 27.4 in 2022 and 30.8 GW in 2023, translating into 15% and 18% higher deployments than in their EMO 2019. And in 2024, SolarPower Europe sees demand cross the 35 GW level, bringing total installed solar PV capacity to 253 GW.

The Asia-Pacific (APAC) is projected to lead the PV market from 2020 to 2025. The market growth can be attributed to the presence of key players such as JinkoSolar (China), JA Solar (China), Trina Solar (China), and LONGi (China) in APAC. The growing adoption of PV modules in countries such as China, Japan, and India is fueling the growth of the market. These countries are among the top 5 players in the photovoltaic market in APAC with a cumulative installed photovoltaic capacity of ~300 GW as of 2019. Moreover, the region is the largest producer and consumer of PV modules and related PV components. Various initiatives and favorable policies launched by governments of different countries in APAC to promote the use of solar energy are expected to propel the demand for PV systems in the region during the forecast period.

At the end of 2019, Israel's total installed renewable energy capacity, as per the International Renewable Energy Agency (IRENA), was 1.5 GW with solar contributing 1.19 GW.

In October 2020, the Israeli government approved a plan to deploy around 15 GW more solar capacity to help raise the 2030 target for the proportion of national electricity drawn from renewables from 17% to 30%.

New solar installations in Israel are far behind government targets. The current renewable energy production out of the total energy production in Israel is approximately 10%.

The original renewable energy directive (2009/28/EC) establishes an overall policy for the production and promotion of energy from renewable sources in the EU. It requires the EU to fulfil at least 20% of its total energy needs with renewables by 2020 – to be achieved through the attainment of individual national targets. All EU countries must ensure that at least 10% of their transport fuels come from renewable sources by 2020.

In December 2018, the revised renewable energy directive 2018/2001/EU entered into force, as part of the clean energy for all Europeans package, aimed at keeping the EU a global leader in renewables and, more broadly, helping the EU to meet its emissions reduction commitments under the Paris Agreement.

The new directive establishes a new binding renewable energy target for the EU for 2030 of at least 32%, with a clause for a possible upwards revision by 2023.

Anatomy of a Solar Power Plant

Solar power systems convert the energy in sunlight directly into electrical energy within solar cells based on the photovoltaic effect. Multiple solar cells, which produce DC power, are electrically interconnected into solar panels. A typical solar panel may have several dozens of individual solar cells. Multiple solar panels are electrically wired together and are electrically wired to an inverter, which converts the power from DC to AC and interconnects with the utility grid.

Solar electric cells convert light energy into electricity at the atomic level. The conversion efficiency of a solar electric cell is defined as the ratio of the sunlight energy that hits the cell divided by the electrical energy that is produced by the cell. In recent years, effort in the industry has been directed towards the development of solar cell technology that reduces per watt costs and increases conversion efficiency. Solar electric cells today are getting better at converting sunlight to electricity, but commercial panels still harvest only part of the radiation they are exposed to. Scientists are working to improve solar panels' efficiency using various methods.

Solar electric panels are composed of multiple solar cells, along with the necessary internal wiring, aluminum and glass framework, and external electrical connections.

Inverters convert the DC power from solar panels to the AC power distributed by the electricity grid. Grid-tie inverters synchronize to utility voltage and frequency and only operate when utility power is stable (in the case of a power failure these grid-tie inverters shut down to safeguard utility personnel from possible harm during repairs). Inverters also operate to maximize the power extracted from the solar panels, regulating the voltage and current output of the solar array based on sun intensity.

Monitoring. There are two basic approaches to access information on the performance of a solar power system. The most accurate and reliable approach is to collect the solar power performance data locally from the counters and the inverter with a hard-wired connection and then transmit that data via the internet to a centralized database. Data on the performance of a system can then be accessed from any device with a web browser, including personal computers and cell phones. As an alternative to web-based remote monitoring, most commercial inverters have a digital display on the inverter itself that shows performance data and can also display this data on a nearby personal computer with a hard-wired or wireless connection.

Tracker Technology vs. Fixed Technology

Some of our PV Plants use fixed solar panels while others use panels equipped with single or dual axis tracking technology. Tracking technology is used to minimize the angle of incidence between the incoming light and a photovoltaic panel. As photovoltaic panels accept direct and diffuse light energy and panels using tracking technology always gather the available direct light, the amount of energy produced by such panels, compared to panels with a fixed amount of installed power generating capacity, is higher. As the double axis trackers allow the photovoltaic production to stay closer to maximum capacity for many additional hours, an increase of approximately 20% (single) - 30% (dual) of the photovoltaic modules plane irradiation can be estimated. On the other hand, tracker technology requires more complex and expensive operations and maintenance and, as this is a more sophisticated technology, it is exposed to more defects.

Energy Storage Solutions

According to a new study published by the European Commission, innovative energy storage solutions will play an important role in ensuring the integration of renewable energy sources into the grid in the EU at the lowest cost. This will help the EU reach its 2050 de-carbonization objectives under the European Green Deal while ensuring Europe's security of energy supply. This independent study, titled "Energy Storage Study - Contribution to the security of electricity supply in Europe", analyzes the different flexibility energy storage options that will be needed to reap the full potential of the large share of variable energy sources in the power system. This study notes that the main energy storage reservoir in the EU at the moment is pumped hydro storage. However, as prices fall, new battery technology projects are emerging - such as lithium-ion batteries and behind-the-meter storage.

The direct conversion of light into energy offers the following benefits compared to conventional energy sources:

- **Reliability** - Solar energy production does not require fossil fuels and is therefore less dependent on this limited natural resource with volatile prices. Although there is variability in the amount and timing of sunlight over the day, season and year, a properly sized and configured system can be designed to be highly reliable while providing long-term, fixed price electricity supply.
- **Convenience** - Solar power systems can be installed on a wide range of sites, including small residential roofs, the ground, covered parking structures and large industrial buildings. Most solar power systems also have few, if any, moving parts and are generally guaranteed to operate for 20-25 years, resulting in low maintenance and operating costs and reliability compared to other forms of power generation.
- **Cost-effectiveness** - While solar power has historically been more expensive than fossil fuels, there are continual advancements in solar panel technology which increase the efficiency and lower the cost of production, thus making the production of solar energy even more cost effective.
- **Environmental** - Solar power is one of the cleanest electric generation sources, capable of generating electricity without air or water emissions, noise, vibration, habitat impact or waste generation. In particular, solar power does not generate greenhouse gases that contribute to global climate change or other air pollutants, as power generation based on fossil fuel combustion does, and does not generate radioactive or other wastes as nuclear power and coal combustion do. It is anticipated that environmental protection agencies will limit the use of fossil fuel based electric generation and increase the attractiveness of solar power as a renewable electricity source.
- **Security** - Producing solar power improves energy security both on an international level (by reducing fossil energy purchases from hostile countries) and a local level (by reducing power strains on local electrical transmission and distribution systems).

These benefits impacted our decision to enter into the solar photovoltaic market. We believe the fluctuations in fuel costs, environmental concerns and energy security make it likely that the demand for solar power production will continue to grow. Many countries, including Italy and Spain, have put incentive programs in place to spur the installation of grid-tied solar power systems. For further information please see “Material Effects of Government Regulations on the PV Plants.”

Measuring the Performance of Solar Power Plants

One of the main factors for measuring the efficiency and quality of a power plant is the performance ratio (PR). The performance ratio is stated as percent and describes the relationship between the actual and theoretical energy outputs of the PV plant. This calculation provides the proportion of the energy that is actually available for export to the electricity grid after deduction of any energy losses and of energy consumption for the operation of the PV plant. The performance ratio can be used to compare PV plants at different locations as the calculation is independent of the location of a PV plant. The closer the performance ratio is to 100%, the more efficient the relevant PV plant is operating, however a PV plant cannot reach a performance ratio of 100% as there are inevitable losses and use of energy of the PV plant. High-performance PV plants can however reach a performance ratio higher than 80%.

There are several risk factors associated with the photovoltaic market. See “Item 3.D: Risk Factors - Risks Related to our Business.”

Our Photovoltaic Plants



The following table includes information concerning our PV Plants:

Name	Installed Production / Capacity ¹	Location	Type of Plant	Connection to Grid	Fixed Tariff	Revenue in the year ended December 31, 2019 (in thousands) ²	Revenue in the year ended December 31, 2020 (in thousands) ²
“Rinconada II”	2,275 kWp	Municipality of Córdoba, Andalusia, Spain	PV – Fixed Panels	July 2010	N/A	€871	€732
“Rodríguez I”	1,675 kWp	Province of Murcia, Spain	PV – Fixed Panels	November 2011	N/A	€612	€531
“Rodríguez II”	2,691 kWp	Province of Murcia, Spain	PV – Fixed Panels	November 2011	N/A	€1,010	€882
“Fuente Librilla”	1,248 kWp	Province of Murcia, Spain	PV – Fixed Panels	June 2011	N/A	€94	€432
“Talmei Yosef”	9,000 kWp	Talmei Yosef, Israel	PV – Fixed Panels	November 2013	0.9857 ³ (NIS/kWh)	€1,133 ⁴	€1,066
“Talasol”	300,000 kWp	Talaván, Cáceres, Spain	PV – Fixed Panels	December 2020	N/A	-- ⁵	-- ⁵

1. The actual capacity of a photovoltaic plant is generally subject to a degradation of 0.5%-0.7% per year, depending on climate conditions and quality of the solar panels.
2. These results are not indicative of future results due to various factors, including changes in the climate and the degradation of the solar panels.
3. The tariff of NIS 0.9631/kWh is fixed for a period of 20 years and is updated once a year based on changes to the Israeli CPI of October 2011. The tariff increased from NIS 0.976/kWh in November 2013 to NIS 1.005/kWh in 2020.
4. As a result of the accounting treatment of the Talmei Yosef PV Plant as a financial asset, out of total proceeds from the sale of electricity of approximately €4.1 million for the years ended December 31, 2019 and 2020, only revenues related to the ongoing operation of the plant in the amount of approximately €1.1 million are recognized as revenues in 2019 and 2020.
5. The Talasol PV Plant is 51% owned by us. As it was connected to the Spanish national grid at the end of December 2020 and achieved PAC in January 2021, no revenues were recorded in connection with this PV Plant for the years ended December 31, 2019 and 2020.

Sale of Italian PV Portfolio

On December 20, 2019, we sold ten Italian indirect wholly-owned subsidiaries, which own twelve photovoltaic plants with an aggregate nominal capacity of approximately 22.6 MW, or the Italian PV Portfolio, and sold the sale of the receivables arising from shareholder loans provided to such companies. The purchase price was €38.7 million (after approximately €2.3 million adjustments in connection with funds received by us from the Italian subsidiaries during 2019). The Sale and Purchase Agreement governing the sale of the subsidiaries and the receivables includes customary representations and warranties and indemnification mechanisms, including specific indemnification for existing risks for a limited time as follows: (i) indemnification in the amount of up to €0.25 million in connection with potential tax liabilities (until December 31, 2023), (ii) indemnification in the amount of up to €0.5 million in connection with potential incentive reduction under limited circumstances in one of the Italian subsidiaries sold (until December 31, 2023), and (iii) indemnification in the amount of up to €2.1 million in connection with potential incentive reduction under limited circumstances in one of the Italian subsidiaries sold until June 30, 2021. In connection with such indemnification undertakings, we recorded expenses in the amount of approximately €2.1 million following the announcement received from Gestore dei Servizi Elettrici, or GSE, Italy's energy regulation agency, claiming alleged non-compliance of the installed modules with the required certifications under the applicable regulation and raising the need to examine incentive eligibility implications. In 2020, with the cooperation of the acquirer of the Italian subsidiaries, an appeal was submitted to GSE. Following the positive outcome of such appeal, the provision for the potential indemnification of approximately €2.1 million was cancelled. For further information see the Sale and Purchase Agreement, included as exhibit 4.19 under “Item 19. Exhibits.”

Photovoltaic Plants

The construction and operation of photovoltaic plants entail the engagement of Contractors, in order to build, assemble, install, test, commission, operate and maintain the photovoltaic power plants, for the benefit of our wholly-owned subsidiaries.

Each of the PV Plants is constructed and operates on the basis of the following main agreements:

- Development Agreement with a local experienced developer for the provision of development services with respect to photovoltaic greenfield projects from initial processing, obtaining of approvals and clearances with the aim of reaching “ready to build” status;
- an Engineering, Procurement & Construction projects Contract, or an EPC Contract, which governs the installation, testing and commissioning of a photovoltaic plant by the respective Contractor;
- an Operation and Maintenance (O&M) Agreement, which governs the operation and maintenance of the photovoltaic plant by the respective Contractor;
- a number of ancillary agreements, including:
- one or more “surface rights agreements” or “lease agreements” with the land owners, which provide the terms and conditions for the lease of land on which the photovoltaic plants are constructed and operated;

With respect to our Spanish PV Plants –

- Standard “power distribution agreements” with the applicable Spanish power distribution grid company such as Endesa Distribución Eléctrica, S.L.U., or Endesa, or Iberdrola Distribución Eléctrica, S.A.U., or Iberdrola, regarding the rights and obligations of each party, concerning, inter alia, the evacuation of the power generated in the plant to the grid;
- Standard “representation agreements” with an entity that will act as the energy sales agent of the PV Plant in the energy market, in accordance with Spanish Royal Decree 436/2004; and
- Assignment Contract (“contrato de encargo de proyecto”) and the Technical Access Contract (“Contrato técnico de acceso a la red de transporte”) with Red Eléctrica de España (the Spanish grid operator, or REE).

With respect to our Israeli PV Plant:

- A power purchase agreement with the IEC for the purchase of electricity by the IEC with a term of 20 years commencing on the date of connection to the grid.

With respect to Italian PV Plants to be developed or held in the future –

- to the extent the FiT or any other incentive will be applicable - standard “incentive agreements” with GSE, Italy’s energy regulation agency responsible, inter alia, for incentivizing and developing renewable energy sources in Italy and purchasing energy and re-selling it on the electricity market. Under such agreements, it is anticipated that GSE will grant the applicable FiT governing the purchase of electricity (FiTs are further detailed in “Material Effects of Government Regulations on the Italian PV Plants”);

- one or more “power purchase agreements” with GSE, specifying the power output to be purchased by GSE for resale and the consideration in respect thereof or, alternatively, a “power purchase agreements” with a private energy broker, specifying the power output to be purchased for resale and the consideration in respect thereof; and
- one or more “interconnection agreements” with the Enel Distribuzione S.p.A, or ENEL, the Italian national electricity grid operator, which provide the terms and conditions for the connection to the Italian national grid.
- optionally, one or more “project financing agreements” with financing entities, as were already executed with respect to several of the PV Plants and as more fully described below, and as may be executed in the future with respect to one or more of the remaining PV Plants; and
- a stock purchase agreement in the event we acquire an existing company that owns a photovoltaic plant that is under construction or is already constructed.

All of our PV Plants are operational and the summaries below describe the material terms of the O&M Agreements executed in connection with such PV Plants.

Operation and Maintenance Agreements

General

As mentioned above, each of the PV Plants is operated and maintained by a local contractor pursuant to an O&M Agreement executed between such Contractor and our subsidiary that owns the PV Plant, or the PV Principal. Each O&M Agreement sets out the terms under which each of the Contractors is to operate and maintain the PV Plant once it becomes operational.

In our Talmei Yosef PV Plant and Talasol PV Plant, a technical adviser, or the Technical Advisor, was appointed by the Financing Entity, to monitor the performance of the services. Our current Technical Advisers in Spain and Israel is a leading technical firm which appears in the banks’ white list.

We expect that, if required, we could replace some or all of our current O&M Contractors with other contractors and service providers. However, we cannot ensure that if such replacement shall take place we will be able to receive the same terms and warranties from the new contractor. In addition, to the extent the relevant PV Plant received financing from a bank or other financing institution, the applicable financing agreement generally requires that we obtain the financing institution’s approval for the replacement of an O&M contractor.

The Services

Each O&M Agreement governs the provision of the following services: (i) Subscription Services, which include Preventive Maintenance Services (maintenance services such as cleaning of panels and taking care of vegetation, surveillance, remote supervision of operation and full operational status of the PV Plant) and Corrective Maintenance Services (services to correct incidents arising at the PV Plant or to remedy any anomaly in the operation of the PV Plant), and (ii) Non-Subscription Services, which are all services outside the scope of the Subscription Services. In some cases, certain engagement agreements are executed by us directly with service providers (such as internet, security services, etc.).

The Consideration

Based on the range of services offered by the Contractor, the annual consideration for the Subscription Services in our operating PV Plants, other than Talasol, varies from €12,800 to €20,700 per MWp (linked to the local Consumer Price Index) for each of the PV Plants, paid in the majority of the PV Plants on a quarterly basis. The annual consideration for the Talasol O&M services amounts to approximately €2 million, paid on a monthly basis. The Subscription Services fee is fixed and the Contractor is not entitled to request an increase in the price due to the occurrence of unforeseen circumstances. This annual consideration does not include the price of the insurance policies to be obtained by the PV Principal, including all risk insurance policies.

Contractor's Obligations, Representations and Warranties

The Contractor's obligations under the O&M Agreement include, *inter alia*, the duty to diligently perform the operation and maintenance services in compliance with the applicable law and permits in a workmanlike manner and using the most advanced technologies, to manage the spare parts and replenish the inventory as needed, and to assist the PV Principal and the Financing Entity in dealing with the authorities by providing the necessary information required by such authorities. The Contractor represents and warrants, *inter alia*, that it holds the necessary permits and authorizations, and that it has the necessary skills and experience to perform the services contemplated by the O&M Agreement.

Termination

Each party may terminate the O&M Agreement (to the extent applicable, after obtaining the approval of the financing entity) if the other is in breach of any of its obligations that remain uncured for 30 days following written notice thereof.

The O&M Agreement is terminated if the Contractor is liquidated or becomes bankrupt or insolvent, and on other similar grounds, unless the PV Principal is willing to continue the O&M Agreement.

The O&M Agreement also provides the parties the option to withdraw from the agreement other than in the event of a breach by the other party, subject to certain circumstances and advance notice requirements.

The Talasol PV Plant

In April 2017, we, through Ellomay Luxembourg, purchased 100% of the shares of Talasol for a purchase price of €10 million. An amount of €8 million out of such purchase price was deposited in escrow during May 2017. In October 2018, Ellomay Luxembourg paid €1 million as a down-payment based on an understanding reached with the sellers of the Talasol shares and in January 2019, following the fulfilment or waiver of the conditions subsequent, an additional amount of €7 million was paid to the sellers, thus releasing the €8 million escrow deposited in May 2017. An additional amount of €2 million was deposited in a trust account held in escrow and released to the sellers of Talasol in May 2020.

In June 2018, Talasol entered into an engineering, procurement & construction agreement, or the Talasol EPC Agreement, with METKA EGN Limited, or METKA EGN, following a tender process initiated by Talasol. The Talasol EPC Agreement provides a fixed and lump-sum amount of €192.5 million for the complete execution and performance of the works defined in the Talasol EPC Agreement. The works include the engineering, procurement and construction of the Talasol PV Plant and the ancillary facilities for injecting power into the grid, including a 400 kV step-up substation, the high voltage interconnection line to the point of connection to the grid and performance of two years of O&M services. METKA EGN is expected to complete the works under the EPC Agreement within a period of 16 months from the commencement date. The Talasol EPC Agreement includes additional standard provisions, including with respect to liquidated damages in connection with delays and performance, performance guarantees, suspension and termination.

In June 2018, Talasol executed a financial power swap, or the Talasol PPA, in respect of approximately 80% of the output of a prospective photovoltaic plant for a period of 10 years. The Talasol PPA was executed with a leading international energy company with a solid investment grade credit rating and a pan-European asset base, which is active in more than forty countries and has a proven track record in financial hedges. The power produced by the Talasol PV Plant is sold in the open market for the then current market power price. The Talasol PPA is expected to hedge the risks associated with fluctuating electricity market prices by allowing Talasol to secure a certain level of income for the power production included under the Talasol PPA. The hedging provides that if the market price goes below a price underpinned by the Talasol PPA, the Hedging Provider will pay Talasol the difference between the market price and the underpinned price, and if the market price is above the underpinned price, Talasol will pay the Hedging Provider the difference between the market price and the underpinned price. The hedge transaction became effective in March 2019.

In July 2018, Talasol executed a pre-hedge transaction with Goldman Sachs International in connection with the prospective project financing for the construction of a photovoltaic plant. The pre-hedge transaction is a fixed for floating interest rate swap intended to lock-in current market floating rates.

In April 2019, the Talasol PV Plant reached financial closing and we sold 49% of our holdings in Talasol to two entities and therefore our current ownership interest in the Talasol PV Plant is 51%.

As noted above, the Talasol PV Plant reached mechanical completion in September 2020 and was connected to the electricity grid and electricity production commenced at the end of December 2020. In parallel to the connection to the grid, hot commissioning tests have been initiated by the EPC contractor. PAC was achieved on January 27, 2021.

Agreements with Partners in Talasol

On April 17, 2019, Ellomay Luxembourg executed a Credit Facilities Assignment and Sale and Purchase of Shares Agreement, or the Talasol SPA, with GSE 3 UK Limited and Fond-ICO Infraestructuras II, FICC, or, together, the Talasol Partners, pursuant to which it agreed to sell to each of the Talasol Partners 24.5% of its holdings in Talasol.

The Talasol SPA further provides that Ellomay Luxembourg will assign to the Talasol Partners, in equal parts, 49% of its rights and obligations under the agreements executed in connection with the project finance obtained for the Talasol PV Plant. The Talasol SPA provides that the legal risks will be transferred to the Talasol Partners on the closing date and the economic yields and results of operations of Talasol's business will be transferred to the Talasol Partners as from December 31, 2018.

The Talasol SPA includes customary representations and warranties of Ellomay Luxembourg and the Talasol Partners and a mutual indemnification mechanism for breaches of representations and warranties or of undertakings, subject to time, minimum claims, minimum aggregate claims and maximum liability limitations, as a sole remedy, subject to customary exceptions. The consummation of the transactions contemplated by the Talasol SPA was subject to the fulfillment or waiver of several customary conditions precedent by June 30, 2019, including the fulfillment of all conditions precedent under the Talasol PV Plant's project finance and the entry by the Talasol Partners into an equity support agreement.

The transactions contemplated under the Talasol SPA were consummated in April 2019. The aggregate purchase price paid by the Talasol Partners, in the amount of approximately €6.1 million, represented 49% of the amounts withdrawn and interests accrued from and by Talasol under its shareholder development costs credit facility in connection with the Talasol PV Plant's financing as of the closing date of the Talasol SPA (approximately €4.9 million), plus a payment for 49% of Talasol's shares (approximately €4.9 million) plus a premium of approximately €6.1 million. Of such aggregate purchase price, the payment of €1.4 million was deferred until the achievement of a preliminary acceptance certificate, or PAC, under the EPC agreement of the Talasol PV Plant. Following the achievement of PAC on January 27, 2021 the deferred payment amount of €1.4 million was received by Ellomay Luxembourg.

On the closing date of the Talasol SPA, Ellomay Luxembourg and the Talasol Partners entered into a Partners' Agreement, or the Talasol PA, setting forth the relationship between the prospective shareholders of Talasol, the governance and management of Talasol, the funding and financing of Talasol and the mechanism for future transfers of Talasol's shares. The Talasol PA provides that all matters brought for a vote at a partners' meeting, other than specific reserved matters, will be adopted by the majorities set forth in the Spanish Companies Act. The Talasol PA includes minority rights for the Talasol Partners, and provides that we will appoint the majority of the board members and that all matters brought for a vote at a board of directors meeting will be adopted by a simple majority of the directors, other than specific matters.

The Talasol PA further provides that Ellomay Luxembourg will be entitled to receive a management fee from Talasol in consideration for the administrative, support and management services to be provided to Talasol by Ellomay Luxembourg. The Talasol PA includes restrictions on transfer of the shares of Talasol by Ellomay Luxembourg and any of the Talasol Partners, which is prohibited for a certain period (other than in connection with certain customary permitted transfers) and thereafter is subject to a right of first offer, tag along rights granted to the Talasol Partners on sales by Ellomay Luxembourg and a drag along right granted to Ellomay Luxembourg.

Based on current technical analysis of the design provided by the EPC contractor of the Talasol PV Plant, the P50 expected production of the Talasol PV Plant is approximately 561 GWh per annum. It is expected that the Talasol PV Plant's CAPEX will amount to approximately €200-€230 million, including development costs of approximately €20 million and interest of approximately €7 million. Based on the current technical analysis, a price projection analysis and the expected hedging effect of the Talasol PPA, a price projection analysis and the expected hedging effect of the Talasol PPA, the Talasol PV Plant's annual revenues are currently expected to be in the range of €23-€25 million.

The Talasol PV Plant has entered into its operational stage, which entails several risks and uncertainties. For more information concerning these and other risks see under "Risk Factors - Risks Related to our Business." The projected production, revenues and other future results and outcomes included herein are based on the current expectations and assumptions of the Company and its advisors and are subject to various conditions and circumstances.

Framework Agreements for the Development of PV Projects in Italy

First Framework Agreement

In November 2019, Ellomay Luxembourg executed a Framework Agreement, or the First Framework Agreement, with an established and experienced European developer and contractor. Pursuant to the First Framework Agreement, the developer will scout and develop photovoltaic greenfield projects in Italy with the aim of reaching an aggregate authorized capacity of at least 250 MW over a three-year period.

The First Framework Agreement provides that each project will be presented to Ellomay Luxembourg when it becomes "ready to build". Thereafter, if Ellomay Luxembourg accepts the project, the developer is obligated to transfer to Ellomay Luxembourg 100% of the share capital of the entity that holds the rights to the project. With respect to each project, subject to the conditions set forth in the First Framework Agreement, Ellomay Luxembourg will enter into engineering, procurement and construction, or EPC, and O&M contracts with the developer to construct and operate the projects.

The First Framework Agreement provides that when the first project under the First Framework Agreement achieves the positive environmental impact assessment, the parties will negotiate the terms of a model lump-sum, turnkey EPC contract and O&M contract that will be executed with the developer in connection with all projects acquired under the First Framework Agreement.

In connection with the execution of the First Framework Agreement, Ellomay Luxembourg paid the developer an advance payment of approximately €1.2 million, based on the target aggregate project capacity of 250 MW, and undertook to pay an additional advance payment per each project when the project submits its environmental impact assessment application. As of March 15, 2021 the additional advance payment paid amounted to approximately €0.3 million. In the event the target aggregate capacity is not achieved within a three-year period or in the event a project does not reach “ready to build” status, the advance payment will be proportionately refunded.

The developer is currently in various advanced development stages of projects in an aggregate capacity of approximately 100 MW. It is currently estimated by the developer that projects with an aggregate capacity of approximately 70 MW will achieve “ready to build” status by the end of 2020.

The advancement and development of projects that will become part of the First Framework Agreement is subject to various conditions, including receipt of regulatory approvals and authorizations and procurement of land rights. There can be no assurance as to the aggregate capacity of projects that will reach the “ready to build” status and as to the number and aggregate capacity of projects that Ellomay Luxembourg will decide to acquire, and any such future decision will be subject to the relevant circumstances existing at the time a project reaches the “ready to build” status under the First Framework Agreement.

Second Framework Agreement

In December 2019, Ellomay Luxembourg executed an additional Framework Agreement, or the Second Framework Agreement, with an established and experienced European developer. Pursuant to the Second Framework Agreement, the developer will provide Ellomay Luxembourg with development services with respect to photovoltaic greenfield projects in Italy in the scope of 350 MW with the aim of reaching an aggregate “ready to build” authorized capacity of at least 265 MW over a forty-one month period.

The Second Framework Agreement provides that the developer will offer all projects identified during the term of the Second Framework Agreement exclusively to Ellomay Luxembourg and that, with respect to each project acquired by Ellomay Luxembourg, the developer will be entitled to provide development services until it reaches the “ready to build” status. The parties agreed on a development budget including a monthly development service consideration, to be paid to the developer and all other payments for the tasks required to bring the projects to a ready to build. In addition, Ellomay Luxembourg undertook to pay a success fee to the developer with respect to each project that achieves a “ready to build” status. Currently development is progressing as planned.

In addition to the 265 MW mentioned above, Ellomay Luxembourg has the option to purchase approximately 37 MW that are already under development by the developer, 30 MW of which have already received the approval for connection to the Italian electricity grid.

The advancement and development of projects that will become part of the Second Framework Agreement is subject to various conditions, including receipt of regulatory approvals and authorizations and procurement of land rights. There can be no assurance as to the aggregate capacity of projects that will be identified by the developer and that will thereafter reach the “ready to build” status, and as to our decision and success in completing construction of any of such projects. Any future decision of the Company with respect to the continued development of projects will be subject to the relevant circumstances existing at the time such decision will be made.

Competition

Our competitors are mostly other entities that seek land and contractors to construct new power plants on their behalf or seek to purchase existing photovoltaic power plants. The competition in the Israeli photovoltaic sector concentrates on the ability to receive licenses from the Israeli Electricity Authority for the construction of new photovoltaic plants, which is subject to a quota as more fully described below and the ability to acquire existing plants that were already granted an electricity production license. The market for solar energy is intensely competitive and rapidly evolving, and many of our competitors who strive to construct new solar power plants have established more prominent market positions and are more experienced in this field. Our competitors in this market include Etrion Corporation (TSX, TO:ETX), Sunflower Sustainable Investments Ltd. (TASE:SNFL), Enlight Renewable Energy Ltd. (TASE:ENLT), Energix Renewable Energies Ltd. (TASE:ENRG), Allerion Clean Power S.p.A. (ARN.MI), NextEra Energy Partners (NYSE:NEP), NRG Yield (NASDAQ:NYLD), TransAlta Renewables (TSX:RNW), Pattern Energy Group (NASDAQ:PEGI), Abengoa Yield PLC (NASDAQ:ABY), NextEnergy Solar Fund Limited (LSE:NESF), Bluefield Solar Income Fund Limited (LSE:BSIF), Infinis Energy PLC (LSE:INF1), The Renewables Infrastructure Group Limited (LSE:TRIG) and TerraForm Power, Inc. (NASDAQ:TERP). If we fail to attract and retain ongoing relationships with solar plants developers, we will be unable to reach additional agreements for the development and operation of additional solar plants, should we wish to do so.

Customers

The customers of our PV Plants are generally the local operators of the national grid and our PV Plants do not provide electricity or enter into power purchase agreements with private customers. The agreements with the customers include customary termination provisions, including in connection with breaches of the electricity producer and in the event the plant causes disruptions with the grid.

Seasonality

Solar power production has a seasonal cycle due to its dependency on the direct and indirect sunlight and the effect the amount of sunlight has on the output of energy produced. Although we received the technical calculation of the average production recorded in the area of each of our PV Plants from our technical advisors and incorporated such data into our financial models, adverse meteorological conditions can have a material impact on the PV Plants' output and could result in production of electricity below expected output. For example, the radiation levels in Italy during the year ended December 31, 2018 were lower than the radiation levels during the same period in 2019, resulting in lower revenues from our formerly held Italian PV Plants during the year ended December 31, 2018.

Sources and Availability of Components of the Solar Power Plant

As noted above, the construction of our PV Plants entails the assembly of solar panels and inverters purchased from third party suppliers. A critical factor in the success of our PV Plants is the existence of reliable panel suppliers, who guaranty the performance and quality of the panels supplied. Degradation in such performance above a certain minimum level, generally 90% during the initial ten year period and 80% during the following ten-fifteen year period, is guaranteed by the panel suppliers. However, if any supplier is unreliable or becomes insolvent, it may default on warranty obligations.

There are currently sufficient numbers of solar panel manufacturers at sufficient quality and we are not currently dependent on one or more specific suppliers.

In addition, silicon is a dominant component of the solar panels, and although manufacturing abilities have increased over-time, any shortage of silicon, or any other material component necessary for the manufacture of the solar panels, may adversely affect our business.

Material Effects of Government Regulations on the PV Plants

The development, construction and operation of a photovoltaic plant is subject to complex legislation covering, *inter alia*, building permits, licenses, the governmental long-term incentive scheme and security considerations. The following is a brief summary of the regulations applicable to our PV Plants.

Material Effects of Government Regulations on the Italian PV Plants

The regulatory framework surrounding photovoltaic plants located in Italy consists of legislation at the Italian national and local level. Relevant European legislation has been incorporated into Italian legislation, as described below.

National Legislation

(i) Construction Authorizations

Construction of a photovoltaic plants is subject to receipt of appropriate construction authorizations, pursuant to Legislative Decree no. 380 of 2001, or Decree 380, and Legislative Decree 29 December 2003 no. 387, or Decree 387, the latter of which implements European Directive no. 77 of 2001 on the promotion of electricity produced from renewable energy sources in the internal electricity market.

Decree 387 aims to promote renewable energies, *inter alia* by simplifying the procedures required to commence constructions. In particular, it regulates the so-called *Autorizzazione Unica*, or AU, in relation to renewable energy plants. The AU is an authorization issued by the Region in which the construction is to take place, or by other local competent authorities, and which joins together all permits, authorizations and opinions that would otherwise be necessary to begin construction (such as, building licenses, landscape authorizations, permits for the interconnection facilities, etc.). The only authorization not included in the AU is the environmental impact assessment (*valutazione di impatto ambientale*, or VIA, see below), which needs to be obtained before the AU procedure is started. The AU is issued following a procedure called *Conferenza di Servizi* in which all relevant entities and authorities participate. Such procedure is expected to be completed within 180 days of the filing of the relevant application, but such term is not mandatory and cannot entirely be relied upon.

Decree 380, which is the general law on building administrative procedures, provided another track for obtaining the construction permit. Pursuant to this decree, the construction authorization can be obtained through a *permesso di costruire*, or the Building Permit, which is an express authorization granted by the competent municipality. Upon positive outcome of the municipality's review, the Building Permit is granted. Works must start, under penalty of forfeiture of the Building Permit, within one year following the date of issuance, and must be completed within the following three years.

Decree 380 also regulates the so-called *Dichiarazione di inizio attività*, or DIA, procedure. DIA is a self-certification process whereby the applicant declares that the project in question complies with all relevant requirements and conditions. The competent authority can deny the authorization within 30 days of receipt of DIA; should such a denial not be issued within such term - which is mandatory - the authorization shall be deemed granted and the applicant is allowed to start the works. The DIA procedure can be used in relation to plants whose power is lower than 20 kW. Since the expected power output of the PV Plants exceeds 20kW, the DIA is not available for the PV Plants. With the entry into force of the Romani Decree on March 29, 2011, which implemented European applicable directives (in particular, directive no. 28 of 2009), the DIA procedure has been replaced, with respect to plants fed by renewable energy sources, by the so called *procedura abilitativa semplificata*, or PAS, according to which, very similarly to the DIA procedure, an applicant can start construction of a plant after 30 days of the filing of the application with the competent Municipality provided that the latter has in such time not raised objections and/or requested integrations. With respect to photovoltaic plants, under the Romani Decree the PAS applies to plants with a power up to 20 kWp, and regions can increase such threshold up to 1 MWp. Furthermore, Decree Law no. 76/2020 ("*Decreto Semplificazioni*") has provided that also in relation to PV plants non-substantial modifications can be authorized through the so called *dichiarazione di inizio lavori asseverata*, i.e. a self-declaration confirmed by a qualified surveyor based on which the relevant works can start immediately.

In the past, Italian photovoltaic projects relied on three AUs, three DIAs and six Building Permits. Based on the current regulatory regime, a project to construct a photovoltaic plant in Italy requires the AU, subject to the terms and conditions included therein, or, for cases in which PAS applies, subject to the positive outcome of the relevant procedure.

(ii) *Connection to the National Grid*

The procedures for the connection to the national grid are provided by the Authority for Electric Energy and Gas, or AEEGSI. Currently, the procedure to be followed for the connection is regulated by the AEEGSI Resolution no. 99 of 2008 (*Testo Integrato delle Connessioni Attive*, or TICA) which replaces previous legislation and has subsequently been integrated and partially amended by AEEGSI Resolutions no. 124/2010 and 125/2010. According to TICA, an application for connection must be filed with the competent local grid operator, after which the latter notifies the applicant the estimated time for connection, or STMC. The STMC shall be accepted within 45 days of issuance. However, in order for the authorization to the connection to become definitive, all relevant authorization procedures (such as easements, ministerial *nulla osta*, etc.) must be successfully completed.

There are three alternative modalities to sell electricity:

- by way of sale on the electricity market (Italian Power Exchange IPEX), the so called "Borsa Elettrica";

- through bilateral contracts with wholesale dealers; and
- via the so-called “Dedicated Withdrawal” introduced by AEEGSI Resolution no. 280/07 and subsequent amendments. This is the most common way of selling electricity, as it affords direct and quick negotiations with the national energy handler (GSE), which will in turn deal with energy buyers on the market.

The Incentive Tariff System for Photovoltaic Plants

The Italian government promotes renewable energies by providing certain incentives. In the past, these incentives were provided mainly through granting of a fixed FiT for a period of 20 years from connection of a photovoltaic plant. The FiT was determined with reference to the nominal power of the plant, the characteristics of the plant (plants are divided into non-integrated; partially integrated and architecturally integrated) and the year on which the plant has been connected to the grid. The FiT in the past was provided for under various laws, namely Ministerial Decree dated February 19, 2007 (the Second Conto Energia), applicable to photovoltaic plants that commenced operations prior to January 1, 2011, Ministerial Decree dated August 6, 2010 (the Third Conto Energia), applicable to photovoltaic plants that commenced operations from January 1, 2011 through May 31, 2011, the Decree dated May 5, 2011 (the Fourth Conto Energia), applicable to photovoltaic plants that commenced operations after May 31, 2011 and the Decree dated July 5, 2012 (the Fifth Conto Energia), which, with some exceptions, applies to photovoltaic plants that commenced operations starting from August 27, 2012.

The Fifth Conto Energia provided that it shall cease to be effective 30 days after the communication by the Italian Energy Authority that a cumulative amount equal to 6.7 billion euros of annual cost for incentives granted to photovoltaic plants has been reached. In June 2013, AEEGSI announced that the overall annual expense cap of €6.7 billion for incentive payments payable to PV had been reached. As a consequence, the Fifth Conto Energia ceased to apply on July 6, 2013.

On July 4, 2019, the Italian Ministry for Economic Development issued a decree setting out a new incentive scheme for renewable energy plants including PV (so called “FER1 Decree”).

With respect to PV, the FER1 Decree provides incentives the amount of which is mainly based on the plant capacity. Additional bonuses are granted to plants below 1 MWp installed as replacement of asbestos rooftops (inserted in a group called “A2”) and to plants with power below 100 kW installed on buildings provided that the amount of self-consumed energy is equal at least to 40% of the total net production (€10/MWh). Below is a table summarizing the amount of the applicable reference tariff:

Plant Type	Power level (kW)	Reference Tariff (€/MWh)	A2 plants Bonus (€/MWh)	Bonus for self-consumption (€/MWh)
Group A	20 <P ≤100	105	-	10
	100 <P ≤1000	90	-	-
	P>1000	70	-	-
Group A2	20 <P ≤100	105	12	10
	100 <P ≤1000	90	12	-

Incentives are awarded for a period of 20 years at the outcome of seven tenders to be held between September 2019 and September 2021 (with different procedures depending on whether the plant is below or above 1MWp), whereby the effective granted tariff will be equal to the reference tariff as reduced by the percentage reduction offered by the applicant.

Award of the incentive is based on a number of hierarchic criteria that differ for plants below or above 1MWp.

With respect to plants below 1MW, the first criterion is the installation of the plant in areas such as closed dumps or mines, or (for A2 plants) on public buildings such as schools or hospitals. This is aimed at giving preference to environment-friendly plants and therefore, for the avoidance of doubt, such plants will be preferred to other plants even if the tariff reduction set out in the application is lower.

With respect to plants above 1MW, the first criterion is instead the tariff percentage reduction.

For plants above 250KW, the incentive is paid by GSE as positive balance between the tariff and the energy price (i.e. the zonal hourly price); if the balance is negative, GSE is entitled to be returned the relevant amount by the producer. For plants below 250KW, the producer can also request that GSE pay the incentive as all-inclusive tariff (*tariffa onnicomprensiva*).

The incentives provided by the FER1 Decree cannot be cumulated with the ones provided under the various *Conto Energia* and are in any case subject to achievement of an overall cap equal to an annual medium cost for incentives of €5.8 billion per year.

Other Renewable Energy Incentives

Legislative Decree no. 79 of 1999 implements the so-called “priority of dispatch” principle to the marketing of renewable energies, which means that the demand for electricity must be first satisfied by renewable energies.

In other words, in light of the increasing demand of energy, the sale of the total output of power plants fueled by renewable sources is required by law, and the government must buy power from solar power plants that wish to sell to it, before it can buy the remainder of its power needs from fossil fuel energy resources.

Developments regarding the Italian incentive system and the electric energy sale price since 2013

(i) The so called “Fare 2” Decree

The Ministry of Economic Development issued a draft decree, or the *Fare 2* Decree, which provided measures aimed at reducing the cost of energy for consumers.

Thereafter, such measures have been incorporated in a law proposal ancillary to the so called “Stability law” (i.e. the budget law to be approved on an annual basis to comply with EU financial requirements). The abovementioned *Fare 2* Decree has been replaced by another decree named *Destinazione Italia*, which was approved as a Law Decree by the Government and converted into Law n. 9, dated February 21, 2014.

This decree does not differ from the *Fare 2* Decree as to the matters set forth above, and provides, in particular:

- a measure consisting of granting the option to access a new revised incentive plan. This specific provision applies to producers of renewable energy and owners of plants to which the “all-inclusive tariff” (*tariffa omnicomprensiva*) or certain “Green Certificates” (*certificati verdi*) apply and provides an alternative incentive system for production of renewable energy, which can be activated voluntarily on demand of each producer. The latter must choose either to continue maintaining the same incentive regime for the remaining period of duration of the plan, or access a new plan, enforced for the remaining duration of the plan extended by 7 years, but with a correspondent reduction in the nominal amount of the incentive, in a percentage which varies based on, inter alia, the remaining duration of the plan and the type of energy source.
- a replacement, starting from January 1, 2014, of the minimum guaranteed prices currently foreseen under the Italian mandatory purchase regime with the zonal hourly prices set out for each specific area (so called *prezzi zonali orari*, i.e. the average monthly price, correspondent to each hour, as resulting from the electric market price on the area where the PV plant is located). The replacement of minimum guaranteed prices with zonal prices applies to PV plants exceeding 100kWp.

Based on the above mentioned provision, the minimum guaranteed prices for energy produced by renewable energy sources have been abolished and the prices that are awarded to such plants are equal to the hourly zonal prices.

On February 26, 2014, GSE published the following new rules regarding the conditions for access to the minimum prices for photovoltaic plants. Therefore, commencing January 1, 2014, the minimum prices as defined by AEEGSI, are equal to:

- For photovoltaic plants with an installed capacity of up to and including 100 kW – the minimum price, as defined by AEEGSI; and
- For photovoltaic plants with installed capacity higher than 100 kW – the hourly zonal price.

(ii) *Minimum Guaranteed Prices determined by AEEGSI*

AEEGSI opinion n. 483/2013

In parallel with the above-described legislative procedure, on October 31, 2013, AEEGSI (i.e., the Italian authority for electric energy) issued a document whereby it started a consultation process aimed at re-determining the amount of the minimum guaranteed prices from which electric energy produced through renewable sources currently benefit under the mandatory purchase regime.

This document illustrates the current regime of minimum guaranteed prices and identifies possible issues with respect to which other interested entities may set forth their position.

In such document AEEGSI identifies (based on a quantification of standard operational costs) euro 0.0378/Kwh as the price that could be guaranteed to PV plants with nominal power higher than 20kWp, without any progressive diversification (as currently applying in 2013, from euro 0.106/Kwh for the first 3,750 Kwh annual production, through euro 0.0952/Kwh for annual production of electricity up to 25 MWh, and until euro 0.0806/Kwh for annual production of electricity up to 2,000 Mwh) and provided that should such price be lower than the zonal hourly price, the zonal hourly price shall apply.

AEEGSI Resolution n. 618/2013

On December 19, 2013, AEEGSI issued a new resolution, determining the new reduced minimum guaranteed prices applicable commencing January 1, 2014 (subject to an annual update), by means of the amendment of AEEGSI Resolution n. 280/2007.

(iii) AAEG resolution 36/E on depreciation of PV Plants

Resolution n. 36/E dated December 19, 2013, highlighted, that, in case of plants qualified as real estate (which is the case of all of our Italian PV Plants), the depreciation rate for tax purposes will be the same as the depreciation rate for “industry manufacturer” (i.e. 4%).

(iv) Imbalance costs under AEEGSI Resolution n. 281/2012

On January 1, 2013 AEEGSI Resolution n. 281/2012 (subsequently also implemented by Resolution n. 343/2012), or the AEEGSI Resolution, entered into force, aiming at charging the PV plant owners with the costs relating to the electric system (so called “imbalance costs”) that are the result of an inaccurate forecast of the production of electric energy, particularly in cases in which the owner is party to the mandatory purchase regime with GSE.

Such costs are mainly due to the fact that under the mandatory purchase regime GSE buys electric energy on the basis of a production forecast that may not be fully accurate; such circumstance causes the GSE to bear costs in connection with the re-sale of electric energy on the market; before Resolution n. 281/2012, such costs were borne by final consumers.

In order to transfer such costs to the owners of the PV plants, AEEGSI Resolution n. 281/2012 has mainly provided two types of measures:

- (i) imbalance costs are to be borne by the owners of PV plants, in an amount calculated by multiplying the discrepancy of the production forecast by a fixed parameter;
- (ii) in the case that the owner of the PV plant is party to the GSE mandatory purchase regime, administrative costs borne by GSE in connection with forecast services are to be charged on the owner.

On June 24, 2013, the administrative Court of the Lombardia Region annulled the parts of AEEGSI Resolution 281/2012 relating to the imbalance costs as the AEEGSI Resolution 281/2012 should apply to programmable sources which should have a different treatment than non-programmable renewable energy sources, such as photovoltaic plants.

This judgment was challenged on September 11, 2013 by AEEGSI before the *Consiglio di Stato* (the Italian supreme administrative Court), which, on June 9, 2014, had rejected the appeal thus confirming the decision of the Court of Lombardia and the partial annulment of the AEEGSI Resolution no. 281/2012. Following said judgment, as of January 1, 2015, AEEGSI reviewed the provisions regarding imbalance costs for non-programmable renewable energy sources. In particular, AEEGSI considered it advisable to provide that beneficiaries of the dispatchment (i.e. of the management of the energy transferred into the national grid and its distribution) may choose, for each of the dispatchment points owned, between two different criteria for the determination of imbalancing costs:

1. application of the actual imbalancing (i.e., the difference, hour by hour, between the measurement of the energy delivered/withdrawn into the grid in one day and the final delivery/withdrawal program as a consequence of the closing of the Electrical Markets and the Dispatchment Services Market).

In other words, based on the first option, production units powered by non-programmable renewable energy are subject to the same criteria of determination of imbalancing (*regolazione di valorizzazione degli sbilanciamenti*) applicable to the programmable ones.

2. sum of three components, which are a result of the application:
 - to the actual imbalancing which falls within the tolerated thresholds of the price equal to that provided under section 40.3 of Resolution AEEGSI SI 111/06, as amended by Resolution 522/2014/R/eel; and
 - to the actual imbalancing exceeding the tolerated thresholds of the price equal to that provided under section 30.4(b) of Resolution AEEGSI SI 111/06, as amended by Resolution 522/2014/R/eel.

These two amounts must be calculated pursuant to specific technical formulas.

- to the actual imbalancing which falls within the tolerated thresholds, considered as an absolute value, of an imbalancing price equal to the area quota. The area quota must be intended as the ratio between the imbalancing costs which have not been allocated pursuant to the two aforementioned points and the sum of the absolute values of imbalancing costs, which fall within the tolerated thresholds.

This second option, therefore, provides the application of tolerance thresholds to the amended and corrected binding program, which are differentiated by source (in particular, 31% of the program for solar energy), so that all imbalancing costs are allocated among producers of energy through non-programmable sources.

As in the previous regulation, AEEGSI provided that for both production units subject to the *ritiro dedicato* regime and those who applied to the fixed *omni-comprehensive tariff*, imbalancing costs and the counter-value deriving from participation in the daily market ("*mercato infragiornaliero*" or "MI") are transferred from GSE to the same producers pursuant to the provisions defined by GSE under its Technical Rules.

A new resolution (no. 444 of 2016) was adopted by AEEGSI in July 2016 partly amending the previously applying modalities of payment of imbalancing. Such resolution established that, commencing January 2017 (for PV plants with a capacity lower than 10 MWp), the discrepancy between planned and effective energy input/withdrawn shall not exceed 7.5% (+/-). In the case that such threshold is exceeded, the price paid for positive imbalancing will be reduced in such measure as not to allow any profit to the producer in relation to the forecast in question. Prior to this resolution, distortive practices were often used by intentionally providing energy production forecasts materially different from the actual production in order to maximize revenues deriving from positive imbalancing payments. The provisions of resolution 444/2016 aim at incentivizing producers to keep imbalancing within said limits (+/- 7.5%).

(v) *Law 116/2014 on the tariff cuts*

In August 2014, law 116/2014 (so called "*spalma incentivi*"), providing for a decrease in the FiT guaranteed to existing photovoltaic plants with nominal capacity of more than 200 kW, or Law 116/2014, was approved by the Italian Parliament. Pursuant to Law 116/2014, operators of existing photovoltaic plants, which received a guaranteed 20-year FiT under current Italian legislation, were required to choose between the following four alternatives:

- (i) a reduction of 8% in the FiT for photovoltaic plants with nominal capacity above 900 kW, a reduction of 7% in the FiT for photovoltaic plants with nominal capacity between 500 kW and 900 kW and a reduction of 6% in the FiT for photovoltaic plants with nominal capacity between 200 kW and 500 kW (i.e., out of the twelve Italian photovoltaic plants owned by us, eight would be subject to a reduction of 8% in the FiT and four would be subject to a reduction of 7% in the FiT);
- (ii) extending the 20-year term of the FiT to 24 years with a reduction in the FiT in a range of 17%-25%, depending on the time remaining on the term of the FiT for the relevant photovoltaic plant, with higher reductions applicable to photovoltaic plants that commenced operations earlier (based on the remaining years in the initial guaranteed FiT period of our existing Italian photovoltaic plants, the expected reduction in the FiT for the our photovoltaic plants would have been approximately 19%);

- (iii) a rescheduling in the FiT so that during an initial period the FiT is reduced and during the second period the FiT is increased in the same amount of the reduction with the goal to guarantee an annual saving of at least €600 million by the Italian public between 2015 and 2019, assuming all photovoltaic operators opt for this alternative); or
- (iv) the beneficiaries of FiT incentive schemes can sell up to 80% of the revenues deriving from the incentives generated by the photovoltaic plant to a selected buyer to be identified among the top EU banks. The selected buyer will become eligible to receive the original FiT and will not be subject to the changes set forth in alternatives (i) through (iii) above.

The photovoltaic plant operators were required to make a choice by November 30, 2014, with effect commencing January 1, 2015. Operators that did not make a choice became automatically subject to the first option.

Interventions on operating plants and incentives

On May 1, 2015, GSE issued a regulation called “*Documento Tecnico di Riferimento*”, or DTR, setting out the conditions subject to which a PV plant can continue benefitting from incentives despite modifications made to the PV plant due to revamping interventions. The terms of the DTR cover a number of circumstances (such as moving of the plant, modification of the connection point, variation of the installation method, replacement of components, modification of the capacity, etc.). The DTR was criticized for being too restrictive by many operators and relevant associations and in July 2015 the effectiveness of the DTR was suspended by GSE partly due to the fact that relevant measures are addressed in the scheme of new Italian decree dedicated to renewables (*Nuovo Decreto FER*). The new decree was adopted and entered into force in June 2016.

Although *Nuovo Decreto FER* is mostly dedicated to other forms of renewable energy, it provides measures that apply also to photovoltaic plants. Such measures include:

A. Measures on revamping interventions, which provide in particular that in order for a plant to continue benefitting from incentives, such interventions:

- (i) shall not entail an increase of more than 1% (5% for plants up to 20 kWp) of the nominal power of the plant or its single units;
- (ii) shall use new or regenerated components, in the case of definitive replacements; and
- (iii) shall be communicated to GSE within 60 days.

further implementation measures on the procedures to be followed in case of revamping interventions (i.e., a new *Documento Tecnico di Riferimento*) were published in February 2017;

B. Measures on the so called “fake fractioning”, providing in particular that in the case that two or more plants are:

- (i) fed by the same renewable source;
- (ii) owned by the same entity or by entities belonging to the same group; and
- (iii) built on the same plot or on bordering plots;

such plants have to be considered as one plant with nominal power equal to the aggregate of the single plants' respective powers. In such case, GSE will:

- (i) re-determine the applicable tariff, if the procedures on tariff admission were complied with notwithstanding the fake fractioning; or
- (ii) declare the retrospective forfeiture from the tariff, if the procedures on tariff admission were not complied with as a result of the fake fractioning.

In terms of sanctions by the GSE, the Italian Budget Law for 2018 includes a provision aimed at limiting GSE's powers (so called "*Benamati Amendment*").

Whereas the current provisions allow GSE to declare retrospective forfeiture from the incentives also for minor or anyway rather formal authorization irregularities, the new legislation provides that GSE shall in such cases only reduce incentive to 20%-80% of the original value, depending on the type of breach. Furthermore, it is provided that if notice of the breach is provided to GSE by the producer (before an assessment procedure commences) the reduction will be further reduced by one third. However, the referred legislation does not eliminate the possibility for declaration of forfeiture of the entire amount of the incentives in the event of most material breaches. Law no. 128 dated November 2, 2019 has subsequently introduced an amendment to said provision aimed at further limiting GSE's sanctions. According to the new provision, GSE's sanctions shall be limited to a reduction only comprised between 10% and 50% of the original value and, if the notice of the breach is provided by the producer, the reduction shall be further reduced by 50%. Decree Law no. 76/2020 has further extended the scope of the above limitations and stressed the fact that GSE's controls shall be carried out within a reasonable term.

The cases in which the reduction of the incentive can be declared are to be defined by the Ministry of Economic Development.

Retention from Incentives for Panel Disposal

As part of the implementation of legislative decree 49/2014, in December 2015, GSE published the guidelines regarding disposal of PV panels that benefit from incentives. In particular, the decree had established that GSE was entitled to retain a certain amount from payment of incentives as a guarantee for the cost of disposal of the panels installed on PV plants and GSE set out the determination of such retention.

The guidelines provide that the retention shall start from the 11th year of incentive and shall be calculated, for plants with nominal capacity higher than 10 kWp, on the basis of the following formula:

$$[2 * (n - i + 1) / n * (n + 1)] * total\ quota$$

where “n” is equal to 10, “i” is the year in which the retention is applied, and “total quota” is n*number of panels (GSE has however reserved to amend the value of “n” after further assessment of disposal costs).

For example, for a plant with 100 panels, based on the above formula the retention is equal to €181.82 for the first year and an aggregate amount of €1,000 for a ten-year period (assuming a duration of the incentive of 20 years).

The retention will be held by GSE in an interest-bearing escrow account and is to be returned to producers after evidence is provided to GSE that the panels have been disposed correctly. If such evidence is not provided, GSE will proceed by itself to the disposal of the panels and not return the retention to the producer.

The guidelines clarify that the retention shall apply also in the case that the incentive-related receivables have been the object of assignment (as is applicable to our financed projects).

Fourth and Fifth Conto Energia PV plants (except for certain specific type of plants) are exempt from the retention provided that the relevant panel producers are enrolled with consortia/institutions listed in an ad hoc register held by GSE.

New provisions regarding determination of cadastral value and so called “super-depreciation”

Art. 21 of Law 208/2015 (2016 Italian Budget Law) set out new criteria concerning the determination of the cadastral value of immovable assets with so called special and particular destination (i.e., those belonging to cadastral categories “D” and “E”). PV plants fall within the scope of such provision. Following issuance of the law, on February 1, 2016, the Italian Tax Office (*Agenzia delle Entrate*) published official clarifications to the scope of said provision. In connection with ground PV plants, the Italian Tax Office pointed out that, on the basis of the new provision, modules and inverters shall not be accounted in the determination of the associated cadastral value, which should entail a significant reduction in the calculation of the related tax burden.

With circular dated March 30, 2017, the Italian Tax Office further clarified that PV plants can be characterized as movable assets and particularly, as a result, will be subject to the so called “super-depreciation”, which allows them to increase the actual cost of the investment in PV plants by 40%, with associated significant fiscal benefits.

Capacity Market

At the beginning of February 2018, the EU Commission approved the scheme presented by the Italian government for the setting up of the so-called “capacity market”. This has been approved for a period of 10 years and will allow producers of electric energy (including from PV sources) to participate in auctions whereby they will obtain additional remuneration for providing availability to produce electric energy.

After consultation with the EU institutions and green light by the latter, the capacity market has been implemented through Decree dated June 28, 2019. However, the remuneration provided therein is not compatible with GSE incentives. Therefore, if a photovoltaic plant benefits from GSE incentives it cannot also benefit from incentives under the capacity market remuneration.

Material Effects of Government Regulations on the Spanish PV Plants

The Spanish general legal framework applicable to renewable energies

Law 24/2013, of December 27, 2013, of the Power Sector

The Spanish general legal framework applicable to renewable energies is contained in Law 24/2013, of December 27, 2013, of the Power Sector, or Law 24/2013, which sets forth the regulatory framework of the power sector with the objective of guaranteeing the electricity supply with an adequate level of quality, at the least possible cost, while ensuring the economic and financial sustainability of the system and pursuing effective competition in the power sector. At the same time, the principle of environmental sustainability is considered.

The economic and financial sustainability is the guiding principle for both the Spanish Public Administration and the agents acting under the scope of Law 24/2013, with a view to avoid the accumulation of new tariff deficits. According to Law 24/2013, incomes must be enough to cover expenses and, on the other hand, tariffs and charges must be automatically reviewed in case of overcoming certain established thresholds.

In accordance with Royal Decree-law 9/2013, dated July 12, 2013, which adopts several urgent measures in order to ensure the financial stability of the power system, or RDL 9/2013, Law 24/2013 regulates the new remuneration scheme of those renewable energy installations entitled to a regulated income, or the so called “Specific Remuneration,” in addition to the market price. Law 24/2013 sets forth the principle of reasonable profit for the sake of which the parameters to determine the regulated income are reviewed every six years.

In addition, Law 24/2013 establishes the priority access and dispatching of RES and high efficiency Combined Heat and Power in line with the EU Directives, and further develops the general criteria for access and dispatching by reinforcing the principles of objectivity and non- discrimination. Thereby, the reasons to refuse access are based on technical criteria exclusively.

Moreover, Law 24/2013 develops a specific regulatory framework for self-consumption. Law 24/2013 defines three different categories of self-consumption and obliges those installations connected to the grid to contribute to the costs and services of the system in the same conditions of the rest of customers. It also defines the activity of “recharging managers” (for electric vehicles).

Royal Decree Law 15/2018

The Spanish general legal framework applicable to renewable energies includes Royal Decree Law 15/2018, of October 5, 2018, or RDL 15/2018, of urgent measures for energy transition and consumer protection. RDL 15/2018 includes, among others, the following:

- (i) It introduces three principles in the activity of self-consumption: (i) the right to self-consume electricity without charges; (ii) the right to shared self-consumption by one or more consumers to take advantage of economies of scale; and (iii) administrative and technical simplification.
- (ii) Any consumer – whether or not a direct consumer of the market – may acquire energy through bilateral contracting with a producer.
- (iii) Regarding access and connection permits: (i) the validity of the access and connection permissions granted prior to the entry into force of Law 24/2013 is extended and the aforementioned permits will expire if they have not obtained the authorization of exploitation, on the later of: (a) before March 31, 2020, or (b) five years from the obtaining of the right of access and connection; (ii) the guarantees to be placed for the access and connection permits are increased from €10/kW to €40/kW; (iii) with regards to the actions carried out in the transport or distribution networks by the owners of the access and connection permits which must be developed by the grid operator or distributor, the promoter must advance 10% of the total investment value to be undertaken within a period not exceeding 12 months. Once the aforementioned amount has been paid and the administrative authorization for the generation facility has been obtained, its holder shall, within four months, enter into an Assignment Contract with the transportation grid operator or distributor, otherwise, the validity of the access and connection permits will expire.

Royal Decree-law 17/2019

On November 24, 2019, Royal Decree-law 17/2019, of November 22, or RDL 17/2019, enacted urgent measures for the necessary adaptation of remuneration parameters affecting the electricity system and responding to the process of cessation of activity of thermal generation plants. Among others, this new regulation updates the remuneration parameters of generation plants entitled to a specific remuneration for the regulatory period starting January 1, 2020, as further explained below.

New legislation applicable to renewable energies:

A. Royal Decree-law 23/2020

On June 25, 2020, Royal Decree-Law 23/2020 of June 23, 2020, or RD-law 23/2020, came into force, approving measures in the energy sector and other sectors for the reactivation of the economy and introducing a series of new provisions focused on overcoming the obstacles identified in the energy transition process and established an attractive framework for renewable energy investments in Spain.

As a novelty, and in connection with the expiry of access and connection to the grid permits, RD-law 23/2020 established certain permitting milestones to be achieved by the promoters. Failure to do so, will result in expiration of the permits (except when the environmental permit was not granted for reasons not attributable to the promoter).

Impact on the Talasol PV Plant

The exploitation authorization is required to be granted in 5 years from the entry into force of this new RD-law 23/2020 (i.e., by June 25, 2025) and was already granted.

Impact on the Ellomay Solar 28 MW Project (which is currently under development and has recently started construction):

The following permitting milestones are pending to be complied with: (i) obtaining of Construction Administrative Authorization by October 25, 2022 and (ii) obtaining of of Exploitation Authorization in by June 25, 2025.

Impact on Future PV projects in Spain

Until the moratorium (referred to below) is not released, it is not possible to request access and connection permits for this new project.

Once the access permit is granted to a project, the below milestones will apply (the starting date is the date the permit access was granted):

- Request of connection permit required in 6 months.
- Valid request of Prior Administrative Authorization required in 6 months.
- Obtention of environmental permit required in 22 months.
- Obtention of Prior Administrative Authorization required in 25 months.
- Obtention of Construction Administrative Authorization required in 28 months.
- Obtention of Exploitation Authorization required in 5 years.

Impact on operating facilities

The above regulation does not affect our existing and operating facilities.

B. Royal Decree 1183/2020

Royal Decree-law 1183/2020, or RD 1183/2020, was approved on December 30, 2020 and entered into force on December 31, 2020. RD 1183/2020 regulates in detail the procedure for obtaining access and connection permits. RDL 23/2020 established a moratorium by virtue of which it is not possible to request new access and connection permits until the regulation establishing the procedure for obtaining these was approved. This moratorium has been further extended by RD 1183/2020 until the available capacities in accordance with the new criteria established by the Spanish National Commission on Markets and Competition (CNMC) Circular 1/2021 (as defined below) are published. Finally, the approval of RD 1183/2020 determines the entry into force of art. 33.8 of Law 24/2013, which sets a validity of five (5) years of the access and connection permits.

The CNMC Circular 1/2021, or Circular 1/2021, establishing the methodology and conditions for access and connection to the electricity transmission and distribution networks, was published on January 22, 2021. Circular 1/2021 completes the regulation process related to access and connection to the electricity transmission and distribution networks. Further regulation from the CNMC is pending, approving certain detailed specifications that may be necessary to develop the methodology and conditions for access and connection established in the Circular.

Remuneration of Renewable Energy Plants

The remuneration of electricity generation activity includes the following concepts: (i) the electric energy negotiated through the daily and intraday markets, remunerated on the basis of the price resulting from the balance between the supply and the demand of electric energy offered in them (i.e., spot price), (ii) adjustment services, including non-frequency services and system balance services, necessary to ensure adequate supply to the consumer, (iii) where appropriate, the remuneration for capacity mechanism, (iv) where appropriate, the additional remuneration for the production of electric energy in the electrical systems of non-peninsular territories, which the government may apply to cover the difference between the investment and operational costs and the incomes of these plants, and (v) where appropriate, the specific remuneration for the production of electric energy from renewable energy sources, high efficiency cogeneration and waste.

The legal and regulatory framework applicable to the production of electricity from renewable energy sources in Spain was modified by RDL 9/2013, due to the adoption of several urgent measures in order to ensure the financial stability of the power system, eliminating the former “Special Regime” and feed-in-tariff established by Royal Decree 661/2007 and Royal Decree 1578/2008 and establishing the basis of the current remuneration scheme applicable to renewable energies called the “Specific Remuneration” regime.

Specific Remuneration includes two components to be paid in addition to the electricity market price: (i) an “**investment retribution**” sufficient to cover the investment costs of a so-called “standard facility” – provided that such costs are not fully recoverable through the sale of energy in the market, and (ii) an “**operational retribution**” sufficient to cover the difference, if any, between the operational income and costs of a standard plant that participates in the market.

The Specific Remuneration provides that commencing July 13, 2013 all PV plants currently in operation, including our Spanish PV Plants, were no longer entitled to receive the applicable feed-in-tariff for renewable installations but rather became entitled to receive the Specific Remuneration.

The basic concept of the Specific Remuneration contained in RDL 9/2013 was confirmed by the current Power Act (Law 24/2013) and further developed by the following regulations:

1. Royal Decree 413/2014 which regulates electricity generation activity using renewable energy sources, cogeneration and waste, or RD 413/2014.
2. Order IET/1045/2014 approving the retribution parameters for certain types of generation facilities of electricity from renewable energy sources, cogeneration and waste facilities, or Order 1045/2014.
3. Order ETU/130/2017 updating the retribution parameters for certain types of generation facilities of electricity from renewable energy sources, cogeneration and waste facilities, for the purposes of their application to the Regulatory Semi-period beginning on January 1, 2017 and ending on December 31, 2019, or Order 130/2017.
4. RDL 17/2019, adopting urgent measures for the necessary adaptation of remuneration parameters affecting the electricity system and responding to the process of cessation of activity of thermal generation plants.
5. Order TED/171/2020, updating the retribution parameters for certain types of generation facilities of electricity from renewable energy sources, cogeneration and waste facilities, for the purposes of their application to the Regulatory Period beginning on January 1, 2020, or Order 171/2020.

Pursuant to the above regulations, the calculation of the Specific Remuneration is performed as follows:

- a) The Specific Remuneration is calculated by reference to a “*standard facility*” during its “*useful regulatory life*”. Order 1045/2014 characterized the existing renewable installations into different categories (referred to as IT-category). These categories were created taking into account the type of technology, the date of the operating license and the geographical location of renewable installations.

The Specific Remuneration is not calculated independently for each power installation. It is calculated based on the inclusion of each existing installations in one of the formulated IT-categories and, as a result of such inclusion, is based on the retribution parameters assigned to that particular IT-category.

- b) According to RD 413/2014, the calculation of the Specific Remuneration of each IT-category shall be performed taking into account the following parameters:
 - (i) the standard revenues for the sale of energy production, valued at the production market prices (currently set at €54.42/MWh, €52.12/MWh and €48.82/MWh for 2020, 2021 and 2022, respectively);

- (ii) the standard exploitation costs; and
 - (iii) the standard value of the initial investment. For this calculation, only those costs and investments that correspond exclusively to the electricity production activity will be taken into account. Furthermore, costs or investments determined by administrative rules or acts that do not apply throughout Spanish territory will not be taken into account.
- c) Order 1045/2014 established the relevant parameters applicable to each IT-category. Therefore, to ascertain the total amount of the Specific Remuneration applicable to a particular installation it is necessary to (i) identify the applicable IT-category and (ii) integrate in the Specific Remuneration formula set forth in RD 413/2014 the economic parameters established by Order 1045/2014 for the relevant IT-category and the relevant update regulation (i.e., Order 171/2020).
 - d) The Specific Remuneration is calculated for regulatory periods of six years, each divided into two regulatory semi-periods of three years. The first Regulatory Period commenced July 14, 2013 and terminated on December 31, 2019. The second Regulatory Period commenced January 1, 2020 and terminates December 31, 2025 (the corresponding first Regulatory Semi-Period ends December 31, 2022).
 - e) The Specific Remuneration is designed to ensure a “reasonable rate of return” or profitability that during the first regulatory period (i.e., until December 2019) shall be equivalent to a Spanish 10-year sovereign bond calculated as the average of stock price in the stock markets during the months of April, May and June 2013, increased by 300 basis points (7.398% for plants prior to RDL 9/2013). RDL 17/2019 has fixed the reasonable rate of return for the second Regulatory Period at 7.09%. However, for plants prior to RDL the reasonable rate of return will remain at 7.398% if the conditions set forth in RDL 17/2019 are met (mainly to withdraw from any arbitration procedure, or to renounce any compensation, in connection with the regulatory changes in Spain that modified the remuneration regime).
 - f) Pursuant to RD 413/2014, the revenues from the Specific Remuneration are set based on the number of operating hours reached by the installation in a given year and adjusted to electricity market price deviations. Furthermore, the economic parameters of the Specific Remuneration might be reviewed by the Spanish government at the end of a regulatory period or semi-period, however the standard value of the initial investment and the useful regulatory life will remain unchanged for the entire Regulatory Useful Life of the installation, as determined by Order 1045/2014.

The update of the Specific Remuneration is carried out by reference to the IT-categories with the sole exception of the adjustment of annual revenues from the Specific Remuneration as a result of the number of Equivalent Operating Hours. This update is made installation by installation by the National Markets and Competition Commission.

The Talasol PV Plant is a “merchant” facility, i.e., will not be entitled to feed-in-tariff, “specific remuneration” or other similar regulatory incentives.

The obligation to finance the tariff deficit

Pursuant to Law 24/2013, renewable installations are required to finance future tariff deficits whereas pursuant to the former Power Act, the tariff deficit was only financed by five vertically integrated companies (Iberdrola, Endesa, E.On, Gas Natural Fenosa and Hidrocarbónico). Therefore, in the event there is a temporary deviation between revenues and costs of the electricity system on any given monthly settlement, this deviation shall be borne by all the companies participating in the settlement system (including renewable facilities).

Taxation of the income from generation of electricity

In December 2012, the Spanish Parliament enacted the 15/2012 on fiscal measures for the sustainability of the energy sector, which entered into force on January 1, 2013. Law 15/2012 sets forth a tax on energy generation of 7% from the total amount received for the production of electricity. RDL 15/2018 suspended this tax with respect to the electricity produced and injected to the grid during a period of six months commencing October 6, 2018 through March 31, 2019. Therefore, this tax is in place again.

Removal of the Generation Access Toll

The CNMC approved Circular 3/2020, which was published in the Official State Gazette on January 24, 2020, by which the electricity generators are exempted from paying the toll to access the grid. This means the removal of the €0.5/MWh access toll that was established for electricity generators under Royal Decree – Law 14/2010 of December 23, 2010.

The Israeli Electricity Market

The Israeli electricity market is dominated by the Israel Electric Corporation (IEC), which manufactures and sells most of the electricity consumed in Israel and by the Palestinian Authority and had an installed capacity of approximately 17.7 GW as at the end of 2019. According to the Israeli Electricity Authority's report on the electricity sector, published in August 2020, in 2019 the installed capacity of the IEC represented 72% of the total installed capacity in the Israeli market, the actual electricity production of the IEC represented 66% of the actual electricity production in the Israeli market and the IEC's market share in the supply segment represented 79% of the supply segment of the Israeli market, with the remainder represented by the independent power producers, or IPPs. The IEC controls both the transmission network (for long-distance transmittal of electricity) and the distribution network (for transmittal of electricity to the end users). In recent years, various private manufacturers received energy production licenses from the Israeli Electricity Authority. During 2015, Israel's largest private power plant, Dalia Power Energies Ltd., was commissioned with installed capacity of approximately 900 MW.

Commencing January 2016, the Israeli Electricity Authority ceased being an independent authority and was merged into the Ministry of Energy pursuant to a government resolution approved in August 2016, which also noted that the Ministry of Energy will be responsible for determining the electricity market policy and for approving electricity manufacturing licenses.

Israeli Regulation

The regulatory framework applicable to the production of electricity by the private sector in Israel is provided under the Israeli Electricity Sector Law, 1996, or the Electricity Law, and the regulations promulgated thereunder, including the Electricity Market Regulations (Terms and procedures for the granting of a license and the duties of the Licensee), 1997, the Electricity Market Principles (Transactions with the supplier of an essential service), 2000, and the Electricity Market Regulations (Conventional Private Electricity Manufacturer), 2005, or the Electricity Market Regulations. In addition, standards, guidelines and other instructions published by the Israeli Electricity Authority (established pursuant to Section 21 of the Electricity Law) and/or by the Israeli Electric Company also apply to the production of electricity by the private sector in Israel. The operations of photovoltaic plants in Israel are also subject to various licensing, permitting and other regulations and requirements, issued and supervised by the relevant municipality, the Israeli Land Authority and various governmental entities including the Ministry of Energy, the Ministry of Agriculture, the Ministry of Interior and the Ministry of Defense.

In June 2018, the Israeli Government issued resolution no. 3859 for the reform of the electricity market and a structural change in the IEC. In July 2018, Amendment No. 16 to the Electricity Law was adopted. This amendment implements the reform of the Israeli electricity market and the reduction of the IEC's monopolistic power by providing arrangements for the removal of the system management authorities from the IEC, maintaining the transmission and part of the distribution facilities with the IEC, increasing the competition in the production segment by forcing the IEC to sell some of the power plants it owns and opening up the supply segment to competition.

On August 6, 1998, the Israeli government approved the resolution of the Committee of Ministers for Environment and Hazardous Materials “to act to advance the development of technologies for efficient use of renewable energies in order to reduce the dependency on imported fuel and reduce the contamination of the environment.” Commencing in 2009, the Israeli government adopted a number of decisions intended to achieve the integration of renewable energies into the local electricity market, including the adoption of a roadmap for the market in July 2011 and setting targets for renewable energy manufacturing.

The current targets for manufacturing electricity from renewable sources were set by the Israeli government in September 2015, as follows: 10% in 2020, 13% in 2025 and 30% in 2030. These targets were set as part of the Israeli government’s efforts to reduce greenhouse gas emissions in Israel.

In August 2017, Amendment no. 14 to the Electricity Sector Law, or Amendment no. 14, was published. Amendment no. 14 is in effect until December 31, 2030. Amendment no. 14 requires that the Israeli Minister of Energy formulate a perennial work plan in connection with production of electricity from renewable energy, which will include action items per year in order to meet the targets for renewable energy manufacturing determined by the Israeli government. Amendment no. 14 further provides that an inter-ministerial committee will be established, which will be required to submit its recommendations to the Minister of Energy regarding the advancement of electricity manufacturing from renewable energy, including recommendation with respect to: (i) methods for minimizing or eliminating obstructions for manufacturing of electricity from renewable energy, including in connection with planning and financing and (ii) methods for minimizing or eliminating obstructions for the construction of facilities for manufacturing electricity from renewable energy. Amendment no. 14 also requires the general manager of the Ministry of Energy to provide an annual report to the Economic Committee of the Israeli parliament on meeting the targets for manufacturing electricity from renewable energy and with respect to the implementation of Amendment no. 14 and the perennial work plan.

In May 2018, the Israeli Electricity Authority published its plan for meeting the renewable energy targets determined by the Israeli government. The plan for reaching the 10% target in 2020 was based mainly on photovoltaic installments on rooftops and water reservoirs, the plan for reaching the 17% target in 2030 was based mainly on larger land mounted installments, and requires constructing approximately 400MW of new installments every year during the period 2020-2030. In October 2020, the Israeli government raised the 2030 target from 17% to 30%.

Photovoltaic Plants

The Israeli Electricity Authority determines the quotas for various traditional and renewable energy manufacturers in Israel. In the past, the Israeli Electricity Authority determined quotas for photovoltaic installations. The previous quota of 300 MWp for medium installations, connected to the distribution grid, and 200 MWp for large installations, connected to the transmission grid, have been fully utilized.

Israeli government resolution no. 2117, approved in October 2014, provides for a shift of thermo-solar, wind and bio-gas quotas in aggregate of 340 megawatt to solar quotas to be equally divided between plants connected to the transmission network and plants connected to the distribution network and further providing that the total quotas will not exceed 114 megawatt per year.

On October 10, 2016, The Israeli Electricity Authority published a hearing concerning the development of new photovoltaic plants with a total capacity ranging between 800-1700 megawatts as will be determined by the Israeli Electricity Authority, or the Publication. According to the Publication, the licenses to construct new photovoltaic plants under the new quotas shall be granted on the basis of a competitive bidding process, in which the bidders shall propose the applicable tariffs they expect to be paid for each KW/h supplied to the electric grid. The Publication provides that bidders who submit the lowest proposals that collectively fall within the quota limits will be entitled to develop a photovoltaic plant and sell electricity to the grid at a price equal to the lowest tariff proposal amongst the unsuccessful bids. Consequently, all successful bidders shall eventually sell electricity at the same tariff.

The final tariff will be valid for a period of 23 years for plants connected to the distribution grid, and 22 years for plants connected to the transmission grid, starting from the date of commercial operation or upon receiving a permanent license to produce electricity and the commencement of commercial operation, as shall be determined in accordance with the then applicable licensing regulation.

In November 2017, the Minister approved an additional quota of 1,600 MWp for photovoltaic installations that will be allocated between small rooftop installations and medium installations.

During the years 2017-2019, several tenders were conducted. The results of the fourth tender related to land-mounted medium installations that were published in November 2019, set a price per KWh of NIS 0.1798 for an aggregate production capacity of 236 MWp to be constructed by the end of 2020. The results of the second tender related to rooftop and water reservoir mounted installations, also published in November 2019, set a price per KWh of NIS 0.2307 for an aggregate production capacity of 68 MWp. During 2020, the Israel Electricity Authority conducted additional tenders and on December 28, 2020 the results of the most recent tender were published, with an aggregate installed capacity allocated of 609 MW and price per KWh set at NIS 0.1745, which is 12% lower than the price set in the previous tender.

In addition, the Israeli Electricity Authority approved a quota of 200 MWp for tenders to be published in conjunction with the Israel Land Authority for the construction of photovoltaic installations, of which winners were announced in connection with 136 MWp.

Licensing

The Israeli Electricity Authority regulated the establishment of photovoltaic plants, in several categories as noted above. Medium photovoltaic plants, such as the Israeli PV Plant, are governed by the Israeli Electricity Authority's decision no. 284, or Decision 284. Decision 284 provides that it will apply until the earlier of reaching a quota of 300 megawatt in Israel or until the end of 2017.

An entity wishing to construct and operate a photovoltaic plant in Israel is required to obtain a conditional license, subject to the fulfillment of several threshold conditions set forth in Decision 284. A conditional license is generally valid for 42 months and the licensee, after meeting the milestones included in the conditional license, may be granted a conditional tariff approval based on the prevailing tariff, which is valid until the earlier of: (i) 90 days following its issuance and (ii) receipt of financing for the construction of the photovoltaic plant. In the event the licensee obtains financing during the 90 day period, it is issued the conditional tariff becomes permanent and is linked to the Israeli Consumer Price Index for a period of 20 years commencing upon commercial operation of the plant. Thereafter, subject to fulfillment of certain conditions, a permanent production license is granted.

National Outline Plan and Permits

In December 2010, the Israeli National Committee for Planning and Construction approved National Outline Plan 10/d/10, or the Outline Plan, for regulating photovoltaic plants from small rooftop mounted installations through photovoltaic plants on land plots up to a size of 0.29 square miles. The Outline Plan provides for the construction of photovoltaic plants in two routes: permit and plan. Permits are available for rooftop mounted installations and for land installations on specific lands, depending on their designation in the National Outline Plan and a plan route requires the licensee to file a plan with the relevant planning authority and such a plan cannot be filed with respect to certain lands that are designated as forests, national parks or reservations. The Outline Plan provides that preference will be given to the construction of photovoltaic plants in areas designated for construction and development. The Outline Plan permits planning authorities to approve the construction of photovoltaic plants in certain areas in northern and southern Israel in larger scopes than other areas.

Transfer of Rights in a Photovoltaic Plant

Any change of control in a photovoltaic plant that received a production license from the Israeli Electricity Authority requires amending the license and the approval of the Israeli Electricity Authority. Therefore, in the event we execute an agreement to acquire or sell an Israeli PV plant, such acquisition or sale, among other things, will be conditioned upon receipt of these approvals and the amendment of the relevant license.

Dori Energy and the Dorad Power Plant

General

Dori Energy is an Israeli private company in which we currently hold 50%. The remaining 50% is currently held by the Luzon Group (f/k/a the Dori Group). The Luzon Group is an Israeli publicly traded company, whose shares are traded on the Tel Aviv Stock Exchange. Dori Energy's main asset is its holdings of 18.75% of Dorad.

Dori Energy

On November 25, 2010, Ellomay Clean Energy Ltd., or Ellomay Energy, our wholly-owned subsidiary, entered into an Investment Agreement, or the Dori Investment Agreement, with the Dori Group and Dori Energy, with respect to an investment by Ellomay Energy in Dori Energy. Pursuant to the terms of the Dori Investment Agreement, Ellomay Energy invested a total amount of NIS 50 million (approximately €10 million) in Dori Energy, and received a 40% stake in Dori Energy's share capital. The transaction contemplated by the Dori Investment Agreement, or the Dori Investment, was consummated in January 2011, or the Dori Closing Date. Following the Dori Closing Date, the holdings of Ellomay Energy in Dori Energy were transferred to Ellomay Clean Energy Limited Partnership, or Ellomay Energy LP, an Israeli limited partnership whose general partner is Ellomay Energy and whose sole limited partner is us. Ellomay Energy LP replaced Ellomay Energy with respect to the Dori Investment Agreement and the Dori SHA.

Ellomay Energy was also granted an option to acquire additional shares of Dori Energy, or the Dori Option, which, if exercised, will increase Ellomay Energy's percentage holding in Dori Energy to 49% and, subject to the obtainment of certain regulatory approvals – to 50%. The exercise price of the options is NIS 2.4 million for each 1% of Dori Energy's issued and outstanding share capital (on a fully diluted basis). In May 2015, we exercised the first option and in May 2016, we exercised the second option, accordingly, we currently hold 50% of Dori Energy and our indirect ownership of Dorad is 9.375%. The aggregate amount paid in connection with the exercise of this option amounted to approximately NIS 2.8 million (approximately €0.7 million), including approximately NIS 0.4 million (approximately €0.1 million) required in order to realign the shareholders loans provided to Dori Energy by its shareholders with the new ownership structure.

Concurrently with the execution of the Dori Investment Agreement, Ellomay Energy, Dori Energy and Dori Group also entered into the Dori SHA that became effective upon the Dori Closing Date. The Dori SHA provides that each of Dori Group and Ellomay Energy is entitled to nominate two directors (out of a total of four directors) in Dori Energy. The Dori SHA also grants each of Dori Group and Ellomay Energy with equal rights to nominate directors in Dorad, provided that in the event Dori Energy is entitled to nominate only one director in Dorad, such director shall be nominated by Ellomay Energy for so long as Ellomay Energy holds at least 30% of Dori Energy. The Dori SHA further includes customary provisions with respect to restrictions on transfer of shares, a reciprocal right of first refusal, tag along, principles for the implementation of a BMBY separation mechanism, special majority rights, etc.

Dori Energy's representative on Dorad's board of directors is currently Mr. Ran Fridrich, who is also our CEO and a member of our Board of Directors.

The Dorad Power Plant

Other than information relating to Dori Energy, the disclosures contained herein concerning the Dorad Power Plant are based on information received from Dorad and other publicly available information.

Dorad currently operates the Dorad Power Plant, a combined cycle power plant based on natural gas, with a production capacity of approximately 860 MW, located south of Ashkelon. The Dorad Power Plant was constructed as a turnkey project, with the consideration denominated in US dollars, and commenced commercial operations in May 2014. Dorad executed a lease with respect to the land on which the Dorad Power Plant is located with EAPC for the construction period and for a period of 24 years and 11 months following the commencement of commercial operations of the Dorad Power Plant.

The electricity produced by the Dorad Power Plant is sold to end-users throughout Israel and to the Israeli National Electrical Grid. The transmission of electricity to the end-users is done via the existing transmission and distribution grid, in accordance with the provisions of the Electricity Sector Law and its Regulations, and the Standards and the tariffs determined by the Israeli Electricity Authority. The existing transmission and delivery lines are operated by the IEC, which is the only entity that holds a license to operate an electricity system in Israel. The Dorad Power Plant is based on combined cycle technology using natural gas. The combined cycle configuration is a modern technology to produce electricity, where gas turbines serve as the prime mover. After combustion in the gas turbine to produce electricity, the hot gases from the gas turbine exhaust are directed through an additional heat exchanger to produce steam. The steam powers a steam turbine connected to a generator, which produces additional electric energy. The Dorad Power Plant is comprised of twelve natural gas turbines, each with an installed capacity of 50 MWp and two steam turbines, each with an installed capacity of 100 MWp. These turbines can be turned on and off quickly, with no material losses in energy efficiency, which provides operational flexibility in accordance with the expected needs of customers and the IEC, calculated based on a proprietary forecasting system implemented by Dorad.

The other shareholders in Dorad are Eilat Ashkelon Infrastructure Services Ltd., or EAIS, (37.5%), and Edelcom Ltd., or Edelcom, (18.75%), both Israeli private companies, and Zorlu Enerji Elektrik Uretim A.S., or Zorlu, (25%), a publicly traded Turkish company. Dorad's shareholders, including Dori Energy, are parties to a shareholders agreement that includes customary provisions, including a right of first refusal, arrangements in connection with the financing of Dorad's operations, certain special shareholder majority requirements and the right of each shareholder holding 10% of Dorad's shares to nominate one member to Dorad's board of directors. As noted above, pursuant to the Dori SHA, we are currently entitled to recommend the nomination of the Dorad board member on behalf of Dori Energy.

During 2017 and 2018, Dorad repaid an aggregate amount of approximately NIS 50 million (approximately €2.3 million) and NIS 190 million (approximately €44 million), respectively, of interest and principal on account of shareholders loans. In June 2019, Dorad made the final repayment of shareholders loans in the aggregate amount of NIS 19 million, of which Dori Energy received approximately NIS 3.7 million (approximately €1 million).

Dorad entered into a credit facility agreement with a consortium led by Bank Hapoalim Ltd., or the Dorad Credit Facility, and financial closing of the Dorad Power Plant was reached in November 2010, with the first drawdown received in January 2011. The Dorad Credit Facility provides that the consortium will fund up to 80% of the cost of the project, with the remainder to be funded by Dorad's shareholders. The funding is linked to the Israeli consumer price index and bears interest at a rate that is subject to updates every three years based on Dorad's credit rating (Dorad received an "investment grade" rating, on a local scale). The current interest rate is approximately 5.1%. The funding is repaid (interest and principal) in semi-annual payments, commencing six months of the commencement of operations of the Dorad Power Plant and for a period of 17 years thereafter. The Dorad Credit Facility further includes customary provisions, including early repayment under certain circumstances, fixed charges on Dorad's assets and rights in connection with the Dorad Power Plant and certain financial ratios, which Dorad is in compliance with as of December 31, 2019. Dorad's senior loan facility is linked to the Israeli CPI. As the production tariff is partially linked to the Israeli CPI, the exposure is minimized. However, as the production tariff is published in delay with respect to the actual changes in the CPI, Dorad executed derivative transactions on the Israeli CPI. In connection with the Dorad Credit Facility, Dorad's shareholders (including Dori Energy) undertook to provide guarantees to the IEC and to various suppliers and service providers of Dorad and also undertook to indemnify Dorad and the consortium in connection with certain expenses, including certain environmental hazards. The aggregate investment of Dorad in the construction of the Dorad Power Plant was approximately NIS 4.7 billion (equivalent to approximately €1.1 billion). The Dorad Credit Facility provides for the establishment of the project's accounts and determines the distribution of the cash flows among the accounts. In addition, the Dorad Credit Facility includes terms and procedures for executing deposits and withdrawals from each account and determines the minimum balances in each of the capital reserves.

As of December 31, 2020, we provided guarantees to the Israeli Electricity Authority, to the IEC and to Israel Natural Gas Lines Ltd. in the aggregate amount of approximately NIS 16.4 million (approximately €4.2 million).

The Dorad Power Plant commenced operations in May 2014, following the receipt of the permanent production and supply licenses discussed under “Material Effects of Government Regulations on Dorad’s Operations” below.

Dorad previously entered into an operation and maintenance agreement with Eilat-Ashkelon Power Plant Services Ltd., or EAPPS, a wholly-owned subsidiary of Eilat Ashkelon Infrastructure Services Ltd., which holds 37.5% of Dorad. Certain of the obligations under such agreement were assigned to Zorlu, which holds 25% of Dorad. During 2013, EAPPS entered into an agreement with Ezom Ltd., or Ezom, which, to our knowledge, is 75% owned by the controlling shareholder of Edelcom (which holds 18.75% of Dorad) with the remainder held by a company controlled by Zorlu, for the provision of sub-contracting services to EAPPS. Despite the assignment and subcontracting agreement, EAPPS remained liable to Dorad for all obligations under the agreement. In December 2017, Dorad and Ezom executed an operation and maintenance agreement for the Dorad Power Plant, or the Dorad O&M Agreement, replacing EAPPS by Ezom as the O&M contractor of the Dorad Power Plant under the same terms. The Dorad O&M Agreement is for a period of 24 years and 11 months commencing upon receipt of a permanent license by Dorad, and in no event for a period that is longer than the period of the lease of the Dorad Power Plant premises.

Due to the location of the Dorad Power Plant, Dorad has implemented various security measures in order to enable continued operations of the Dorad Power Plant during attacks on its premises.

Dividends

On February 27, 2020, Dorad’s Board of Directors decided to distribute a dividend of NIS 120 million (approximately €31.6 million). In connection with such dividend distribution, Dori Energy received NIS 22.5 million (approximately €5.8 million) and repaid an amount of NIS 10.25 million (approximately €2.6 million) loan to us.

We and Dori Energy, and several of the other shareholders of Dorad and their representatives and Dorad, are involved in various litigations as follows:

Petition to Approve a Derivative Claim filed by Dori Energy and Hemi Raphael

During April 2015, Dori Energy approached Dorad in writing, requesting that Dorad take legal steps to demand that Zorlu, Wood Group Gas Turbines Ltd., the engineering, procurement & construction contractor of the Dorad Power Plant, or Wood Group, and the representatives of Zorlu on the Dorad board of directors disclose details concerning the contractual relationship between Zorlu and Wood Group. In its letters, Dori Energy notes that if Dorad will not act as requested, Dori Energy intends to file a derivative suit in the matter.

Following this demand, in July 2015, Dori Energy and Dori Energy's representative on Dorad's board of directors, who is also a member of our Board of Directors, filed a petition, or the Petition, for approval of a derivative action on behalf of Dorad with the Economic Department of the Tel Aviv-Jaffa District Court. The Petition was filed against Zorlu, Zorlu's current and past representatives on Dorad's board of directors and Wood Group and several of its affiliates, all together, the Defendants. The petition requested, inter alia, that the court instruct the Defendants to disclose and provide to Dorad documents and information relating to the contractual relationship between Zorlu and Wood Group, which included the transfer of funds from Wood Group to Zorlu in connection with the EPC agreement of the Dorad Power Plant. For the sake of caution, Plaintiffs further requested to reserve their rights to demand, on behalf of Dorad, monetary damages in a separate complaint after Dorad receives the aforementioned information and documents.

In January 2016, Dori Energy filed a motion to amend the Petition to add Ori Edelsburg (a director in Dorad) and affiliated companies as additional respondents, to remove Zorlu's representatives and to add several documents which were obtained by Dori Energy, after the Petition had been filed. Dorad and Wood Group filed their response to the motion to amend the Petition and Zorlu filed a motion for dismissal. During the hearing held in March 2016, Zorlu withdrew the motion for dismissal and is required to submit its response to the motion to amend the Petition by March 31, 2016.

At a hearing held in April 2016, the request submitted in January 2016 to amend the Dori Energy Petition to add Ori Edelsburg (a director in Dorad) and affiliated companies as additional respondents was approved. At the end of July 2016, the respondents filed their responses to the amended Dori Energy Petition. Dori Energy and Hemi Raphael had until December 19, 2016 to reply to the respondents' response. Following the recusal of the judges in the Economic Department of the Tel Aviv-Jaffa District Court, in September 2016 the President of the Israeli Supreme Court instructed that the parties will inform the court as to the proper venue in which the petition should be heard and to update the court whether the parties reached an agreement as to the transfer of the dispute to an arbitration proceeding. During October 2016, Dori Energy notified the court that the parties have not yet reached an agreement and requested that the court determine which judges will decide on the petition and the respondents notified the court that the discussion concerning transferring the dispute to an arbitration process are advancing and an attempt will be made to reach an arbitration agreement during November 2016. On November 15, 2016, the President of the Israeli Supreme Court instructed that the parties will update the court on the proposed transfer of the proceeding to an arbitration process by early December 2016.

In December 2016, an arbitration agreement was executed pursuant to which this proceeding, as well as the two proceedings mentioned below will be arbitrated before Judge (retired) Hila Gerstel. In January 2017, the arbitrator ruled, among other things, that the statements of claim in the various proceedings will be submitted by February 19, 2017, the statements of defense will be submitted by April 4, 2017, discovery affidavits will be submitted by April 6, 2017, responses will be submitted by May 4, 2017 and a preliminary hearing will be held on May 10, 2017. These dates were extended with the agreement of the parties so that the statements of claim will be submitted by February 23, 2017 and the statements of defense will be submitted by April 9, 2017. Following the execution of the arbitration agreement, Dori Energy and Mr. Raphael requested the deletion of the proceeding and the request was approved. A statement of claim, or the Claim, was filed by Dori Energy and Mr. Raphael on behalf of Dorad against Zorlu, Mr. Edelsburg, Edelcom and Edeltech Holdings 2006 Ltd., or Edeltech, and, together with Mr. Edelsburg and Edelcom, the Edelsburg Group, on February 23, 2017 in which they repeated their claims included in the amended Petition and in which they required the arbitrator to obligate the defendants, jointly and severally, to pay an amount of \$183,367,953 plus interest and linkage to Dorad. During March 2017, the respondents filed two motions with the arbitrator as follows: (i) to instruct the plaintiffs to resubmit the statement of claim filed in connection with the arbitration proceedings in a form that will be identical to the form of the statement of claim submitted to the court, with the addition of the monetary demand only or, alternatively, to instruct that several sections and exhibits will be deleted from the statement of claim and (ii) to postpone the date for filing their responses by 45 days from the date the motion set forth under (i) is decided upon. The plaintiffs filed their objection to both motions and some of the respondents filed their responses to the objection. In April 2017, the Defendants filed their statements of defense. Within the said statements of defense, Zorlu attached a third party notice against Dorad, Dori Energy and the Luzon Group, in the framework of which it repeated the claims on which its defense statement was based and claimed, among other claims, that if the plaintiffs' claim against Zorlu was accepted and would negate Zorlu's right receive compensation and profit from its agreement with Dorad and therefore Zorlu should be compensated in the amount of approximately NIS 906.4 million (approximately €218.3 million). Similarly, also within their statement of defense, Edelcom, Mr. Edelsburg and Edeltech filed a third party notice against Dori Energy claiming for breaches by Dori Energy of the duty to act in good faith in contract negotiations and that any amount ruled will constitute unlawful enrichment.

In October 2017, EAIS, which holds 37.5% of Dorad's shares, filed a statement of claim in this arbitration proceeding. In its statement of claim, EAIS joins Dori Energy's and Mr. Raphael's request as set forth in the Claim and raises claims that are similar to the claims raised by Dori Energy and Mr. Raphael in the Claim.

In November 2017, Dori Energy and Mr. Raphael filed their responses to the defendants' statements of defense and in December 2017, Dori Energy, Mr. Raphael and EAIS filed their statements of defense to the third party notices submitted by the defendants. In December 2017, Zorlu filed a request in connection with the Dori Energy statement of claim to the extent it is directed at board members serving on behalf of Zorlu and in January 2018 the arbitrator provided its ruling that the legal validity of the actions or inactions of board members of Dorad will be attributed to the entities that are shareholders of Dorad on whose behalf the relevant board member acted and the legal determinations, if any, will be directed only towards the shareholders of Dorad. During January 2018, Mr. Edelsburg, Edelcom and Zorlu filed their statement of defense in connection with the claim filed by EAIS and also filed third party notices against EAIS, Dori Energy and the Luzon Group claiming that EAIS and the Luzon Group enriched themselves at Dorad's account without providing disclosure to the other shareholders and requesting that, should the position of Dori Energy and EAIS be accepted in the main proceeding, the arbitrator, among other things, obligate EAIS to refund to Dorad all of the rent paid to date and determine that Dorad is not required to pay any rent in the future or determine that the rent fees be reduced to their market value and refund Dorad the excess amounts paid by it to EAIS, to determine that the board members that represent EAIS and Dori Energy breached their fiduciary duties towards Dorad and obligate EAIS and Dori Energy to pay the amount of \$140 million, plus interest in the amount of \$43 million, which is the amount Zorlu received for the sale of its rights under the Dorad EPC agreement, and to rule that in connection with the engineering and construction works performed by the Luzon Group, the Luzon Group and Dori Energy are required to refund to Dorad or compensate the defendants in an amount of \$24 million, plus interest and linkage and, alternatively, to determine that Mr. Edelsburg, Edelcom and Zorlu are entitled to indemnification from the third parties for the entire amount they will be required to pay.

In May 2019, a new arbitrator was appointed and dates were set for the discovery process. The evidentiary hearings were scheduled during March-June 2020 and commencing August 2020. Due to the COVID-19 crisis, several evidentiary hearings scheduled during the period commencing March 2020 were cancelled. Evidentiary hearings were held during June, August, September, October and November 2020 and during February and March 2021 and the parties filed several motions in connection with the discovery process, the evidentiary hearings and expert opinions. Additional evidentiary hearings are scheduled for April-May 2021. On February 15, 2021 the arbitrator approved replacing the late Mr. Hemi Raphael as the claimant with Mr. Ran Fridrich.

For more information see Note 6 to our annual financial statements included elsewhere in this Report.

Petition to Approve a Derivative Claim filed by Edelcom

In February 2016 the representatives of Edelcom Ltd., which holds 18.75% of Dorad, or Edelcom, and Ori Edelsburg sent a letter to Dorad requesting that Dorad file a claim against Ellomay Energy, our wholly-owned subsidiary that holds Dori Energy's shares, the Luzon Group and Dori Energy referring to an entrepreneurship agreement that was signed in November 2010 between Dorad and the Luzon Group, pursuant to which the Luzon Group received payment in the amount of approximately NIS 49.4 million (approximately €1.9 million) in consideration for management and entrepreneurship services. Pursuant to this agreement, the Luzon Group undertook to continue holding, directly or indirectly, at least 10% of Dorad's share capital for a period of 12 months from the date the Dorad Power Plant is handed over to Dorad by the construction contractor. The Edelcom Letter claims that as a consequence of the management rights and the options to acquire additional shares of Dori Energy granted to us pursuant to the Dori Investment Agreement, the holdings of the Dori Group in Dorad have fallen below 10% upon execution of the Dori Investment Agreement. The Edelcom Letter therefore claims that Dori Group breached its commitment according to entrepreneurship agreement. The Edelcom Letter requests that Dorad take all legal actions possible against the Dori Group, Dori Energy, Ellomay Energy and Mr. Hemi Raphael to recover the amounts it paid in accordance with the entrepreneurship agreement and also notify Dori Energy that, until recovery of the entrepreneurship fee, Dorad shall withhold the relevant amount from any amount Dori Energy is entitled to receive from Dorad, including repayments of shareholders' loans and dividend distributions. In July 2016, Edelcom filed a petition for approval of a derivative action against Ellomay Energy, the Luzon Group, Dori Energy and Dorad. In November 2016, Ellomay Energy and Dori Energy filed a joint petition requesting that this application be transferred to the same judges who will be adjudicating the petition filed by Dori Energy and Hemi Raphael mentioned above and in November 2016, Edelcom filed an objection to this request. As noted above, in December 2016, an arbitration agreement was executed pursuant to which this proceeding, as well as the proceeding mentioned above and below will be arbitrated before Judge (retired) Hila Gerstel and the proceeding before the court was deleted. On February 23, 2017, Edelcom submitted the petition to approve the derivative claim to the arbitrator. On April 30, 2017, Ellomay Energy filed its response to the petition and on May 1, 2017 the Luzon Group filed its response to the petition. For more information see above and see Note 6 to our annual financial statements included elsewhere in this Report.

On April 8, 2019, Zorlu filed an opening motion with the District Court in Tel Aviv against Dorad and the directors serving on Dorad's board on behalf of Dori Energy and EAIS. In the opening motion, Zorlu asked the court to instruct Dorad to convene a shareholders meeting and to include on the agenda of this meeting a discussion and a vote on the planning and construction of an additional power plant adjacent to the existing power plant, or the Dorad 2 Project. Zorlu claimed that although the articles of association of Dorad provides that the planning and construction of an additional power plant requires a unanimous consent of the Dorad shareholders, and while Zorlu and Edelcom are opposed to this project, including due to the current disagreements among Dorad's shareholders, Dorad continued taking actions to advance the project, which include spending substantial amounts out of Dorad's funds. Zorlu further claims that the representatives of Dori Energy and EAIS on the Dorad board have acted to prevent the convening of a shareholders meeting as requested by Zorlu. On April 16, 2019, Edelcom submitted a request to join the opening motion as an additional respondent as Edelcom claims that it is another shareholder in Dorad that opposes the advancement of the project at this stage. In addition, Edelcom joined Dori Energy and EAIS as additional respondents to its request, claiming that these entities are required to be part of the proceeding in order to reach a complete and efficient resolution. All parties agreed to the joining of Edelcom, Dori Energy and EAIS to the proceeding. On June 15, 2019, Edelcom filed its response to the petition, requesting that the court accept the petition. On August 13, 2019, Dorad, EAIC and the Dorad board members submitted their responses and requested that the petition be dismissed. On December 8, 2019 an evidentiary hearing was held. The parties filed their summations in writing during June and July 2020. On August 27, 2020, Dorad informed the District Court that the National Infrastructure Committee resolved, *inter alia*, to approve the presentation of the plan submitted by Dorad in connection with the additional power plant to the District Committee's and the public's comments, subject to amendments. On September 9, 2020, Eilat-Ashkelon Infrastructure Services Ltd., one of the shareholders of Dorad, and its representatives on the Dorad board of directors submitted a response to the notice, claiming that the information included in the notice supports a rejection of the opening motion. Zorlu and Edelcom each filed a response on September 13, 2020 asking to remove the notice provided by Dorad from the District Court's file. On September 17, 2020, the District Court ruled that the notice will not be removed from the file. *To our knowledge, the Dorad 2 Project is currently under initial internal examination by Dorad . On July 13, 2020, Dorad submitted to the National Infrastructure Committee, or NIC, plans for public objections and on January 11, 2021, the NIC decided to postpone the final decision. There can be no assurance as to if, when and under what terms it will be advanced or promoted by Dorad.*

Competition

Dorad competes with the IEC and other private electricity manufacturers with respect to sales to potential customers directly.

Dorad's position is that the current regulation and structure of the Israeli electricity market provide IEC with a competitive advantage over the private electricity manufacturers. However, as long as the regulation remains unchanged, as the IEC controls the transmission and delivery lines and the connection of the private power plants to the Israeli national grid, Dorad and the other private manufacturers are dependent on the IEC for their operations and may also be subject to unilateral actions on the part of IEC's employees. For example, the approval of Dorad's permanent licenses was delayed due to ongoing disputes between the IEC and its employees. For more information, see "Material Effects of Government Regulations on Dorad's Operations" below.

Customers

Dorad entered into electricity supply agreements with various commercial consumers for an aggregate of approximately 95% of the production capacity of the Dorad Power Plant. The end-users include the Israeli Ministry of Defense, Mekorot (Israel's water utility and supply company), Israeli food manufacturers (Ossem and Strauss), Israeli hotel chains (Isrotel and Fattal), and others. The electricity supply agreements are, mainly, based on a reduced rate compared to the rate applicable to electricity consumers in the general market, as determined by the Israeli Electricity Authority.

In addition to the provision of electricity to specific commercial consumers, the agreement between Dorad and the IEC, which governs the provision of services and electricity from the IEC to Dorad, provides that Dorad will supply availability and energy to the IEC based on a production plan determined by the Israeli Electricity Authority, on IEC's requirements and on the tariffs determined by the Israeli Electricity Authority.

The Covid-19 crisis affects Dorad's customers (which, as noted above, include hotels and other industrial customers), and during 2020 Dorad reported a certain decrease in consumption of electricity by its customers and by the IEC due to the Covid-19 crisis and its implications on the tourism industry, the industrial entities and electricity consumption in general.

Sources and Availability of Raw Materials for the Operations of the Dorad Power Plant

The Dorad Power Plant is a dual-fuel plant, using natural gas as the main fuel and diesel oil in the event of an emergency. Pursuant to publications of the Israeli Ministry of Energy, natural gas is currently being used for the production of approximately 50% of the electricity produced in Israel.

On October 15, 2012, Dorad entered into the Tamar Agreement with Tamar, which is one of the suppliers of natural gas for the Israeli electricity market. Pursuant to information received from Dorad, Dorad purchases natural gas from Tamar for purposes of operating the Dorad Power Plant and the main terms of the Tamar Agreement are as follows:

- Tamar has committed to supply natural gas to Dorad in an aggregate quantity of up to approximately 11.2 billion cubic meters (BCM), or the Total Contract Quantity, in accordance with the conditions set forth in the Tamar Agreement.
- The Tamar Agreement will terminate on the earlier to occur of: (i) sixteen (16) years following the commencement of delivery of natural gas to the Dorad power plant or (ii) the date on which Dorad will consume the Total Contract Quantity in its entirety. Each of the parties to the Tamar Agreement has the right to extend the Tamar Agreement until the earlier of: (i) an additional year provided certain conditions set forth in the Tamar Agreement were met, or (ii) the date upon which Dorad consumes the Total Contract Quantity in its entirety.
- Dorad has committed to purchase or pay for ("take or pay") a minimum annual quantity of natural gas in a scope and in accordance with a mechanism set forth in the Tamar Agreement. The Tamar Agreement provides that if Dorad 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 Dorad is committed to.
- The Tamar Agreement grants Dorad the option to reduce the minimum annual quantity so that it will not exceed 50% of the average annual gas quantity that Dorad will actually consume in the three years preceding the notice of exercise of the option, subject to adjustments set forth in the Tamar Agreement. The reduction of the minimum annual quantity will be followed by a reduction of the other contractual quantities set forth in the Tamar Agreement. The option described herein is exercisable during the period commencing as of the later of: (i) the end of the fifth year after the commencement of delivery of natural gas to Dorad in accordance with the Tamar Agreement or (ii) January 1, 2020, and ending on the later of: (i) the end of the seventh year after the commencement of delivery of natural gas to Dorad in accordance with the Tamar Agreement or (ii) December 31, 2022. In the event Dorad exercises this option, the quantity will be reduced at the end of a one year period from the date of the notice and until the termination of the Tamar Agreement.
- The natural gas price set forth in the Tamar Agreement is linked to the production tariff as determined from time to time by the Israeli Electricity Authority, which includes a "final floor price." Following the decreases in the price of fuel and electricity during 2015, the Israeli Electricity Authority reduced the rate of electricity production, and as a result the natural gas price under the Tamar Agreement reached the "final floor price" in March 2016. Commencing January 1, 2020, the production component rate was decreased by approximately 7.9%, resulting in a decrease of the gas price under the Tamar Agreement to the final floor price and therefore will not be further reduced in the future. Commencing January 1, 2020, the production component rate was decreased by approximately 4.5%, however due to the floor price arrangement, the gas price was not reduced. Any delays, disruptions, increases in the price of natural gas under the agreement, or shortages in the gas supply from Tamar will adversely affect Dorad's results of operations. In addition, as future reductions in the production tariff will not affect the price of natural gas under the agreement with Tamar, Dorad's profitability may be adversely affected.

- Dorad may be required to provide Tamar with guarantees or securities in the amounts and subject to the conditions set forth in the Tamar Agreement.
- The Tamar Agreement includes additional provisions and undertakings as customary in agreements of this type such as compensation mechanisms in the event of shortage in supply, the quality of the natural gas, limitation of liability, etc.

As a result of the indexation included in the gas supply agreement, Dorad is exposed to changes in exchange rates of the U.S. dollar against the NIS. To minimize this exposure Dorad executed forward transactions to purchase U.S. dollars against the NIS.

On April 2, 2019, Dorad entered into an addendum to the Tamar Agreement according to which the gas quantities specified in the addendum to the Tamar Agreement that Dorad purchases from Tamar will not be included for the purpose of calculating the quantities of gas at the time of the reduction of the purchases from Tamar, in accordance with the instructions of the Tamar Agreement.

Agreement with Alon Gat

On March 6, 2019, Dorad signed a memorandum of understanding with Alon Energy Centers LP, or Alon Gat, which is constructing a private power plant for the production of electricity in Kiryat Gat, Israel, with a capacity of approximately 73 MW. On November 11, 2019, Dorad signed an addendum to this memorandum of understanding. In the framework of the memorandum of understanding and the addendum, Alon Gat will serve as a producer who will provide Dorad with the full availability of the aforementioned power plant and will sell the electricity produced at the power plant to Dorad, which will serve as supplier. In addition, Alon Gat, who holds the production license, will be responsible for operating the Alon Gat power plant and generating electricity at the plant and will bear all costs related to operating the Alon Gat power plant, the availability and the power generation. Dorad will be responsible for all activities related to the power supply sales to the customers and the IEC. On November 12, 2019, commercial operation of the Alon Gat power plant began and the implementation of the memorandum of understanding became effective. The implementation of the memorandum of understanding after May 10, 2020 is subject to the approval of Dorad's lenders, which was received on December 5, 2019, and to the approval of Alon Gat's lenders, which have not yet been received and Dorad expects that it will be received by June 2021. The memorandum of understanding and addendum contain termination provisions, including in the event of regulatory changes that materially impair the implementation of the understandings between the parties. Following the hearing scheduled by the Israeli Electricity Authority in August 2019 and the resolution published by the Israeli Electricity Authority in January 2020 regarding the amendments to the standards on consumption plan anomalies, which may affect the financial feasibility of the understandings with Alon Gat, Dorad and Alon Gat are examining the feasibility of the understandings. For more information concerning the resolution of the Israeli Electricity Authority see "Consumption Plans and Deviations" under "Material Effects of Government Regulations on Dorad's Operations" below.

Dorad is also a party to a natural gas transmission agreement and to a diesel oil warehousing agreement.

Natural Gas Purchase Agreement with Energean

On October 30, 2017, Dorad signed an agreement with Energean regarding the 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 second half of 2021. Dorad will purchase about half of the gas required to operate the Dorad Power Plant and the rest of the demand will continue to be supplied by Tamar. According to the agreement with Energean, if Dorad does not actually consume the minimum quantity it has undertaken, it will be forced to consume this quantity. On November 2018, all the suspending conditions included in the agreement with Energean were fulfilled. On February 5, 2020, Energean informed Dorad that due to the Coronavirus (Covid-19) spread in China, the Chinese government issued restrictions on travel and transportation including to an area where portions of Energean gas production facilities are manufactured and therefore a delay is expected in the construction of production facilities and in the gas supply to Dorad. Dorad notes that in the event of delays, it may purchase natural gas from Tamar at a higher price than the price set in the agreement with Energean. On April 22, 2020, Energean informed Dorad that it took several steps in order to overcome the impact of the Covid-19 crisis in order to decrease the expected delay in the provision of natural gas to Dorad and on September 10, 2020 Energean updated the date in which it expects to start providing the natural gas from the first half of 2021 to the second half of 2021.

Material Effects of Government Regulations on Dorad's Operations

As noted above under “Material Effects of Government Regulations on the Israeli PV Plant,” the regulatory framework applicable to the production of electricity by the private sector in Israel is provided under the Electricity Law, regulations promulgated thereunder, and other standards, guidelines and instructions published by the Israeli Electricity Authority and the IEC.

Licenses

In April 2014, the Israeli Electricity Authority resolved to grant Dorad a generation license for a period of twenty years and a supply license for a period of one year. In August 2014, Dorad filed a request to extend the supply license for an additional period of nineteen years and the long-term supply license was executed in July 2015.

Tariffs

The Israeli Electricity Authority determined the method and tariffs for the provision of availability and electricity by private electricity manufacturers to the IEC in the event not all of the capacity of such manufacturers was sold directly to customers. The Israeli Electricity Authority's decision provides that the IEC will pay for the availability even in the event electricity was not actually used by end customers depending on the amount of electricity made available to the IEC.

In September 2010, Dorad received a tariff approval from the Israeli Electricity Authority that sets forth the tariffs applicable to the Dorad Power Plant throughout the period of its operation, and in October 2013, Dorad received a revised tariff approval pursuant to the Tamar Agreement.

As noted above, the transmission and distribution lines used by the Dorad Power Plant are managed by the IEC, and the IEC is solely licensed to operate electricity systems (i.e. to oversee and manage the production and transmission of electricity) in Israel.

On August 25, 2014, the Israeli Electricity Authority published a proposed decision for a hearing regarding the rates of the “system costs,” in which details were provided on the system services provided by IEC and their rates. According to the proposed decision, the rates will be effective retroactively as from June 1, 2013 but for Dorad will be effective only from the date of its commercial operation.

On August 6, 2015, the Israeli Electricity Authority published a decision establishing the rate in respect of “system management service charges” (system costs). As of December 31, 2015, Dorad settled such charges for the period until June 2015, and as from July 2015 regular charges are received from the IEC for these services.

On January 15, 2018, the electricity rate has been changed and overage production component was increased by approximately 6% from January 15, 2018. On December 24, 2018, the Israeli Electricity Authority published its decision to increase the 2019 electricity rate by approximately 3.3%.

On December 23, 2019, the Israeli Electricity Authority published a decision regarding “Annual Electricity Rate Update 2020,” which, among other things, averaged a 7.9% decrease in the production component as of January 1, 2020, and will remain in effect to the end of 2020.

On December 27, 2020, the Israeli Electricity Authority published a decision regarding “2021 Annual Update to the Electricity Rate,” which, among other things, provided for a decrease of approximately 5.7% in the average production component commencing January 1, 2021 and effective throughout 2021.

Consumption Plans and Deviations

In August 2019, the Israeli Electricity Authority published a proposed resolution that is subject to a public hearing concerning an amendment to the standards governing deviations from consumption plans. These standards regulate the accounting mechanism in the event the actual consumer consumption is different than the consumption plan submitted by the electricity manufacturers (such as Dorad), and include a mechanism protecting the manufacturers from random deviations in actual consumption volumes. Based on the Israeli Electricity Authority’s publication, which includes a call for public comments (the hearing process), the Israeli Electricity Authority proposed revoking the protections included in the aforementioned standards, claiming that the manufacturers are misusing the protections and regularly submit plans and forecasts that deviate from the actual expected consumption, and also seeks to impose financial sanctions on the manufacturers, which may be in material amounts upon the occurrence of certain deviation events. On January 27, 2020, the Israeli Electricity Authority issued a resolution amending the standards and imposing financial sanctions in cases of certain extraordinary events that may add up to significant sums. The resolution entered into effect commencing September 1, 2020. Based on Dorad’s financial statements, included elsewhere in this Report, Dorad is preparing to reduce the implications of the resolution and the implementation of the resolution does not have a material effect on the financial results of Dorad.

On November 22, 2020, the IEC filed a third-party notice against Dorad in connection with a class action submitted against the IEC claiming that the IEC was negligent in overseeing the private electricity manufacturers thereby damaging the electricity consumers. The claim against the IEC alleges that the private electricity manufacturers provided false reports in the consumption plans they submitted to the system manager in the IEC, based on the standards set by the Israeli Electricity Authority. At this point, based on the advice of legal counsel, Dorad cannot estimate the outcome of this legal proceeding.

Permits and Environmental Laws

Dorad is required to obtain and maintain various licenses and permits from local and municipal authorities for its operations.

The Dorad Power Plant is subject to a variety of Israeli environmental laws and regulations, including limitations concerning noise, emissions of pollutants and handling hazardous materials.

Waste-to-Energy (Biogas) Projects



Plant Title	Installed/ production Capacity	Location	Connection to Grid	Revenue in the year ended December 31, 2019 (in thousands)	Revenue in the year ended December 31, 2020 (in thousands)
"Groen Gas Goor"	3 million Nm3 per year	Goor, the Netherlands	November 2017	€2,314	€3,414
"Groen Gas Oude-Tonge"	3.8 million Nm3 per year,	Oude-Tonge, the Netherlands	June 2018	€2,472	€2,588
"Groen Gas Gelderland"	7.5 million Nm3 per year ¹	Gelderland, the Netherlands	April 2017	- ²	- ²

1. This plant's permit enables it to produce approximately 7.5 million Nm3 per year, however the actual production capacity of the plant is approximately 9.5 million Nm3 per year.

2. This plant was acquired in December 1, 2020, therefore revenues for the period prior to the acquisition are not reflected herein.

Agreement with Ludan in connection with Netherlands Waste-to-Energy Projects

In July 2016, we, through Ellomay Luxembourg, entered into an agreement, or the Ludan Agreement, with Ludan Energy Overseas B.V., or Ludan Energy (an indirectly wholly-owned subsidiary of Ludan Engineering Company Ltd. (TASE: LUDN), or Ludan) in connection with WtE (specifically Gasification and Bio-Gas (anaerobic digestion)) projects in the Netherlands.

Pursuant to the Ludan Agreement, subject to the fulfillment of certain conditions, we, through Ellomay Luxembourg, were to acquire at least 51% of each project company and Ludan will own the remaining 49%. The Ludan Agreement provided that Ludan Energy, by itself or through its affiliates, will act as the engineering, procurement and construction contractor and as the O&M contractor for the projects, based on specific agreements.

Pursuant to the Ludan Agreement, we acquired 51% of Groen Gas Goor B.V., or Groen Goor, a project company developing an anaerobic digestion plant, with a green gas production capacity of approximately 375 Nm³/h, in Goor, the Netherlands, or the Goor Project in December 2016 and 51% of the Oude Tonge Project in May 2017.

In March 2019, we executed the Ludan Acquisition Agreement with Ludan and several entities affiliated with Ludan, for the acquisition by Ellomay Luxembourg of 49% of the companies that own the Goor Project and the Oude Tonge Project and of the shareholders' loans provided by Ludan affiliates to such companies. The Ludan Acquisition Agreement also provides for the immediate (and unconditional) termination of the operations and maintenance arrangement of the WtE Plants with Ludan's affiliates effective as of January 27, 2019. The acquisition was consummated during 2019 and we currently indirectly own 100% of these projects and the Ludan Agreement terminated upon consummation of the transactions contemplated by the Ludan Acquisition Agreement.

Following consummation of the acquisition, we exchanged letters with Ludan and several of its subsidiaries in which Ludan made several immaterial claims for payments regarding the Goor and Oude Tonge WtE Plants, and we and several of our subsidiaries made several immaterial counter claims against Ludan with respect to the same projects, in amounts exceeding Ludan's claims. During 2020 we and Ludan settled the claims and each party waived all claims against the other party.

The Goor Plant

General

Further to the Ludan Agreement, during 2016 we entered into loan agreements with Ludan whereby we provided approximately €2.1 million to Ludan, or the Ludan Loans, for purposes of the acquisition of the rights in Groen Gas Goor B.V., or Groen Goor, a project company developing an anaerobic digestion plant, with a green gas production capacity of approximately 375 Nm³/h, in Goor, the Netherlands, or the Goor Project and the land on which the Goor Project will be constructed. Ellomay Luxembourg was issued shares representing a 51% interest in Groen Goor. The Groen Goor Loans converted into Ellomay Luxembourg shareholder's loans to Groen Goor upon the financial closing of the Goor Project, which occurred in December 2016.

Groen Goor EPC and O&M Agreements

During November 2016, Groen Goor entered into an EPC agreement in connection with the Goor Project, or the EPC Agreement, of an anaerobic digestion plant in Goor, the Netherlands, with Ludan. The Goor Project commenced operations in December 2017. The overall capital expenditure in connection with the Goor Project was approximately €10.8 million, including bank financing.

During September 2016, Ellomay Luxembourg entered into a MOU with Ludan, setting forth the agreed material principles and understandings with respect to the Goor Project's O&M agreement, or the O&M Agreement, which included customary O&M terms.

As noted above, effective January 27, 2019, Ludan's performance of O&M services for the Goor Project was terminated. The Goor Project is currently operated by Groen Goor, who recruited experienced employees for this purpose and the senior management provide services both to the Goor Project and to the Oude Tonge Project. In addition, following the consummation of the Ludan Acquisition Agreement, we currently indirectly hold 100% of the share capital of Groen Goor. During 2019 we added a centrifuge decanter and a dry silo system for the Goor Project.

In October 2016, Groen Goor executed offtake agreements for selling its produced gas, electricity, green gas certificates and green electricity certificates.

The Oude Tonge Plant

Further to the Ludan Agreement, during April 2017 – June 2017 we, through Ellomay Luxembourg, entered into loan agreements with Groen Gas Oude-Tonge B.V., or Oude Tonge, which was then in the process of developing an anaerobic digestion plant, with a green gas production capacity of approximately 475 Nm³/h, in Oude Tonge, the Netherlands, whereby we provided shareholders loans in the aggregate amount of approximately €1.7 million. Ellomay Luxembourg was issued shares representing a 51% interest in Oude Tonge in April 2017. The Oude Tonge facility commenced operations in June 2018.

Oude Tonge EPC Agreement

The Oude Tonge Project executed an EPC agreement with an affiliate of Ludan, based on terms previously agreed to by us and Ludan. The Oude Tonge Project commenced operations in June 2018. The overall capital expenditure in connection with the Oude Tonge Project were approximately €8.2 million, including bank financing. Ludan initially provided O&M services to the Oude Tonge Project, however, as noted above, effective as of January 27, 2019, Ludan's performance of O&M services for the Oude Tonge Project was terminated. The Oude Tonge Project is currently operated by Oude Tonge, who recruited experienced employees for this purpose and the senior management provide services both to the Oude Tonge Project and to the Goor Project. In addition, following the consummation of the Ludan Acquisition Agreement, we currently indirectly hold 100% of the share capital of Oude Tonge. During 2019 we added a centrifuge decanter for the Oude Tonge Project.

In May 2017, Oude Tonge executed offtake agreements for selling its produced gas and green gas certificates.

During 2020, we assessed the value in use of two cash generating Biogas plants in the Netherlands in the Biogas segment in light of operating losses suffered by these projects in previous years and lower results than forecasted for 2020. The examination was conducted based on projected cash flows that were discounted at a rate 6%. The examination concluded that the value in use of the plants is higher than the carrying value of the plants and therefore there is no need for a provision for impairment. The assumptions on which the examination was based could be affected by the Company's inability to meet the budget in certain circumstances including, the prices of feedstock required in order to maintain the optimal mix of feedstock necessary to maximize performance of the plants, by technical malfunctions and by other circumstances that influence the operation of the plants.

The Gelderland Plant

On December 1, 2020, we acquired all issued and outstanding shares of GG Gelderland through our wholly-owned subsidiary, Ellomay Luxembourg. We paid €1.567 million for the shares and the repayment of shareholder loans. An additional shareholder loan of approximately €5.9 million was granted to GG Gelderland by Ellomay Luxembourg on December 1, 2020. The previous owners are entitled to receive an additional amount from the Dutch Government for subsidy payments. This amount is estimated at €0.493 million, but will be determined and paid before June 2021. We have no liability to compensate the previous owners if the Dutch government pays less than the estimated amount. GG Gelderland owns an operating anaerobic digestion plant in Gelderland, the Netherlands, with a permit that enables it to produce approximately 7.5 million Nm³ per year. The actual production capacity of the plant is approximately 9.5 million Nm³ per year.

Waste-to-Energy Technologies

The process of energy recovery from non-recyclable waste is often referred to as waste-to-energy or energy-from-waste. The waste-to-energy market includes various treatment processes and technologies used to generate a usable form of energy while reducing the volume of waste, including combustion, gasification, pyrolyzation, anaerobic digestion and landfill gas recovery. The resulting energy can be in the form of electricity, gas, heating and/or cooling, or conversion of the waste into a fuel for future use. The Luda Agreement applies to project in which gasification and anaerobic digestion technologies are implemented.

Gasification in the waste-to-energy market is the process of converting organic carbonaceous materials into carbon monoxide, hydrogen and carbon dioxide (CO₂) by reacting the material at high temperatures (>700 °C), without combustion, with a controlled amount of oxygen and/or steam. This process produces a gas mixture called synthetic gas or syngas or producer gas and is itself a fuel. The organic materials used in the gasification process are a variety of biomass and waste-derived feedstocks, including wood pellets and chips and waste wood.

Anaerobic digestion is a biological process that produces a gas (also known as biogas) principally composed of methane (CH₄) and carbon dioxide (CO₂). These gases are produced from organic waste such as livestock manure and food processing waste and from agro-residues. Depending on the type of feedstock used and the system design, biogas is typically 55%-75% pure methane. The biogas is emitted during the digestion process of the substrates by specific combinations of bacteria. As there is a relatively wide range of feedstock mix that can be used in the process, the plants in the Netherlands are designed to allow flexibility that is expected to reduce dependency on certain feedstock mix or the feedstock supplier. The biogas is used to produce green gas, or bio-methane, with properties close to natural gas that is injected into the natural gas grid.

The anaerobic digestion process leaves an organic residue, the digestate. The digestate can be used as a fertilizer and soil improver and the WtE plant is required to find solutions for the proper disposal of the digestate. The ability to dispose of digestate is subject to the relevant regulation in the target countries with respect to the amounts and timing of disposal of digestate as a fertilizer in such country. In the event restrictions and regulation does not permit disposal in a certain country, the WtE plant is required to dispose of the digestate in more distant locations or to store the digestate, which increase the costs of the disposal of digestate.

Benefits of Waste-to-Energy

Waste-to-energy generates clean, reliable energy from a renewable fuel source, thus expected to reduce dependency on “traditional” energy production methods, such as fossil fuels, oil and other similar raw materials that are less friendly to the environment. The use of waste assists in the on-going management of waste in a manner that is more environmentally-friendly than other waste management solutions, such as landfilling. We believe that by processing waste in waste-to-energy facilities, greenhouse gas emissions and the risk of contamination of ground water will be reduced.

Sources and Availability of Raw Materials for the Operations of the WtE Plants

As noted above, the anaerobic digestion process requires continuous input of raw materials such as: manure, glycerin, mix grain and corn, all of which are not freely available (as is the case with wind, solar and hydro energies).

The success of a WtE plant depends on its ability to procure and maintain sufficient levels of the waste applicable and suitable to the WtE technology the plant uses, in order to meet a certain of range of energy (gas, electricity or heat) production levels. Both Groen Goor and Oude Tonge initially executed long term feedstock agreements with feedstock suppliers. These agreements were terminated due to disagreements with the suppliers. In order to ensure continuous supply of raw materials, both in terms of the quantity and the quality and composition of the raw materials, the WtE Plants started working with a large number of waste suppliers, such as farmers, food manufacturers and other specialized waste suppliers in order to continuously monitor the proposed sales and try to locate the most efficient and beneficial offers.

The Netherlands Waste-to-Energy Market and Regulation

In 2014, the EU enacted legislation that set climate and energy targets for the year 2030. These targets were revisited by the EU in 2018 and 2020. Following the most recent revision the main targets for 2030 are a 55% cut in greenhouse gas emissions compared to 1990 levels, the production of 32% of the energy in the EU from renewable sources and a 32.5% improvement in energy efficiency. The target for the production rate of energy from renewable sources for the Netherlands imposed by the EU to be reached by the year 2030 is 27%. The target for 2020 was 14%, but this target was not achieved. In September 2020, the International Energy Agency (“IEA”) published a report with recommendations to assist the Netherlands in complying with the other climate and energy targets. The Dutch government’s goal is to have 16% renewable energy by 2023 and a fully sustainable energy supply in 2050. In close consultation with various stakeholders, the Dutch government defined this goal initially in the national Energy Agreement (“*Energieakkoord*”) of September 2013. As a follow-up to the Energy Agreement and as an elaboration on the Paris Agreement, which the Dutch government signed in 2015, the national Climate Agreement (“*Klimaatakkoord*”) was adopted in June 2019. The Climate Agreement contains several stringent national climate goals, among others a CO2 emissions reduction of 49% by 2030 and 95% by 2050, to be achieved through numerous national climate measures, but does not eliminate the renewable energy goals set out in the Energy Agreement. It is expected that the target in the Climate Agreement of a CO2 emissions reduction of 49% by 2030 will be adjusted to the European target of 55% by the future Dutch government (after the elections in March 2021).

The aforementioned national climate goals are formally included in the national Climate Act (“*Klimaatwet*”), which is in force since September 2019. The Climate Act contains no direct obligations for citizens and businesses; it provides the national government with a framework to establish further legislation in order to reach the national climate goals. One example of this legislation is the abovementioned Climate Agreement. Furthermore, the Climate Act, among other issues, requires the Dutch government to draft a so-called climate plan (“*klimaatplan*”). The climate plan is prepared for a period of ten years, is adjusted every five years based on actual insights and contains the most important decisions and measures in the field of climate policy and energy saving management for the next five years. The first climate plan (“*Integraal Nationaal Energie en Klimaatplan 2021-2030*”, or “*INEK*”) was presented on November 1, 2019. The INEK mainly refers to the headlines and goals set in the aforementioned national Agreements as well as the Climate Act. It also provides an overview of the current and upcoming Dutch legislation in the field of climate policy.

The Netherlands waste treatment is subject to strict regulatory obligations, requiring that approximately 10% of the market be processed. As a result, facilities that produce waste (such as farms) are expected to seek more appropriate solutions for waste management. As part of the national Climate Agreement, the Dutch government has intensified the enforcement of the legal obligation (set forth in the Dutch Environmental Protection Act (“*Wet milieubeheer*”) and the underlying Dutch Activity Decree (“*Activiteitenbesluit*”)) for facilities to take energy saving measures with a payback period of five years in case they use 50,000 kWh of electricity or 25,000 m³ of natural gas (or an equivalent) or more per year. In order to support this effort, the Dutch government has drafted and updated in April 2020 a so called ‘recognized measures’ list, intended to simplify compliance with the energy saving obligation. This list is available as annex 10 to the Dutch Activity Regulation (“*Activiteitenregeling*”). To further improve that compliance and to be able to monitor this, the Dutch Activity Decree (“*Activiteitenbesluit*”) also contains since July 2019 a duty of information. In practice, this entails that a facility is obligated to hand over every four years a report to the Dutch government, specifically to the Dutch Enterprise Agency (“*RVO*”), with a detailed overview of all the energy-saving measures taken on site. This information duty does not apply under certain circumstances, among others in case the environmental permit of a facility already stipulates certain energy saving obligations when it has an audit obligation under the European Energy Efficiency Directive (2012/27/EU; “*EED*”) or that facility participates in the Long-Term Agreements on energy efficiency with the Dutch government.

To accelerate the energy transition (from fossil to sustainable energy) in the Netherlands, the Dutch Electricity Act (“*Elektriciteitswet*”) obliges network operators to provide priority to facilities that produce renewable energy in the connection to the electricity grid. This Act also sets rules and requirements regarding the connection point’s allocation, the method of connection and the distribution of ‘connection costs’ between network operator and the facility’s operator. Due to a considerable growth of renewable energy developments (e.g., the rise of wind and solar power projects onshore), congestion on the electricity grid is becoming more and more an issue in several parts of the Netherlands, in particular in less densely populated areas with a less robust electricity grid. Currently, a revision of the Dutch investment plan and quality of electricity and gas Decree (“*Besluit tot wijziging van het besluit investeringsplan en kwaliteit elektriciteit en gas*”) is in preparation and will enable on short notice an intensified use of the electricity network. The reserve capacity of the high-voltage grid will be dedicated to energy generated by renewable energy sources. The Climate Act prescribes the obligation of a 100% CO₂ neutral electricity production in 2050. Also, the Dutch government is preparing the Energy Act (“*Energiewet*”), which is supposed to substitute the Dutch Electricity Act and the Dutch Gas Act (“*Gaswet*”), offering a modern and updated regulatory framework that supports and stimulates the energy transition in the Netherlands and contributes to the goal of a clean energy supply that is safe, reliable, affordable and holds into account spatial planning. The Energy Act will retain the current ordering of the gas and electricity market, but at the same time contains adjustments to support the transition to a climate neutral energy supply. It implements the European ‘Clean Energy Package’ (the latest update (2019) in the European energy policy framework) as well and further elaborates the Climate Agreement. The consultation period for the Energy Act, during which the public could provide comments on the draft version, ended on February 11, 2021. On this basis the Dutch government may adjust the Act and shall start the legislative process in the Dutch Parliament.

The current subsidy scheme for renewable energy in the Netherlands is called SDE++ (“*Stimulerende Duurzame Energieproductie en Klimaattransitie*” or Stimulating Renewable Energy Production and Climate Transition). The SDE++ program forms an extension of the SDE+ program, which ended in 2020. SDE++ stimulates the further rollout of renewable energy, but also, in contrast to the SDE+ program, focuses on stimulating CO2 emissions reducing techniques by compensating the unprofitable top margin of these techniques. The SDE++ is technique neutral and includes several new techniques as eligible for subsidy, among others relating to heat generation from biomass. Given the wide range of available biomass technologies nowadays, the SDE++ provides for various categories under which subsidy can be requested for biomass projects. Under the SDE++ subsidy program, subsidies are granted on the basis of prevented CO2 emissions. The SDE++ contribution is equal to the base amount (cost price of reduction of CO2 emissions) minus the correction amount (SPOT price). This is organized via an operating subsidy scheme. Subsidy applications under the SDE++ program are handled on the basis of increasing maximum subsidy need per phase. Consequently, projects with a lower subsidy need shall be given priority when granting subsidies.

SDE++ allows for the option of banking. In case less sustainable energy is produced than predicted, one can use the difference in later years. Producers can also carry over any excess output to the following year. The latest form of banking cannot be more than 25% of the subsidized annual production of energy, except for the wind category. The SDE++ program is determined annually, with a budget of €5 billion in 2020. The maximum subsidy grant is €300 per ton of CO2 emissions. The round of application for the SDE++ (“*Openstellingsronde SDE++ 2020*”) in 2020 was from November 24 until December 17. The total requested amount of subsidy of almost €6.4 billion exceeded the available budget. The majority of the budget has been requested for PV projects (€2.4 billion) and for the capture and storage of CO2 (€2.1 billion). The applications are currently being assessed and the final results of the SDE++ 2020 are expected in the spring of 2021. The same applies to the design of the SDE++ 2021.

Taxes

In January 2021, the Industry CO₂ Tax (“*Wet CO₂-heffing industrie*”) entered into force. The rationale behind this tax is that the big polluters, in general the larger industrial facilities such as industry falling under the European Emissions Trading System (“*EU ETS*”) and waste incineration plants, have to pay their fair share in reducing CO₂ emissions in the Netherlands. Furthermore, the Industry CO₂ Tax aims at ensuring that the reduction target for industry as agreed in the Climate Agreement is achieved, while the level playing field with neighboring countries is affected as little as possible. This tax is connected with the EU ETS system as provided for in the European Directive 2003/87/EC; if emission prices within that system rise, the Industry CO₂ Tax falls and vice versa. Facilities are granted an exemption on part of the CO₂ emissions, on which they do not have to pay any tax (dispensation rights). The exemption is determined by comparing the facility’s CO₂ emissions with the most efficient facilities in the same industry in Europe. The more efficiently the facility produces, the less Industry CO₂ Tax it pays on balance, because that tax is levied on the emitted CO₂ that is in excess of the dispensation rights. The levy will increase in the coming years to encourage facilities to produce more efficiently, from €30 per ton CO₂ in 2021 up to €125 in 2030. At the same time, the dispensation rights will be decreasing throughout the years.

Dutch tax laws provide for an Energy Investment Allowance (“*EIA*”), a tax advantage for companies in the Netherlands that invest in energy-efficient technology allowing a deduction of 45.5% (in 2021) of the investment costs from the corporate income, on top of the usual depreciation. The right to the EIA is declared with the tax return, provided the investment is timely reported to the Dutch Enterprise Agency. The net EIA benefit is about 11% of the investment costs. The EIA can be claimed for all assets included in the annual Energy List (as published by the Dutch Enterprise Agency). The Energy List 2021 in Dutch was published in December 2020 and the Energy List 2021 in English is expected to be published in the first quarter of 2021. The EIA can also be claimed for customized investments that result in substantial energy savings, as far as these investments meet the saving standards of the EIA. Due to the expected increase of investments in renewable energy in the Netherlands, the Dutch government expects a further shortage of EIA deduction in the future. However, the EIA budget has been relatively stable over the last few years (from €151 million in 2013 it decreased to €101 million in 2017 increased to €147 in 2019 and 2020 and increased a bit more to €149 in 2021). In the Dutch Energy Agreement it has been agreed that the EIA program will primarily be focused on energy-efficiency investments. A renewable energy project that is eligible for an SDE++ subsidy is not eligible for the EIA tax advantage (the latter only relates to new projects and projects who have already obtained rights to tax advantages). As compensation, the SDE++ budget has been increased by the Dutch government over the years (see above). Recently, the EIA program has been extended until January 2024.

Permits

A permit under the Dutch Environmental Permitting Act (“*Wet algemene bepalingen omgevingsrecht*”) is required to operate a waste treatment facility in the Netherlands. In addition to this permit, other permits, such as a permit pursuant to the Dutch Water Act (“*Waterwet*”) and under local Ordinances (“*Algemene Plaatselijke Verordening*”), could be required too. The need for these permits depends on the (physical) scale of the waste treatment facility and its impact on the nearby environment. A permit is issued without a time limit. However, changing circumstances (new operational activities on-site or new developments nearby) may require the permit to be revised. To ensure compliance, the authorities may withdraw a permit in case of significant violations of attached restrictions and/or applicable environmental regulations.

Furthermore, the operation of a waste treatment facility must be in line with the designated use in the applicable zoning plan. In case the facility is not in line with the zoning plan, either the zoning plan has to be adapted or a permit has to be obtained under the Dutch Environmental Permitting Act (“*Wet algemene bepalingen omgevingsrecht*”), allowing deviation from the applicable designated use. New zoning plans may amend/delete the designated use that allows an existing facility. However, in that case it is obligatory under the Dutch Spatial Planning Act (“*Wet ruimtelijke ordening*”) to include transitory rules that allow continuation (but not expansion) of existing operations.

The foregoing will be continued under the planned Dutch Environment Law Act (“*Omgevingswet*”), which will replace (at least) fifteen existing laws on environment and spatial planning, including the Dutch Environmental Permitting Act (“*Wet algemene bepalingen omgevingsrecht*”), the Dutch Water Act (“*Waterwet*”) and the Dutch Spatial Planning Act (“*Wet ruimtelijke ordening*”). The Dutch Environment Law Act (“*Omgevingswet*”) and the implementing legislation are both approved by the Dutch Parliament and the Dutch Senate. However, it is unsure if the Act will enter into force on January 1, 2022, as currently envisaged. There is still a wide-ranging debate pending, both in politics, legal disciplines, and industry, about the usefulness and necessity of the Dutch Environment Law Act (“*Omgevingswet*”). This Act, however, will not make any material changes in respect to the current Acts. Moreover, permit applications that have been submitted before the Dutch Environment Law Act (“*Omgevingswet*”) enters into force, will be assessed in accordance with the former applicable Acts.

For the operation of a waste treatment facility in the Netherlands, a permit under the Dutch Nature Protection Act (“*Wet natuurbescherming*”) is required as well, as far as the facility may negatively affect designated Natura 2000-areas (“*Natura 2000-gebieden*”), by among others causing nitrogen to be deposited thereon. By decision of the highest Dutch administrative court, the specific regime for nitrogen depositions, the ‘Integrated Approach to Nitrogen’ (“*Programma Aanpak Stikstof*”) was revoked in May 2019. The key assumption under this regime that, through nature restoration measures and source-directed measures, a general autonomous reduction of nitrogen depositions/emissions could be created (only) in favor of (more) economic developments, proved not to be valid. This also applies to the nitrogen exemption limits of the ‘Integrated Approach to Nitrogen’ (“*Programma Aanpak Stikstof*”), which provided for an exemption to the permit obligation under the Dutch Nature Protection Act (“*Wet natuurbescherming*”). As a result, it is currently more difficult to obtain such permit in the Netherlands, in principle also for the operation of a (modified/new) waste treatment facility. By virtue of the Dutch Emergency Act on Nitrogen (“*Spoedwet aanpak Stikstof*”), effective since December 2020, the Dutch government has sought to maintain the granting thereof, via the implementation of quick practical/technical measures (such as lowering the maximum speed on Dutch highways). In the meanwhile, to achieve a more structural solution for abovementioned problems, the Dutch Nitrogen Act (“*Stikstofwet*”) with new policies has been prepared, on which the Dutch Senate will vote in the first quarter of 2021. The Dutch Nature Protection Act (“*Wet natuurbescherming*”) as such will also be integrated in the Dutch Environment Law Act (“*Omgevingswet*”).

Pumped Storage Project in the Manara Cliff in Israel

Recent Developments

The current ownership structure of Ellomay PS is as follows: (i) 75% is owned by Ellomay Water Plants Holdings (2014) Ltd., or Ellomay Water, which we wholly-own, and (ii) 25% is owned by Sheva Mizrakot Ltd., an Israeli private company, or Sheva Mizrakot. 66.667% of Sheva Mizrakot is owned by Ampa Investments Ltd., or Ampa, and the remaining 33.333% are owned by Ellomay Water. Accordingly, we hold (through our direct holdings in Ellomay PS and through our holdings in Sheva Mizrakot) 83.333% of the Manara PSP, and the remaining 16.667% of the Manara PSP are held by Ampa through its holdings in Sheva Mizrakot.

The Manara Project is projected to cost approximately NIS 1.53 billion (approximately \$472 million). The construction period of the Manara Project is expected to be 62.5 months. On March 7, the Manara Project received the approval of the Israeli Electricity Authority that the conditions precedent under the Conditional License were met.

Manara PSP Project Finance

On February 11, 2021, we announced the financial closing of the Manara PSP Project Finance. The Manara PSP Project Finance will be provided by a consortium of Israeli banks and institutional investors, arranged and led by Mizrahi-Tefahot Bank Ltd. The Manara PSP Project Finance is in the aggregate amount of NIS 1.18 billion (approximately €300 million), and includes: (i) a senior secured tranche at a fixed rate of interest (with base interest rate equal to the yield to maturity of Israeli treasury bonds with like duration of the loan), linked to the Israeli Consumer Price Index and to be repaid over a period of 19.5 years from the commercial operation date; and (ii) a subordinated secured tranche at a floating rate of interest (Bank of Israel rate plus spread) with a slightly shorter maturity. The weighted average annual interest rate spread of the Manara PSP Project Finance is approximately 3.3% during the construction phase and approximately 2.5% during the commercial operation phase. The Manara PSP Project Finance includes customary terms in connection with early prepayment, acceleration of payments upon certain breaches and limitations on distributions. The Manara PSP Project Finance also includes ancillary facilities such as Standby, VAT, Guarantees and Debt Service Reserve facilities in an aggregate amount of approximately NIS 146 million (approximately €37 million based on the euro/NIS exchange rate as of December 31, 2020).

The Average Annual Debt Service Cover Ratio (ADSCR) is 1.35:1.00 under the base case financial model for the Senior Secured Tranche. The default ADSCR is 1.05:1.00.

Sheva Mizrakot and Ellomay Water undertook to provide aggregate financing of approximately NIS 353 million (approximately €90 million based on the euro/NIS exchange rate as of December 31, 2020), pro rata to their holdings in the Manara PSP.

The Manara PSP Project Finance includes mandatory cash sweeps upon certain cover ratio and other events, cash sweep payments in connection with the subordinated loans and other lender protection mechanisms. In addition, the Manara PSP Project Finance agreement permits the shareholders of the Manara PSP to withdraw a developers' fee at the Actual Completion Date (as such term is defined in the Manara PSP Project Finance agreement) of the Manara Project, subject to availability of funding, provided certain cover ratios are met.

We and Ampa provided certain sponsor support undertakings towards the lenders commensurate with the size and complexity of the project and the length of the construction period.

In addition, we undertook in connection with the Manara PSP Project Finance to maintain control over the Manara PSP and to provide customary pledges on the assets of and rights in the project. The shareholders of Ellomay PS provided pledges over their shares, the shareholders' loans and the shareholders' mezzanine loan.

For more information see Note 6 to our annual financial statements included elsewhere in this Report.

Manara PSP EPC Agreement

On February 14, 2021, we also announced the execution of the EPC agreement for the construction of the Manara PSP, or the Manara PSP EPC Agreement, under a "turnkey" contract with Electra Infrastructure Ltd., or Electra Infrastructure, one of Israel's largest construction companies. The aggregate consideration payable to Electra Infrastructure under the Manara PSP EPC Agreement is expected to be approximately NIS 1.1 billion (approximately €280 million). In accordance with the Manara PSP EPC Agreement Voith Hydro, the world's leading manufacturer of hydroelectric turbines, or Voith Hydro, was nominated as the subcontractor that will be providing the electro-mechanical equipment to the Manara PSP.

Manara PSP O&M Agreement

In parallel to the execution of the Manara PSP EPC Agreement, Ellomay PS also executed an O&M agreement, or the Manara PSP O&M Agreement, with Mekorot Israel National Water Co., the Israeli national water company, or Mekorot (which is fully owned by the Israeli Government), Voith Hydro and Verbund Hydro, one of the largest hydroelectric companies in Europe with extensive expertise in the operation of hydroelectric power plants, or, together, the Manara PSP O&M Contractors. The Manara PSP O&M Agreement provides that the Manara PSP O&M Contractors will be involved in the construction process through a mobilization period and that O&M services will be provided for a twenty year period, during which Mekorot, Voith Hydro and Verbund will provide O&M services for the initial three years, with Mekorot providing O&M services exclusively for the remaining 17 years.

Background

The development of the Manara PSP began in 2007, and the Manara PSP, which was under different ownership at the time, was granted a conditional license in 2009 for a capacity of 200 MW, or the First Conditional License. The First Conditional License expired in 2011 and thereafter the previous owner applied for a new conditional license, but before the application was approved, the Israeli Electricity Authority rendered a decision, in 2012, prohibiting cross ownership in pumped storage projects (at the time, the then-owner of Manara PSP was also a shareholder in the Gilboa PSP), thus forcing the sale of Manara PSP to a new owner.

In January 2014, we entered into an agreement with Ortam Sahar Engineering Ltd., or Ortam, an Israeli publicly traded company, pursuant to which we acquired (a) Ortam's holdings (24.75%) in Agira Sheuva Electra, L.P., or the Partnership, an Israeli limited partnership that had been promoting the Manara PSP; and (b) Ortam's holdings: (i) in Chashgal Elyon Ltd., or the GP, an Israeli private company, which is the general partner in the Partnership (holding 25% in the Partnership), and (ii) in the engineering, procurement and construction contractor of the aforementioned project (50%). On May 20, 2014 our indirectly wholly-owned subsidiary, Ellomay Manara (2014) Ltd., or Ellomay Manara, entered into an agreement, or the Electra Agreement, with Electra Ltd., or Electra, an Israeli publicly traded company. Pursuant to the Electra Agreement, Ellomay Manara acquired Electra's holdings (24.75%) in the Partnership, as well as Electra's holdings in the GP (25%).

In addition, we, Ellomay Manara and Electra agreed that: (i) on the closing date of the transactions contemplated under the Electra Agreement, Ellomay Manara shall transfer to subsidiaries of Electra all of its then holdings in the engineering, procurement and construction contractor of the aforementioned project, or the EPC, (50%), which will be acquired at closing by us from another partner in the Partnership pursuant to a conditional agreement we entered into, resulting in Electra's subsidiaries holding 100% of the EPC; and (ii) each of Electra (through its subsidiaries) and us (together with Ellomay Manara) was granted an eighteen-month put option and call option, respectively, with respect to the entire holdings in the EPC.

In addition to the aforementioned agreements, on January 19, 2014 we entered into an agreement with Galilee Development Cooperative Ltd., an Israeli cooperative, or the Cooperative, pursuant to which, subject to the fulfillment of certain conditions, we shall acquire the Cooperative's holdings (24.75%) in the Partnership as well as its holdings in: (i) the GP (25%), and (ii) the EPC (50%).

In November 2014, Ellomay Manara consummated the acquisition of 75% of the limited partnership rights in the Partnership, as well as 75% of the holdings in the GP, from Electra, Ortam and the Cooperative. The remaining 25% of the holdings in the Partnership and in the GP are held by Sheva Mizrakot. We and Ellomay Manara did not pay any consideration upon the acquisition. On the same date, Ellomay Manara acquired Ortam's holdings (50%) in the EPC and, as set forth above, immediately transferred such holdings to a subsidiary of Electra, which, following such transfer now holds 100% of the EPC. According to the various agreements executed in connection with the Manara PSP, we and Ellomay Manara are liable, jointly and severally, to all the monetary obligations set forth in said agreements.

In December 2018, we executed a settlement agreement, or the A.R.Z. Settlement Agreement, with A.R.Z. Electricity Ltd., or A.R.Z. Electricity, an Israeli private company that at the time held 33.33% of Sheva Mizrakot Ltd. The A.R.Z. Settlement Agreement resolves a claim made by A.R.Z. Electricity and Mr. Raanan Aloni against us and our affiliates, in connection with the Manara PSP, and other disputes between such parties concerning the Manara PSP. In connection with the Manara PSP Project Finance and based on the A.R.Z. Settlement Agreement, A.R.Z. Electricity was required to provide its indirect share of equity investment and financing to the Manara PSP. Due to the failure to provide the required funds, Ellomay Water Plants Holdings (2014) Ltd., the Company's wholly-owned subsidiary that holds 75% of Ellomay PS, seized A.R.Z. Electricity's holdings in Sheva Mizrakot (33%) and, as a result, the Company's indirect holdings in the Manara PSP increased from 75% to 83.333%.

As of December 31, 2020, we paid an amount of approximately NIS 3.4 million (approximately €0.86 million) on account of the consideration upon the acquisition and may be required, if certain conditions and milestones are met (which conditions and milestones have not currently been met), to pay certain parties additional amounts in certain installments, which in the aggregate are not expected to exceed an amount of NIS 26 million (approximately €6.6 million).

Land Assessment from the Israel Land Authority

In December 2020, Ellomay PS received a land assessment from the ILA in connection with the Manara PSP and paid approximately NIS 66.7 million including VAT (approximately €17 million) in consideration for the ILA's consent to the sublease of the land on which the Manara PSP is currently planned to be constructed. The amount paid includes an amount of approximately NIS 9.9 million (approximately €2.5 million), excluding VAT, for royalties related to excess ground removal to the ILA.

Conditional Tariff Approval

On December 31, 2020, Ellomay PS received the conditional tariff approval for the Manara PSP from the Israeli Electricity Authority that regulates the tariffs and formulas for purchasing energy from a pumped storage manufacturer connected to the transmission network for a period of 20 years beginning on the date of receipt of the permanent production license. The conditional tariff approval became effective following the financial closing of the Manara PSP in February 2021.

On February 11, 2021, the Manara PSP complied with the conditions precedent under the conditional license held by the Manara PSS following the financial closing of the Manara PSP Project Finance and the execution of the Manara PSP EPC and O&M Agreements. For more information see "Item 4.A: Recent Developments." The consultation process of the Manara PSP is expected to be very complex and includes various engineering and other challenges, includes planning and conducting of a comprehensive investigation to characterize the variety of soils and rocks at the construction sites. In accordance with the infrastructure characteristics and the seismic risks that exist on site, stability calculations need to be performed on the basis of which instructions are given for the planning and execution of the reservoirs

Litigation

On March 3, 2017, Ellomay PS filed a petition, or the Petition, with the Israeli High Court of Justice against the Minister, the Israeli Electricity Authority and an the entity constructing a pumped storage project in Kochav Hayarden, Israel, or Kochav PS. Ellomay PS has also filed concurrently with the Petition, a motion for an interim relief, which would prevent the Minister and the Israeli Electricity Authority from granting Kochav PS any approval in connection with its compliance with any milestones stipulated in its conditional license.

The Petition was filed in connection with the decision of the Israeli Electricity Authority, dated February 20, 2017, to extend the following milestones deadlines stipulated in Kochav PS's conditional license: (i) financial closing milestone deadline; and (ii) construction period for Kochav PS's project. Kochav PS filed its response to the request for the motion for an interim relief on March 16, 2017. In its response, amongst other claims, Kochav PS requested that if the court granted Ellomay PS's motion for an interim relief, Ellomay PS would be obligated to post a bond in the amount of NIS 10 million (approximately €2.6 million) in order to cover Kochav PS's damages caused by the interim relief. The Minister and the Israeli Electricity Authority claimed, amongst other claims, that the motion should be dismissed, as should the Petition. In May 2017, the Israeli High Court of Justice dismissed the Petition.

On December 27, 2017, Kochav PS filed a statement of claim against Ellomay PS with the Tel Aviv – Jaffa Magistrate Court claiming damages allegedly caused due to delays in connection with the Petition. Kochav PS claims damages in an aggregate amount of approximately NIS 4.2 million (approximately €1.02 million). In April 2018, Ellomay PS submitted a statement of defense and in August 2018 Kochav PS submitted a plea. In July 2020, the parties reached a settlement whereby Ellomay PS paid an amount of NIS 0.35 million (approximately €0.088 million).

Pumped Storage Power Plants

Pumped storage is a form of renewable energy based on hydropower. A pumped storage power plant is capable of generating electric energy on demand, and is one of the oldest technologies used for energy storage. The technology has been in use for more than 100 years, providing over 100,000 MW around the world.

The technology allows storing available energy for later use. The pumped storage technology stores energy during low demand periods and releases it during peak demand periods, thereby utilizing the gap in production costs in order to stabilize the grid's voltage and regulation.

The plant is a hydro-storage system comprised of upper and lower water reservoirs, connected by an underground water pressure pipe: during low demand – pumping water from the lower reservoir for energy storage, and during peak demand – releasing water from the upper reservoir for energy production. The technology utilizes excess manufacturing ability during low demand hours in order to increase supply during peak demand hours, thus providing available reserve to be used by the grid dispatcher during peak and low demand periods.

Pumped storage also allows optimal grid stability functionality by providing a combination of low latency, high power and high energy response (~90 sec).

The need for electricity storage solutions in the Israeli electricity market

The purpose of pumped storage systems is to stabilize the grid's voltage and to create optimization in the management of the electricity grid. The demand for electricity, in the Israeli market as well as in other electricity markets, is influenced by many factors, including the weather, time of day and day of the week, and the rise in the standard of living in Israel.

In order to meet the growing electricity needs in Israel, and being able to provide electricity to consumers, the IEC constantly over-generates energy. The over-generation of energy is the result of using low flexibility energy sources (coal and gas). The demand curve is generally characterized by peak demand, usually in summer afternoons or winter evenings, and low demand during night times. During low demand periods, the majority of energy is produced by base-load plants at relatively cheap production costs, while at peak demand times, more expensive energy sources are added.

In recent years, the use of renewable, volatile energy sources has increased, thus increasing the grid's volatility and the need for storing energy during low-demand hours and releasing it during peak-demand hours.

The Manara PSP

Manara Cliff is located in Northern Israel, south of the town of Kiryat Shmona. According to the current construction plans of the Manara PSP, the plant will be based on water reservoirs built on agricultural land. The upper water reservoir will be located near Kibbutz Manara and the lower water reservoir will be based on an existing reservoir near Kiryat Shmona.

Ellomay PS entered into land lease option agreements with land owners, in order to secure land use rights for the duration of the construction phase and the commercial operation of the Manara PSP, and a water supply agreement with the Galil Elyon Water Association, in order to secure water supply for the project for the duration of the commercial operation.

Ellomay PS also holds geological and hydrology surveys, and an environmental impact assessment.

Competition

Due to recent changes in the applicable regulation, the Manara PSP will not enter into electricity sale agreements with private customers, but will provide 100% of the plant's available capacity and energy to the System Manager (IEC), pursuant to a power purchase agreement. The System Manager is obligated to purchase availability and energy from any power plant whose commercial operation was approved by the applicable regulation.

Material Effects of Government Regulations on the Manara PSP

The Manara PSP is subject to regulations applicable to energy producers and power plants in general, including the Electricity Market Regulations, and to pumped storage producers in particular. For more information concerning the Israeli electricity market and regulation see "The Israeli Electricity Market; Competition" and "Material Effects of Government Regulations on Dorad's Operations" under "Dori Energy and the Dorad Power Plant" above.

The Manara PSP was announced by the Israeli Government as a national infrastructure project. National Infrastructure Plan 41A (which updated National Infrastructure Plan 41), which establishes the planning principles for the Manara PSP (in a capacity of up to 340 MW) was approved by the Israeli government on January 15, 2018.

Licenses

The Manara PSP was initially granted a conditional license by the Israeli Electricity Authority for the construction of a pumped storage power plant with a capacity of 340 MW, or the Prior Conditional License. On December 4, 2017, the Israeli Electricity Authority announced the reduction of the capacity stipulated in the Prior Conditional License from 340 MW to 156 MW. The reduced capacity was based on the remaining portion of the quota for pumped storage projects in Israel as determined by the Israeli Government and implemented by the Israeli Electricity Authority, which is currently 800 MW, after deducting the capacity already allocated to two projects that were at the time in more advanced stages than the Manara PSP. On February 26, 2020, Ellomay PS retracted the Prior Conditional License issued to it, which was due to expire on February 28, 2020 because Ellomay PS did not reach financial closing by such date as was required under the milestones included in the Prior Conditional License. On the same date, Ellomay PS filed an application for a new similar conditional license for a pumped storage facility with a capacity of 156 MW.

On June 17, 2020, the Israeli Minister of Energy executed a new conditional license for the Manara Project, or the Conditional License, following the retraction of the previous conditional license, which permits Ellomay PS to construct the Manara PSP. The Conditional License included several conditions precedent to the entitlement of Ellomay PS to receive an electricity production license. The Conditional License is valid for a period of seventy two (72) months commencing from the date of its approval by the Minister of Energy, subject to compliance by Ellomay PS with the milestones set forth therein and subject to the other provisions set forth therein (including a financial closing, the provision of guarantees and the construction of the pumped storage hydro power plant). As noted above, on February 11, 2021, Ellomay PS complied with the project finance milestone under the Conditional License.

The licenses issued by the Israeli Electricity Authority include several milestones, which the license holder has to meet in a timely manner in order to be eligible for a permanent license to produce electricity. In the event the license holder does not meet the milestones, the Israeli Electricity Authority has the authority to revoke the license. One such milestone is the completion of the financial closing.

The Israeli Water Authority granted to Ellomay PS a water plant license, and approved the water rationing needed for the preliminary filling of the reservoirs prior to commencement of commercial operation, and for the continued operation of the power plant. The water plant license was granted to Ellomay PS in August 2015 and was since renewed from time to time.

Tariffs

In November 2009, the Israeli Electricity Authority published the regulatory framework for pumped storage power plants, or the PS Regulatory Framework, which has since been amended a few times. The PS Regulatory Framework establishes the following principles:

- Purchase of availability from a licensed private producer;
- Payment for availability, start-ups and dynamic benefits;
- The plant is required to be under the full control of the system manager (currently the IEC);
- Capital and operational tariff for availability – including exchange rate linkage, indexes and interests;
- During the first eighteen years of its operation, the plant shall be entitled to capital and operational tariff; after which and for an additional period of two years, the plant shall be entitled to operational tariff only; and
- Bonuses and fines mechanism, based on standard technical operational parameters.

On December 31, 2020, the Manara PSP received a tariff approval from the Israeli Electricity Authority that regulates the tariffs and formulas for purchasing energy from a pumped storage manufacturer connected to the transmission network for a period of 20 years beginning on the date of receipt of the permanent production license. The conditional tariff became effective following the financial closing of the Manara PSP in February 2021.

Material Effects of Government Regulations - General

Investment Company Act of 1940

Regulation under the Investment Company Act governs almost every aspect of a registered investment company's operations and can be very onerous. The Investment Company Act, among other things, limits an investment company's capital structure, borrowing practices and transactions between an investment company and its affiliates, and restricts the issuance of traditional options, warrants and incentive compensation arrangements, imposes requirements concerning the composition of an investment company's board of directors and requires shareholder approval of certain policy changes. In addition, contracts made in violation of the Investment Company Act are void.

An investment company organized outside of the United States is not permitted to register under the Investment Company Act without an order from the SEC permitting it to register and, prior to being permitted to register, it is not permitted to publicly offer or promote its securities in the United States.

We do not believe that our current asset structure results in our being deemed to be an “investment company.” Specifically, we do not believe that our holdings in the PV Plants or the WtE Plants would be considered “investment securities,” as we control the PV Plants (other than the Talasol PV Plant) and the WtE Plants via wholly-owned subsidiaries. In addition, despite minority holder protective rights granted to the minority shareholders of the Talasol PV Plant and the Manara PSP, including several rights which effectively require the unanimous consent of all, we believe that our interests in the Talasol PV Plant and the Manara PSP do not constitute “investment securities” given, among other things, our majority shareholder and board membership status. The current fair value of our holdings in Dori Energy and other relevant assets do not in our judgment exceed 40% of our aggregate assets, excluding our assets held in cash and cash equivalents. If we were deemed to be an “investment company,” we would not be permitted to register under the Investment Company Act without an order from the SEC permitting us to register because we are incorporated outside of the United States and, prior to being permitted to register, we would not be permitted to publicly offer or promote our securities in the United States. Even if we were permitted to register, it would subject us to additional commitments and regulatory compliance. Investments in cash and cash equivalents or in other assets that are not deemed to be “investment securities” might not be as favorable to us as other investments we might make if we were not potentially subject to regulation under the Investment Company Act. We seek to conduct our operations, including by way of investing our cash and cash equivalents, to the extent possible, so as not to become subject to regulation under the Investment Company Act. In addition, because we are actively engaged in exploring and considering strategic investments and business opportunities, and in fact have entered the Italian and Spanish photovoltaic power plants markets through controlling investments, we do not believe that we are currently engaged in “investment company” activities or business.

Shell Company Status

Following the consummation of sale of our previous wide format printers business in 2008 and until we commenced our renewable energy business in 2010, we ceased conducting any operating activity and substantially all of our assets consisted of cash and cash equivalents. Accordingly, we may have been deemed to be a “shell company,” defined by Rule 12b-2 promulgated under the Securities Exchange Act of 1934 during such period as (1) a company that has no or nominal operations; and (2) either: (i) no or nominal assets; (ii) assets consisting solely of cash and cash equivalents; or (iii) assets consisting of any amount of cash and cash equivalents and nominal other assets.

Our characterization as a former “Shell Company” subjects us to various restrictions and requirements under the U.S. Securities Laws. For example, pursuant to the provisions of Rule 144(i) promulgated under the Securities Exchange Act of 1934, shares issued by us at the time we were deemed to be a “shell company” and thereafter can only be resold pursuant to the general provisions of Rule 144 subject to the additional conditions in Rule 144(i), including that we have filed all reports and other materials required to be filed by Section 13 or 15(d) of the Exchange Act, as applicable, during the twelve month period preceding the use of Rule 144 for resale of such shares. This continuing restriction may limit our ability to, among other things, raise capital via the private placement of our shares.

C. Organizational Structure

Our Spanish PV Plants are held by: (i) Rodríguez I Parque Solar, S.L., (ii) Rodríguez II Parque Solar, S.L., (iii) Seguisolar S.L. and (iv) Ellomay Spain S.L., all wholly-owned by Ellomay Luxembourg. The Talasol PV Plant is held by Talasol Solar S.L., of which 51% is owned by Ellomay Luxembourg Holdings S.à.r.l.

Our Israeli PV Plant is held by Ellomay Talmei Yosef Ltd. (formerly Sun Team Talmei Yosef Ltd.), which is wholly-owned by Ellomay Sun Team Ltd. (formerly Sun Team Ltd.), which, in turn, is wholly-owned by Ellomay Holdings Talmei Yosef Ltd. (formerly Sun Team Group Ltd.), which is wholly-owned by us.

We hold the Dori Energy shares through Ellomay Clean Energy Limited Partnership, an Israeli limited partnership whose general partner is Ellomay Clean Energy Ltd., a company incorporated under the laws of the State of Israel wholly-owned by us.

Our WtE Plants located in the Netherlands are held by: (i) Groen Gas Goor B.V., (ii) Groen Gas Oude-Tonge B.V. and (iii) Groen Gas Gelderland B.V., all wholly-owned by Ellomay Luxembourg. We hold the rights in connection with the Manara PSP through our wholly-owned subsidiary, Ellomay Water Plants Holdings (2014) Ltd., which indirectly owns 75% of the rights in Ellomay PS and through our 33.333% holdings in Sheva Mizrakot, which owns 25% of Ellomay PS.

D. Property, Plants and Equipment

Our office space of approximately 360 square meters is located in Tel Aviv, Israel. This lease currently expires in February 2025. We sub-lease a small part of our office space to a company controlled by Mr. Shlomo Nehama, at a price per square meter based on the price that we pay under our leases. This sub-lease agreement was approved by our Board of Directors.

Our PV Plants are located in Spain and Israel. Pursuant to the building right agreements executed by our subsidiaries that are PV Principals in connection with the majority of our PV Plants, our subsidiaries own the PV Plants and received the right to maintain the PV Plants on the land on which they are located, or the Lands. The ownership of the Lands under the leasing agreements remains with the relevant owners of the Lands who are the grantors of the building rights under the respective building right agreements. The following table provides information with respect to the Lands and the PV Plants:

PV Plant	Size of Property	Location	Owners of the PV Plants/Lands
“Rinconada II”	81,103 m ²	Municipality of Córdoba, Andalusia, Spain	PV Plant owned by Ellomay Spain S.L. Land held by owners and leased to Ellomay Spain S.L.
“Rodríguez I”	65,600 m ²	Lorca Municipality, Murcia Region, Spain	PV Plant owned by Rodríguez I Parque Solar, S.L. Lease Agreement executed between the owners and Rodríguez I Parque Solar, S.L.
“Rodríguez II”	50,300 m ²	Lorca Municipality, Murcia Region, Spain	PV Plant owned by Rodríguez II Parque Solar, S.L. Lease Agreement executed between the owners and Rodríguez II Parque Solar, S.L.
“Fuente Librilla”	64,000 m ²	Fuente Librilla Municipality, Murcia Region, Spain	PV Plant owned by Seguisolar S.L. Lease Agreement executed between owners and Seguisolar S.L.
“Talasol”	6,040,000 m ²	Talavan (Cáceres) – Extremadura Region, Spain	Lease Agreements executed with the Talavan Municipality, which owns the land
“Talmei Yosef”	164,000 m ²	Talmei Yosef, Israel	Lease Agreement executed with the entity that leased the property from the ILA.

The land on which our WtE Plants are located is owned by the relevant project companies.

For more information concerning the use of the properties in connection with the PV Plants and the WtE Plants, see “Item 4.A: History and Development of Ellomay” and “Item 4.B: Business Overview” above.

ITEM 4A: Unresolved Staff Comments

Not Applicable.

ITEM 5: Operating and Financial Review and Prospects

The following discussion and analysis is based on and should be read in conjunction with our consolidated financial statements, including the related notes, and the other financial information included in this report. The following discussion contains forward-looking statements that reflect our current plans, estimates and beliefs and involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this report.

A. Operating Results

General

We are involved in the production of renewable and clean energy. We own six PV Plants that are operating and connected to their respective national grids as follows: (i) four photovoltaic plants in Spain with an aggregate installed capacity of approximately 7.9 MWp, (ii) 51% of Talasol, which owns a photovoltaic plant with an installed capacity of 300 MW in the municipality of Talaván, Cáceres, Spain that was connected to the Spanish electricity grid in the end of December 2020, and (iii) one photovoltaic plant in Israel with an installed capacity of approximately 9 MWp. In addition, we indirectly own: (i) 9.375% of Dorad, which owns an approximate 860 MWp dual-fuel operated power plant in the vicinity of Ashkelon, Israel, (ii) 83.333% of Ellomay Pumped Storage (2014) Ltd., which is promoting the Manara PSP, (iii) Ellomay Solar S.L.U. that is constructing a photovoltaic plant with an installed capacity of 28MW in the municipality of Talaván, Cáceres, Spain, and (iv) Groen Gas Goor B.V., Groen Gas Oude-Tonge B.V. and Groen Gas Gelderland B.V., project companies operating anaerobic digestion plants in the Netherlands, with a green gas production capacity of approximately 3 million, 3.8 million and 9.5 million (with a license to produce 7.5 million) Nm³ per year, respectively. See “Item 4.A: History and Development of Ellomay” and “Item 4.B: Business Overview” for more information.

IFRS

Our financial statements have been prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the IASB, which differ in certain significant respects from U.S. Generally Accepted Accounting Principles, or U.S. GAAP.

Critical Accounting Policies and Estimates

Our significant accounting policies are more fully described in Note 2 and 3 to our consolidated financial statements. Certain accounting principles require us to make certain estimates, judgments and assumptions that affect the reported amounts recognized in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. The changes in accounting estimates are recognized in the period of the change in estimate. The key assumptions made in the financial statements concerning uncertainties at the balance sheet date and the critical estimates that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are the following:

Fair value measurement of non-trading derivatives

Within the scope of the valuation of financial assets and derivatives not traded on an active market, management makes assumptions about inputs used in the valuation models. For information on a sensitivity analysis of levels 2 and 3 financial instruments carried at fair value see Note 21 to our annual financial statements regarding financial instruments.

Recognition of deferred tax asset in respect of tax losses

The probability that in the future there will be taxable profits against which carried forward losses can be utilized. See Note 19 to our annual financial statements included elsewhere in this Report regarding taxes on income and deferred tax.

Recoverable amount of cash generating unit

The Company examines at the end of each reporting year whether there have been any events or changes in circumstances that indicate impairment of fixed assets. When indication of impairment revealed the company checks whether the carrying amount of the fixed assets is recoverable.

Business combination

Fair value of assets and liabilities acquired in a business combination. See Note 6 regarding subsidiaries.

Segments

Our reportable segments, which form our strategic business units, are as follows: (i) photovoltaic power plants presented per geographical areas (Spain and Israel and, for periods prior to the sale of our Italian PV Portfolio), (ii) 9.375% indirect interest in Dorad, (iii) anaerobic digestion plants (Biogas) in the Netherlands and (iv) pumped storage hydro power plant in Manara, Israel. For more information see Note 22 to our annual financial statements included elsewhere in this report.

Results of Operations

As noted below, the results of operations included in our financial statements for the year ended December 31, 2019 include the results of operations of the Italian PV Portfolio that was sold to a third party on December 20, 2019. In addition, the results of operations do not yet include the results of the Talasol PV Plant and of the Gelderland biogas plant. Therefore, our past results are not indicative of our results in the future.

Year Ended December 31, 2020 Compared with Year Ended December 31, 2019

Revenues were approximately €9.6 million for the year ended December 31, 2020, compared to approximately €19 million for the year ended December 31, 2019. The decrease is mainly due to the sale of our Italian PV Portfolio in December 2019. 2020 revenues were also impacted by the decrease in demand and prices of the European electricity markets due to the Covid-19 pandemic, partially offset by an increase in revenues in one of our biogas plants in the Netherlands resulting from increased operational efficiency.

Italian PV Segment. Revenues from our Italian PV segment, sold to a third party on December 20, 2019, were 0 for the year ended December 31, 2020, compared to approximately €10.1 million for the year ended December 31, 2019.

Spanish PV Segment. Revenues from our Spanish PV segment were approximately €2.6 million for the year ended December 31, 2020, compared to €3 million for the year ended December 31, 2019. The decrease mainly resulted from a decrease in demand and prices of the Spanish electricity market due to the Covid-19 crisis.

Israeli PV Segment. The segment results for our PV Plant located in Israel are presented under the fixed asset model and not under the IFRIC 12 financial asset model as applied in our financial statements. Proceeds for electricity produced by our Israeli PV segment were approximately €4.1 million for the years ended December 31, 2020 and 2019.

Dorad Segment. The segment results for Dorad are presented as our share in the results of Dorad in NIS translated into euro and not under the equity method (equity accounted investee) as applied in our financial statements. Our share in the revenues of Dorad was approximately €57.5 million (approximately NIS 225.7 million) for the year ended December 31, 2020, compared to approximately €63.4 million (approximately NIS 253.2 million) for the year ended December 31, 2019. The decrease in Dorad's revenues is mainly due to a decrease in tariff and in the electricity sold to Dorad's customers for the year ended December 31, 2020.

Netherlands Biogas Segment. Revenues from our Netherlands biogas segment were approximately €6 million for the year ended December 31, 2020, compared to approximately €4.8 million for the year ended December 31, 2019. The increase is due to enhanced operational efficiency.

Operating expenses were approximately €5 million for the year ended December 31, 2020, compared to approximately €6.6 million for the year ended December 31, 2019. The decrease in operating expenses is mainly attributable to the sale of the Italian PV Portfolio, to increased operational efficiency of our biogas plants in the Netherlands and to insurance reimbursement in connection with the storm damages in one of our biogas plants in the Netherlands that reduced operating expenses. Depreciation expenses were approximately €3 million for the year ended December 31, 2020, compared to approximately €6.4 million for the year ended December 31, 2019.

Italian PV Segment. Operating expenses in connection with our Italian PV segment were 0 for the year ended December 31, 2020, compared to approximately €1.4 million for the year ended December 31, 2019. The decrease is due to the sale of our Italian PV Portfolio in December 2019.

Spanish PV Segment. Operating expenses in connection with our Spanish PV segment were approximately €0.5 million for the years ended December 31, 2020 and 2019.

Israeli PV Segment. Operating expenses in connection with our Israeli PV segment were approximately €0.4 million for the year ended December 31, 2020, compared to approximately €0.3 million for the year ended December 31, 2019.

Dorad Segment. The segment results for Dorad are presented as our share in the results of Dorad in NIS translated into euro and not under the equity method (equity accounted investee) as applied in our financial statements. Operating expenses in connection with our Dorad segment were approximately €4.5 million (approximately NIS 174.6 million) for the year ended December 31, 2020, compared to approximately €48.6 million (approximately NIS 193.9 million) for the year ended December 31, 2019. The decrease in Dorad's operating expenses is mainly due to a decrease in production and in gas prices.

Netherlands Biogas Segment. Operating expenses in connection with our Netherlands biogas segment were approximately €4.1 million for the year ended December 31, 2020, compared to approximately €4.4 million for the year ended December 31, 2019. The decrease is attributable to increased operational efficiency and to insurance reimbursement income in connection with the storm damages in one of our biogas plants in the Netherlands that reduced operating expenses.

Project development costs were approximately €3.5 million for the year ended December 31, 2020, compared to approximately €4.2 million for the year ended December 31, 2019. The decrease in project development costs is mainly due to a decrease in consultancy expenses for the Manara PSP, partially offset by consultancy expenses in connection with the development of photovoltaic projects in Italy.

General and administrative expenses were approximately €4.5 million for the year ended December 31, 2020, compared to approximately €3.8 million for the year ended December 31, 2019. The increase in general and administrative expenses resulted mainly from a higher cost of our D&O liability insurance.

Our share of profits of equity accounted investee, after elimination of intercompany transactions, was approximately €1.5 million in the year ended December 31, 2020, compared to approximately €3.1 million in the year ended December 31, 2019. The decrease in our share of profit of equity accounted investee is mainly attributable to the decrease in Dorad's revenues mainly due to a decrease in tariff and in the electricity sold to Dorad's customers for the year ended December 31, 2020, partially offset by lower financing expenses incurred by Dorad as a result of the CPI indexation of loans from banks.

Other income, net, were approximately €2.1 million in the year ended December 31, 2020, compared to other expenses, net, of approximately €2.1 million in the year ended December 31, 2019. On December 20, 2019, we sold our holdings in this subsidiary. The Sale and Purchase Agreement governing the sale of the subsidiary provided for up to €2.1 million of indemnification in connection with a claim from GSE, Italy's energy regulation agency, received by one of the sold Italian subsidiaries, claiming alleged non-compliance of the installed modules with the required certifications under the applicable regulation and raising the need to examine incentive eligibility implications. This potential payment was recorded as other expense in 2019. In 2020, with the cooperation of the acquirer of the Italian subsidiaries, an appeal was submitted to GSE. Following the positive outcomes of such appeal, the provision for the potential indemnification was cancelled.

Capital gain was 0 in the year ended December 31, 2020, compared to approximately €18.8 million in the year ended December 31, 2019. The capital gain in the year ended December 31, 2019 was recorded in connection with the sale of our Italian PV Portfolio on December 20, 2019.

Financing expenses, net was approximately €3.6 million for the year ended December 31, 2020, compared to approximately €8.2 million for the year ended December 31, 2019. The decrease in financing expenses, net, was mainly attributable to lower interest expenses due to the early repayment of the Company's Series A Debentures and the sale of the Italian PV Portfolio, including all related project finance.

Tax benefit was approximately €0.1 million in the year ended December 31, 2020, compared to tax benefit of approximately €0.3 million in the year ended December 31, 2019.

Net loss was approximately €6.2 million in the year ended December 31, 2020, compared to net profit of approximately €9.8 million for the year ended December 31, 2019.

Total other comprehensive income was approximately €2.3 million for the year ended December 31, 2020, compared to total other comprehensive income of approximately €1.3 million in the year ended December 31, 2019. The increase was mainly due to changes in fair value of cash flow hedges and from foreign currency translation differences on New Israeli Shekel denominated operations, due to fluctuations in the euro/NIS exchange rates.

Total comprehensive loss was approximately €3.9 million in the year ended December 31, 2020, compared to total comprehensive profit of approximately €1 million in the year ended December 31, 2019.

Year Ended December 31, 2019 Compared with Year Ended December 31, 2018

Please see Item 5A of our Form 20-F for the Year ended December 31, 2010, filed with the SEC on April 7, 2020.

Impact of Inflation and Fluctuation of Currencies

The annual rate of inflation in Israel was 0.8% in the year ended December 31, 2018, 0.6% in the year ended December 31, 2019 and deflation of 0.6% in the year ended December 21, 2020.

We hold cash and cash equivalents, marketable securities and restricted cash in various currencies, mainly in euro and NIS. Our investments in our Spanish PV Plants, in the WtE Plants and in the Talasol PV Plant are denominated in euro and our investments in Dori Energy, in the Talmei Yosef PV Plant and in Manara PSP are denominated in NIS. Our Debentures are denominated in NIS and the interest and principal payments are made in NIS, the financing of the Talmei Yosef PV Plant is denominated in NIS and the financing we have obtained in connection with our Spanish PV Plants is denominated in euro and bears interest that is based on EURIBOR rate. We therefore are affected by changes in the prevailing euro/NIS exchange rates and previously, prior to the change in our presentation currency were affected by changes in the prevailing euro/U.S. dollar and euro/NIS exchange rates. We entered into various swap transactions to minimize our currency risks. We cannot predict the rate of appreciation/depreciation of the NIS against the euro in the future, and whether these changes will have a material adverse effect on our finances and operations.

The table below sets forth the annual rates of appreciation (or devaluation) of the NIS against the euro.

	Year ended December 31,		
	2020	2019	2018
Appreciation (Devaluation) of the NIS against the euro	1.7%	(9.6%)	3.3%

The representative NIS/euro exchange rate was NIS 4.292 for one euro on December 31, 2018, NIS 3.878 for one euro on December 31, 2019 and NIS 3.944 for one euro on December 31, 2020. The average exchange rates for converting the NIS to euro during the years ended December 31, 2018, 2019 and 2020 were 4.244, 3.993 and 3.925 for one euro, respectively. The representative exchange rate as of March 1, 2021 was NIS 3.983 for one euro.

Our management determined that our functional currency is the euro and elected the euro as our reporting currency, effective December 31, 2017.

Items included in the financial statements of each of our subsidiaries and investees are measured using their functional currency. When a company's functional currency differs from its parent's functional currency that entity represents a foreign operation whose financial statements are translated so that they can be included in the consolidated financial statements as follows:

The assets and liabilities of foreign operations, including adjustments arising on acquisition, are translated at exchange rates at the reporting date. The income and expenses for each period presented in the statement of profit or loss and other comprehensive income (loss) are translated at average exchange rates for the presented periods; however, if exchange rates fluctuate significantly, income and expenses are translated at the exchange rates at the date of the transactions. Foreign currency differences are recognized in equity as a separate component of other comprehensive income (loss) under "foreign currency translation adjustments."

For information concerning hedging transactions entered, see "Item 11: Quantitative and Qualitative Disclosures About Market Risk."

Governmental Economic, Fiscal, Monetary or Political Policies or Factors that have or could Materially Affect our Operations or Investments by U.S. Shareholders

Governmental Regulations Affecting the Operations of our PV Plants and other Plants

Our PV Plants and other energy manufacturing plants are subject to comprehensive regulation and we sell the electricity and energy produced for rates determined by governmental legislation and to local governmental entities. Any change in the legislation that affects plants such as our plants could materially adversely affect our results of operations. An economic crisis in Europe and specifically in Spain, the Netherlands and Italy, whether related to the Covid-19 pandemic or otherwise or continued financial distress of the IEC could cause the applicable legislator to reduce benefits provided to operators of PV plants or other privately-owned energy manufacturing plants or to revise the incentive regimes that currently governs the sale of electricity in Spain, the Netherlands, Israel and Italy. For more information see “Item 3.D: Risk Factors - Risks Related to our Renewable Energy Operations,” “Item 3.D: Risk Factors - Risks Related to our Investment in Dori Energy,” “Item 3.D: Risk Factors - Risks Related to our Other Operations”, “Item 4.B: Material Effects of Government Regulations on the PV Plants,” “Item 4.B: Material Effects of Government Regulations on Dorad’s Operations,” “Item 4.B: The Netherlands Waste-to-Energy Market and Regulation” and “Item 4.B: Material Effects of Government Regulations on The Manara PSP.”

Effective Israeli Corporate Tax Rate

Israeli companies are generally subject to company tax on their taxable income. The Israeli corporate tax rate was reduced from 26.5% to 25% as of January 1, 2016. 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. 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 was a rate of 24% as from January 2017 and the second step was a rate of 23% as from January 2018.

As of December 31, 2020, we had tax loss carry-forwards in the amount of approximately €0.9 million. Such carry-forward tax losses are following a decrease of approximately €20 million as a result of a tax inspection and a final settlement reached with the tax authorities in 2018. Under current Israeli tax laws, tax loss carry-forwards do not expire and may be offset against future taxable income. The amount of tax loss carry-forwards is subject to tax inspections and final assessments of settlements with the tax authorities.

B. Liquidity and Capital Resources

General

As of March 1, 2021, we held approximately €125 million in cash and cash equivalents, approximately €1.76 million in marketable securities and approximately €10 million in restricted short-term and long-term cash.

Although we now hold the aforementioned funds, we may need additional funds if we seek to acquire certain new businesses and operations and if we seek to implement our project development plans and to advance large development projects that require substantial funds. If we are unable to raise funds through public or private financing of debt or equity, we will be unable to fund certain projects, investments or business combinations that could ultimately improve our financial results. We cannot ensure that additional financing will be available on commercially reasonable terms or at all.

We entered into various project finance agreements in connection with the financing of our Spanish PV Plants, including the Talasol PV Plant (all as more fully described below). In January 2014 and June 2014 we issued the Series A Debentures, which were repaid by us in full in January 2020. In March 2017 we issued the Series B Debentures, which were repaid by us in full in March 2021, in July 2019, October 2020 and February 2021 we issued the Series C Debentures and in February 2021 we issued the Series D Debentures, all as more fully described below. In addition, in February 2021, the Manara PSP Project Finance reached financial closing, the Talmei Yosef PV Plant, our PV Plants in Spain and our WtE Plants also obtained project financing as more fully described below. We currently have no agreements, commitments or understandings for additional financing, however we will require additional funds in order to advance the projects that are currently under development or that will be developed in the future. The project finance arrangements entered into by several of the Italian project companies holding our Italian PV plants were transferred as part of the sale of our Italian PV Portfolio on December 20, 2019.

On July 17, 2019, we issued 800,000 ordinary shares to several Israeli qualified investors in a private placement undertaken in accordance with Regulation S. The price per share was NIS 39.20 and we received net proceeds of approximately NIS 31.1 million (approximately €50 million) (net of related expenses such as consultancy fee of approximately NIS 0.2 million).

On February 18, 2020, we issued 715,000 ordinary shares and warrants to purchase an additional 178,750 ordinary shares to several Israeli institutional investors in a private placement undertaken in accordance with Regulation S. The price per share was NIS 70. The warrants are exercisable for a period of one year, with an exercise price of NIS 80 per ordinary share. We received net proceeds of NIS 49.9 million (approximately €13.5 million) (net of related expenses such as consultancy fee of approximately NIS 0.1 million).

On July 20, 2020, we issued 450,000 ordinary shares to several Israeli qualified investors in a private placement undertaken in accordance with Regulation S. The price per share was NIS 70.5 (approximately €8 based on the Euro/NIS exchange rate at that time) and we received gross proceeds of approximately NIS 31.7 million (approximately €8.1 million based on the Euro/NIS exchange rate at that time).

On October 26, 2020, we completed a public offering in Israel of additional Series C Debentures and of a new series of options, tradable on the Tel Aviv Stock Exchange, to purchase the Company's ordinary shares at an exercise price per share of NIS 150 (subject to adjustments upon customary terms), or the Series 1 Options. We issued an aggregate principal amount of NIS 154 million (approximately €38.5 million) of our Series C Debentures and 385,000 Series 1 Options. The gross proceeds from the offering amounted to approximately NIS 164.2 million (approximately €41.1 million). The net proceeds of the offering, net of related expenses such as consultancy fee and commissions, were approximately NIS 162.4 million (approximately €40.3 million based on the Euro/NIS exchange rate at that time).

Since January 1, 2021, we completed public offerings in Israel of additional Series C Debentures and of the newly-issued Series D Debentures, convertible into our ordinary shares and Israeli institutional investors exercised warrants previously issued to them in a private placement. In addition, we performed an early repayment, in full, of our Series B Debentures and entered into the Manara PSP Project Finance. For more information see “Item 4.A: History and Development of Ellomay” under “Recent Developments,” “Item 4.B: Business Overview” and “Item 10.C: Material Contracts.”

As of December 31, 2020, we had working capital of approximately €42.9 million, compared to working capital of approximately €45.4 million as of December 31, 2019. In our opinion, our working capital is sufficient for our present requirements.

We currently invest our excess cash in cash and cash equivalents that are highly liquid and in short term deposits and marketable securities.

As of December 31, 2020, we had approximately €66.8 million of cash and cash equivalents, compared with approximately €44.5 million of cash and cash equivalents at December 31, 2019 and approximately €36.9 million of cash and cash equivalents at December 31, 2018. The increase in cash during the year ended December 31, 2020 was mainly due to the private placement of our ordinary shares in July 2020 and the additional issuance of our Series C Debentures in October 2020, partially offset by expenses and investments in projects under development. The increase in cash during the year ended December 31, 2019 was mainly due to the issuance of our Series C Debentures and the private placement of our ordinary shares, both in July 2019, the payment received in consideration for the sale of 49% of Talasol in April 2019, the payment received in consideration for the sale of our Italian PV plants in December 2019 and the financing of our Spanish PV Plants in March 2019, partially offset by expenses and investments in the Talasol PV Plant.

Project Finance

We are currently party to project finance agreements in connection with our Spanish and Israeli PV Plants and in connection with our WtE Plants. The Manara PSP Project Finance reached financial closing in February 2021. We may in the future exercise additional project finance agreements with respect to one or more of our other current or future plants. The following is a brief description of the project finance agreements that existed during the year ended December 31, 2020.

PV Project Finance

Talasol PV Plant Finance

On April 30, 2019, the Talasol PV Plant reached financial closing, or the Talasol PV Plant Finance. The Talasol PV Plant Finance includes the following facilities:

- a A term facility in the amount of approximately €65.9 million, with a term ending on September 30, 2033, repaid in unequal sculptured semi-annual installments. Loan amounts drawn from this facility will bear an annual interest of 6 month Euribor (with a zero floor and synchronous with the applicable interest period described below) plus a margin determined based on the stage of the Talasol PV Plant. The applicable margins are: (i) 2.25% until technical completion, (ii) 2% from technical completion until the 5th anniversary of technical completion, (iii) 2.25% from the 5th anniversary of technical completion until the termination date of the power hedge agreement that Talasol entered into last June (the “PPA”, i.e., September 30, 2030), and (iv) 2.5% from the termination date of the PPA until the end of the term of the commercial term facility;

- b A revolving debt service reserve facility in the amount of €4.45 million, with a term ending on the earlier of: (i) September 30, 2033, or (ii) the date on which the commercial term loan set forth under (a) above has been repaid in full. Loan amounts drawn from this facility will bear an annual interest of 6 month Euribor (with a zero floor) plus a margin determined based on the stage of the Talasol PV Plant. The applicable margins are: (i) 2.5% until technical completion, (ii) 2.25% from technical completion until the 5th anniversary of technical completion, (iii) 2.50% from the 5th anniversary of technical completion until the termination date of the PPA, and (iv) 2.75% from the termination date of the PPA until the termination date;
- c A VAT facility in the amount of €6.67 million, with a term ending on June 30, 2021, repaid by using balances available in the VAT reimbursement account but in no event later than June 30, 2021. Loan amounts drawn from this facility will bear an annual interest of 1 month Euribor (with a zero floor) plus a margin of 2%;
- d A letter of credit facility in the initial amount of €12 million, with a term ending on September 30, 2030, to be repaid in full on its termination date and bearing an annual interest of (i) 1.25% for amounts cash covered, and (ii) 2% for any other amounts;
- e A term facility in the amount of €65 million from EIB, granted under the Investment Plan for Europe known as the Juncker Plan, with a term ending on September 30, 2033, repaid in unequal sculptured semi-annual installments. Loan amounts drawn from this facility will bear an annual interest of Euribor synchronous with the applicable interest period described below plus a margin (expected to be 1.76%); and
- f A revolving debt service reserve facility from the EIB in the amount of €4.45 million granted by EIB under the Investment Plan for Europe, with a term ending on the earlier of: (i) September 30, 2033 or (ii) the date on which the commercial term loan set forth under (e) above has been repaid in full. Loans drawn from this facility will bear an annual interest of 6 month Euribor (with a zero floor) plus a margin, which is expected to be similar to the CFL Debt Service Reserve Facility under (b) above.

During the construction period, interest payments on the term, revolving debt and VAT facilities will be made on a monthly basis, and semi-annually thereafter (commencing March 31, 2021). The VAT facilities' interest period, however, remains on a monthly basis. The agreements executed in connection with the Talasol PV Plant Finance provide for mandatory prepayment upon the occurrence of certain events and various customary representations, warranties and covenants, including covenants to maintain a Historic and Projected DSCR not lower than 1.05:1, and not to make distributions in the event that: (i) the Historic and Projected DSCR will be lower than 1.15:1.0 and (ii) the Loan Life Cover Ratio will be lower than 1.20:1.0. The facilities provided by the EIB include certain other representations and undertakings mandated by applicable EU regulation.

The Talasol PV Plant Finance documents require that security interests be provided in connection with the following: (i) Talasol's shares (held by the Company's wholly-owned subsidiary, Ellomay Luxemburg), (ii) pledges over accounts, (iii) pledges over Talasol PV Plant's documents, (iv) pledges over receivables under the shareholders loans, (v) security assignment of hedging claims and (vi) promissory equipment mortgage.

In connection with the Talasol PV Plant Finance, Ellomay Luxemburg, our wholly-owned subsidiary and the parent company of Talasol and the Company undertook separately to (indirectly) retain at least 50.1% of the shares in Talasol and not to buy any debt of, or hedging claims against, Talasol from the entities providing the financing to the Talasol PV Plant.

On April 30, 2019, Talasol entered into a swap agreement, replacing the Euribor 6 month rate with a fixed 6 month rate of approximately 0.9412%.

As the financing was structured for the term of the PPA signed in connection with the Talasol PV Plant (ten years) plus additional three years beyond the term of the PPA, the Talasol PV Plant Finance documentation requires Talasol to prepay the term loans via cash-sweeps to ensure that the term loans are repaid in full until the termination date of the PPA. Talasol has the option to place the relevant cash sweep amounts on a reserve account instead, and, in the event it enters into a satisfactory new power purchase agreement or power hedge agreement, the amounts on the reserve account may be transferred to the operating account of Talasol, to the extent they are not required in prepayment of the term loans to ensure that during the remainder of the term loans the base case ratios are complied with.

As of December 31, 2020, Talasol made withdrawals under the Talasol Project Finance in the aggregate amount of €107.8 million and the amount outstanding out of the VAT facility was approximately €0.06 million. The aggregate outstanding loan balance is netted with an amount of approximately €9.5 million debt issuance costs to be amortized over the length of the underlying loan.

We own 51% of Talasol and consolidate its results in our financial statements included elsewhere in this Report.

Rinconada II, Rodríguez I, Rodríguez II and Fuente Librilla Project Finance

On March 12, 2019, four of our Spanish indirect wholly-owned subsidiaries, Rodríguez I Parque Solar, S.L.U., Rodríguez II Parque Solar, S.L.U., Seguisolar, S.L.U. and Ellomay Spain, S.L., or, together, the Spanish Subsidiaries, entered into a facility agreement governing the procurement of project financing in the aggregate amount of approximately €18.4 million with Bankinter, S.A., or the Facility Agreement.

The Facility Agreement amount consists of the following tranches:

- a. in an amount of approximately €3.6 million, granted to Rodríguez I Parque Solar, S.L.U.;
- b. in an amount of approximately €6 million, granted to Rodríguez II Parque Solar, S.L.U.;
- c. in an amount of approximately €3 million, granted to Seguisolar, S.L.U.;

- d. in an amount of approximately €5 million, granted to Ellomay Spain, S.L.; and
- e. a revolving credit facility to attend the debt service if needed, for a maximum amount of €0.8 million granted to any of the Spanish Subsidiaries.

The termination date of the Facility Agreement is December 31, 2037 and an annual interest at the rate of Euribor 6 months plus a margin of 2% (with a zero interest floor) is repaid semi-annually on June 20 and December 20. The principal is repaid on a semi-annual basis based on a pre-determined sculptured repayment schedule.

The Facility Agreement provides for mandatory prepayment upon the occurrence of certain events and includes various customary representations, warranties and covenants, including covenants to maintain a DSCR on an aggregate basis not lower than 1.05:1, and not to make distributions unless, among other things: (i) the DSCR, on an aggregate basis, is equal to or higher than 1.15:1.0, (ii) the first instalment of the Project Finance has been repaid, (iii) no amount under the revolving credit tranche has been withdrawn and not fully repaid and no drawdowns of the revolving credit tranche are expected within the next six months, and (iv) the Spanish Subsidiaries' net debt to regulatory value (as such terms are defined in the Facility Agreement) ratio is equal to or higher than 0.7:1. The regulatory value of the photovoltaic plants owned by the Spanish Subsidiaries is approximately €23.5 million, compared to their aggregate nominal purchase price, which was approximately €14.85 million and their aggregate book value, which was approximately €14.4 million as of December 31, 2018.

The Facility Agreements includes a cash-sweep payment mechanism and obligation that applies in the event the Spanish Subsidiaries' net debt to regulatory value ratio is equal to or higher than 0.7:1.

The Spanish Subsidiaries entered into the swap agreements on March 12, 2019 with respect to approximately €17.6 million (with a decreasing notional principal amount based on the amortization table) until December 2037, replacing the Euribor 6 month rate with a fixed 6 month rate of approximately 1%, resulting in a fixed annual interest rate of approximately 3%.

The Project Finance documents require that security interests be provided in connection with the following: (i) the Spanish Subsidiaries' shares (held by our wholly-owned subsidiary, Ellomay Luxemburg), (ii) pledges over accounts, (iii) pledges over relevant agreements including hedging agreements; and (iv) promissory equipment mortgage.

As of December 31, 2020, the outstanding amounts under the Project Finance were approximately €15.4 million. This aggregate outstanding loan balance is netted with an amount of approximately €0.2 million debt issuance costs to be amortized over the length of the underlying loan.

Talmei Yosef Project Finance

The construction of the Talmei Yosef PV Plant was financed by two bank loans as follows:

- a. a loan in the aggregate amount of approximately NIS 80 million provided during 2013 through 2014, linked to the Israeli CPI and bearing an average annual interest of approximately 4.65%. This loan is payable (principal and interest) every six months commencing June 30, 2014. The final maturity date is December 31, 2031; and

- b. a loan in the aggregate amount of approximately NIS 25 million provided during 2014, linked to the Israeli CPI and bearing an annual interest of approximately 4.52%. This loan is payable (principal and interest) every six months commencing June 30, 2015 through June 30, 2028.

In connection with these loans, the Talmei Yosef project company provided charges on its rights in the PV Plant, notes, equity, goodwill, on all assets of the PV Plant and on future receivables from the IEC and undertook customary limitations and undertakings, including maintaining the following financial ratios: (i) upon withdrawal of funds on account of the loan framework (based on milestones), maintaining an annual Historic ADSCR, a Projected ADSCR and a Projected LLCR (all as defined in the relevant loan agreement) of 1.25:1.00, (ii) upon a distribution of profits from the project company, maintaining a Historic ADSCR, a Projected ADSCR and a Projected LLCR of 1.20:1.00, and (iii) throughout the term of the loan, maintaining an annual ADSCR and a Projected ADSCR of 1.05:1.00 for the following 12 months and maintaining an LLCR of 1.08:1.00.

As of December 31, 2020, the outstanding amount under the Talmei Yosef Project Finance was approximately NIS 68.8 million (approximately €17.4 million). This aggregate outstanding loan balance is netted with an amount of approximately NIS 0.6 million (approximately €0.2 million) debt issuance costs to be amortized over the length of the underlying loan.

The Project Finance documents require that security interests be provided in connection with the following: (i) the Talmei Yosef project company's shares and rights in the Talmei Yosef PV Plant, (ii) pledges over accounts, and (iii) pledges over future receivables from the sale of electricity. The Project Finance documents also require the Talmei Yosef project company to deposit funds for the renewal of equipment (approximately NIS 5.2 million as of December 31, 2020) as well as funds sufficient to cover its debt service required level which consists of six months payment of principal and interest (approximately NIS 1.6 million as of December 31, 2020).

WtE Plants Finance

Groen Goor Project Finance

Groen Goor, Independent Power Plant B.V. (the entity that holds the permits and subsidies in connection with the Goor Project and is wholly-owned by Groen Goor), or GIPP, Ludan, and Ellomay Luxembourg entered into a senior project finance agreement documents, or the Goor Loan Agreement, with Coöperatieve Rabobank U.A., or Rabobank, that includes the following tranches: (i) two loans with principal amounts of €3.51 million (with a fixed interest rate of 3% for the first five years) and €2.09 million (with a fixed interest rate of 2.5% for the first five years), for a period of 12.25 years, repayable in equal monthly installments commencing three months following the connection of the Goor Project's facility to the grid and (ii) an on-call credit facility of €370,000 with variable interest.

In connection with the Goor Loan Agreement, certain customary securities were provided, including the following first ranking securities: (i) a pledge on the present and future rights arising from the feedstock purchase agreement, the EPC agreement, the O&M agreement, the SDE subsidy, the various power and green gas purchase agreements, and the green gas certification supply agreement, (ii) pledge on all present and future (a) receivables arising from business and trade, and (b) stock and inventory including machinery and transport vehicles of Groen Goor and GIPP; (iii) all rights/claims of Groen Goor and GIPP against third parties existing at the time of the execution of the Loan Agreement, including rights from insurance agreements. In addition, Groen Goor granted Rabobank a negative pledge and a mortgage up to an amount of €6.5 million (to be increased with 35% of the said amount for interest and costs) on real estate or other assets subject to public registration of Groen Goor.

In addition, Ellomay Luxembourg, our wholly-owned subsidiary: (i) provided the following undertakings to Rabobank: (a) that Groen Goor will not make distributions to its shareholders for a period of two years following the execution of the Loan Agreement, (b) that Groen Goor will not make distributions or repurchase its shares so long as the ratio of Groen Goor's and GIIP's equity and liabilities to shareholders to their balance sheet minus certain reserves and intangible assets is less than 40%, and (c) that in the event the aforementioned ratio is below 40%, its shareholders will invest the equity required in order to increase this ratio to 40%, pro rata to their holdings in Groen Goor and up to a maximum of €1.2 million, and (ii) provided pledges on its rights in connection with the shareholders loans provided to Groen Goor, which loans shall also be subordinated by Ellomay Luxembourg in the favor of Rabobank. Shortages in liquidity as a result of exceeding the construction budget and/or extension of start-up costs of the Goor Project shall be provided by Ellomay Luxembourg and not financed by Rabobank. In addition, we provided a guarantee to Rabobank for the fulfillment of Ellomay Luxembourg's undertakings set forth above.

As of December 31, 2020, the outstanding amount under the Groen Goor Project Finance was approximately €4.5 million.

Oude Tonge Project Finance

On May 3, 2017, Oude Tonge, Oude Tonge Holdings B.V. (the entity that holds the permits and subsidies in connection with the Oude Tonge Project and is wholly-owned by Oude Tonge), or OTH, Ludan and Ellomay Luxembourg entered into senior project finance agreement documents, or the Oude Tonge Loan Agreement, with Rabobank. In June 2017, the financial closing occurred with respect to the project finance that includes the following tranches: (i) two loans with principal amounts of €3.15 million and €1.7 million, each with a fixed annual interest rate of 3.1% for the first five years, for a period of 12.25 years, repayable in equal monthly installments commencing three months following the connection of the Oude Tonge Project to the grid and (ii) an on-call credit facility of €100,000 with variable interest.

In connection with the Oude Tonge Loan Agreement, certain customary securities were provided, including the following first ranking securities: (i) pledge on the present and future rights arising from supplier contracts, the EPC agreement, the O&M agreement, the SDE subsidy, the various power and green gas purchase agreements, and the green gas certification supply agreement, (ii) pledge on all present and future (a) receivables arising from business and trade, and (b) stock and inventory including machinery and transport vehicles of Oude Tonge and OTH; (iii) all rights/claims of Oude Tonge and OTH against third parties existing at the time of the execution of the Loan Agreement, including rights from insurance agreements. In addition, Oude Tonge granted Rabobank a negative pledge and a mortgage up to an amount of €5.5 million (to be increased with 35% of the said amount for interest and costs) on real estate or other assets subject to public registration of Oude Tonge and OTH.

In connection with the Oude Tonge Loan Agreement, Ellomay Luxembourg, our wholly-owned subsidiary: (i) provided the following undertakings to Rabobank: (a) that Oude Tonge will not make distributions to its shareholders for a period of two years following the execution of the Loan Agreement, (b) that Oude Tonge will not make distributions or repurchase its shares so long as the ratio of Oude Tonge's and OTH's equity and liabilities to shareholders to their balance sheet minus certain reserves and intangible assets is less than 40%, (c) that in the event the aforementioned ratio is below 40%, its shareholders will invest the equity required in order to increase this ratio to 40%, pro rata to their holdings in Oude Tonge and up to a maximum of €1 million, and (d) that they will provide the equity required for the completion of the Goor Project and (ii) provided pledges on its rights in connection with the shareholders loans provided to Oude Tonge, which loans shall also be subordinated by Ellomay Luxembourg in the favor of Rabobank. Shortages in liquidity as a result of exceeding the construction budget and/or extension of start-up costs of the Goor Project shall be provided by Ellomay Luxembourg and not financed by Rabobank. In addition, we provided a guarantee to Rabobank for the fulfillment of Ellomay Luxembourg's undertakings set forth above.

As of December 31, 2020, the outstanding amount under the Oude Tonge Project Finance was approximately €3.9 million.

Groen Gas Gelderland Project Finance

GG Gelderland entered into a senior project finance agreement, or the Gelderland Loan Agreement, with Rabobank, that includes the following tranches: (i) four loans with principal amounts of (a) approximately €2.5 million (with a fixed interest rate of 3.6% for the first five years), (b) €1.2 million (with a fixed interest rate of 4.5% for the first five years), (c) €0.4 million (with a fixed interest rate of 3.55% for the first five years) and (d) approximately €2.8 million (with a fixed interest rate of 4.5% for the first five years), for a period of 12 years (144 monthly payments), repayable in equal monthly installments and (ii) an on-call credit facility of €0.75 million with variable interest. An aggregate amount of approximately €6.9 million was withdrawn in 2015, 2016 and 2018 on account of these loans. On November 30, 2020, GG Gelderland replaced the loan set forth in (i)(a) above which as of that date had an outstanding principal amount of €1.89 million, with a another loan from Rabobank with a fixed interest rate of 3.1% per year, repayable in 56 payments monthly, with a repayment of principal in one payments on August 2025. On the same date, the interest for the other loans bearing a fixed interest rate of 4.5% per year for 5 years was reduced to 3.5% per year for the next 5 years, commencing December 2020. In connection with the Gelderland Loan Agreement, the following securities were provided to Rabobank: (i) pledge on the present and future rights arising from the feedstock purchase agreement, the EPC agreement, the O&M agreement, the SDE subsidy, the various power and green gas purchase agreements, and the green gas certification supply agreement, (ii) pledge on all present and future (a) receivables arising from business and trade, and (b) stock and inventory including machinery and transport vehicles of GG Gelderland, and (iii) all rights/claims of GG Gelderland against third parties existing at the time of the execution of the Gelderland Loan Agreement, including rights from insurance agreements. In connection with the Gelderland Loan Agreement, Ellomay Luxembourg, the Company wholly-owned subsidiary, provided the undertaking to Rabobank that Ellomay Luxembourg will not sell the shares of GG Gelderland without the prior written consent of Rabobank.

As of December 31, 2020, the outstanding amount under the Gelderland Loan Agreement was approximately €5.4 million.

GG Gelderland entered into a loan agreement in the end of November 2020, with Ontwikkelingsnaatscgappij Oost-Nederland N.V., or Oost, as a benefit created following the corona period. The loan is with a principal amount of €0.75 million with a fixed interest rate of 3% per year for 3 years. The interest and the principle will be fully repaid in one single amount after 3 years. According to the agreement with Oost, the loan term may be prolonged up to 5 years.

As of December 31, 2020, the outstanding amount under the agreement with Oost was approximately €0.75 million.

Other Financing Activities

As of December 31, 2020, we had an aggregate principal amount of approximately NIS 86.3 million outstanding Series B Debentures and approximately NIS 243.1 million outstanding Series C Debentures. Subsequent to December 31, 2020, we issued an additional aggregate amount of NIS 100.939 million Series C Debentures and NIS 62 million Series D Convertible Debentures. We also performed an early repayment of all of our Series B Debentures as noted below.

Series B Debentures

On March 14, 2017, we issued approximately NIS 123.2 million (approximately €1.7 million, as of the issuance date) of unsecured non-convertible Series B Debentures due June 30, 2024 through a public offering in Israel. The gross proceeds of the offering were approximately NIS 123.2 million and the net proceeds of the offering, net of related expenses such as consultancy fee and commissions, were approximately NIS 121.4 million (approximately €1.2 million). The Series B Debentures were traded on the TASE and have been rated Baa1.il /Stable, on a local scale, by Midroog Ltd.

The principal amount of Series B Debentures was repayable in six (6) annual installments as follows: on June 30 of each of the years 2019-2022 (inclusive) 15% of the Principal shall be paid, and on June 30 of each of 2023-2024 (inclusive) 20% of the Principal shall be paid, and is not linked to the CPI or otherwise. The Series B Debentures initially bore a fixed interest at the rate of 3.44% per year (that is not linked to the Israeli CPI or otherwise), payable semi-annually on June 30 and December 31 of each of the years 2017 through June 30, 2024 (inclusive). On November 13, 2017, following a rating downgrade of our Debentures from ilA- to ilBBB+ (by the previous rating company that rated the Series B Debentures, Standard & Poor's Maalot Ltd.), the Series B Debentures fixed annual interest rate was increased by 0.25% to 3.69%.

As of December 31, 2020, the outstanding amount under the Series B Debentures was approximately NIS 85.7 million (approximately €1.7 million).

On February 28, 2021, we announced that we will fully repay our Series B Debentures on March 18, 2021 and on such date our Series B Debentures were repaid in full. Pursuant to the terms of the deed of trust governing the Series B Debentures, the early repayment amount consisted of a principal payment in the amount of approximately NIS 86.3 million (approximately €1.5 million), accrued interest in the amount of approximately NIS 0.7 million (approximately €0.16 million) and a prepayment charge of approximately NIS 3.4 million (approximately €0.86 million), amounting to an aggregate repayment amount of approximately NIS 90.4 million (approximately €2.5 million).

Series C Debentures

On July 25, 2019, we issued approximately NIS 89.1 million (approximately €22.7 million, as of the issuance date) of unsecured non-convertible Series C Debentures due June 30, 2025 through a public offering in Israel. The gross proceeds of the offering were approximately NIS 89.1 million and the net proceeds of the offering, net of related expenses such as consultancy fee and commissions, were approximately NIS 87.6 million (approximately €22.3 million). On October 26, 2020, we completed a public offering in Israel of additional Series C Debenture and of the Series 1 Options. In connection with this public offering, we issued an aggregate principal amount of NIS 154 million (approximately €38.5 million) of our Series C Debentures. The gross proceeds from the offering amounted to approximately NIS 164.2 million (approximately €41.1 million), and the net proceeds of the offering, net of related expenses such as consultancy fee and commissions and interest paid on these additional Series C Debentures were NIS 162.4 million (approximately €40.3 million). The Series C Debentures are traded on the TASE.

The principal amount of Series C Debentures is repayable in five (5) unequal annual installments as follows: on June 30, 2021 10% of the principal shall be paid, on June 30 of each of the years 2022 and 2023, 15% of the principal shall be paid and on June 30 of each of the years 2024 and 2025, 30% of the principal shall be paid. The Series C Debentures bear a fixed interest at the rate of 3.3% per year (that is not linked to the Israeli CPI or otherwise), payable semi-annually on June 30 and December 31 commencing December 31, 2019 through June 30, 2025 (inclusive).

The Series C Deed of Trust includes customary provisions, including (i) a negative pledge such that we may not place a floating charge on all of our assets, subject to certain exceptions and (ii) an obligation to pay additional interest for failure to maintain certain financial covenants, with an increase of 0.25% in the annual interest rate for the period in which we do not meet each standard and up to an increase of 0.5% in the annual interest rate. The Series C Deed of Trust does not restrict our ability to issue any new series of debt instruments, other than in certain specific circumstances, and enables us to expand the Series C Debentures provided that: (i) we are not in default of any of the immediate repayment provisions included in the Series C Deed of Trust or in breach of any of our material obligations to the holders of the Series C Debentures pursuant to the terms of the Series C Deed of Trust, (ii) the expansion will not harm our compliance with the financial covenants included in the distribution undertaking Series C Deed of Trust and (iii) to the extent the Series C Debentures are rated at the time of the expansion, the expansion will not harm the rating of the existing Series C Debentures.

The Series C Deed of Trust includes a number of customary causes for immediate repayment, including a default with certain financial covenants for two consecutive financial quarters, and includes a mechanism for the update of the annual interest rate of the Series C Debentures in the event we do not meet certain financial covenants. The financial covenants are as follows:

- a Our balance sheet equity, on a consolidated basis, shall not be less than €50 million for purposes of the immediate repayment provision and shall not be less than €60 for purposes of the annual interest update provision;

- b The ratio of (a) the short-term and long-term debt from banks, in addition to the debt to holders of debentures issued by us and any other interest-bearing financial obligations, net of cash and cash equivalents and short-term investments and net of financing of projects, including hedging transactions in connection with such financing, of our subsidiaries, or, together, the Net Financial Debt, to (b) our equity (which we calculate in line with the definition of Balance Sheet Equity in the Series C Deed of Trust), on a consolidated basis, plus the Net Financial Debt, or our CAP, Net, to which we refer herein as the Ratio of Net Financial Debt to CAP, Net, shall not exceed the rate of 67.5% for purposes of the immediate repayment provision and shall not exceed a rate of 60% for purposes of the annual interest update provision; and
- c The ratio of (a) our Net Financial Debt, to (b) our earnings before financial expenses, net, taxes, depreciation and amortization, where the revenues from our operations, such as the Talmei Yosef project, are calculated based on the fixed asset model and not based on the financial asset model (IFRIC 12), and before share-based payments, based on the aggregate four preceding quarters, or our Adjusted EBITDA, to which we refer to herein as the Ratio of Net Financial Debt to Adjusted EBITDA, shall not be higher than 12 for purposes of the immediate repayment provision and shall not be higher than 10 for purposes of the annual interest update provision.

The Series C Deed of Trust further provides that we may make distributions (as such term is defined in the Companies Law, e.g. dividends), to our shareholders, provided that: (a) we will not distribute more than 75% of the distributable profit, (b) we will not distribute dividends based on profit due to revaluation (for the removal of doubt, negative goodwill will not be considered a revaluation profit), (c) we are in compliance with all of our material undertakings to the holders of the Series C Debentures and (d) on the date of distribution and after the distribution no cause for immediate repayment exists. We are also required to maintain the following financial ratios (which are calculated based on the same definitions applicable to the financial covenants set forth above) after the distribution: (i) balance sheet equity not lower than €70 million, (ii) Ratio of Net Financial Debt to CAP, Net not to exceed 60%, and (iii) Ratio of Net Financial Debt to Adjusted EBITDA, shall not be higher than 8, and not to make distributions if we do not meet all of our material obligations to the holders of the Series C Debentures and if on the date of distribution and after the distribution a cause for immediate repayment exists.

As of December 31, 2020, the outstanding amount under the Series C Debentures was approximately NIS 243.1 million (approximately €61.6 million). As noted above, subsequent to December 31, 2020 we issued an additional aggregate principal amount of NIS 100.939 million (approximately €25.6 million based on the Euro /NIS exchange rate as of December 31, 2020) Series C Debentures.

For further information concerning the Series C Deed of Trust, see “Item 10.C: Material Contracts” and the Series C Deed of Trust included as exhibit 4.19 under “Item 19. Exhibits.”

In connection with the issuance of our Debentures, we undertook to comply with the “hybrid model disclosure requirements” as determined by the Israeli Securities Authority and as described in the prospectuses published in connection with the public offering of our Debentures. This model provides that in the event certain financial “warning signs” exist in our consolidated financial results or statements, and for as long as they exist, we will be subject to certain disclosure obligations towards the holders of our Debentures.

One possible “warning sign” is a “continuing” negative cash flow from operating activities in the event the board of directors of the company does not determine that the continuing negative cash flow from operation activities does not indicate a liquidity problem. In examining the existence of warning signs as of December 31, 2020, our Board of Directors noted the negative cash flow from operating activities during each of the four quarters of the year ended December 31, 2020. Our Board of Directors concluded that the aforementioned negative cash flow should not be deemed as “continuing” due to the fact that the negative cash flow from operating activities resulted from the sale of our Italian PV Portfolio in December 2019, due to the expected cash flow from the Talasol PV Plant, which was connected to the grid in late December 2020, and due to the Company’s cash position.

On March 30, 2020, our Board of Directors approved a plan to repurchase our Debentures in an aggregate amount of up to NIS 15 million for a six month period and on September 24, 2020, our Board of Directors approved the extension of the plan for an additional six month period. The timing, volume and nature of repurchases will be at the sole discretion of management and will depend on market conditions, the price and availability of our Debentures, and other factors. No assurance can be given that any particular amount of Debentures will be repurchased and the repurchase plan does not obligate the Company to acquire a specific amount of Debentures in any period.

We currently have no agreements, commitments or understandings for additional financing, however we will require additional funds in order to advance the projects under development or that will be developed in the future.

Cash flows

The following table summarizes our cash flows for the periods presented:

	Year ended December 31,			
	2020	2019	2018	2020
				Convenience
				Translation into
				US\$*
	euro			
	(in thousands)			
Net cash provided by (used in) operating activities	(5,826)	3,712	6,590	(7,148)
Net cash used in investing activities	(112,135)	(68,862)	(5,795)	(137,564)
Net cash provided by financing activities	141,637	72,518	12,258	173,759
Effect of exchange rate fluctuations on cash and cash equivalents	(1,340)	259	(133)	(1,646)
Increase in cash and cash equivalents	22,332	7,627	12,920	27,401
Cash and cash equivalents at the beginning of the year	44,509	36,882	23,962	54,603
Cash and cash equivalents at the end of the year	66,845	44,509	36,882	82,004

* Convenience translation into USD based on an exchange rate of euro 1 = US\$1.227.

Operating activities

In the year ended December 31, 2020, we had net loss of approximately €3.5 million, primarily due to the sale of our Italian PV Portfolio in December 2019 and project development costs. Net cash used in operating activities was approximately €5.8 million.

In the year ended December 31, 2019, we had net profit of approximately €9.8 million, primarily due to the profit recorded in connection with the sale of ten Italian subsidiaries in December 2019 in the amount of approximately €18.8 million. Net cash from operating activities was approximately €3.7 million.

In the year ended December 31, 2018, we had net profit of approximately €0.6 million, primarily due to increased financing income resulting from reevaluation of the Company's euro/USD forward transactions and marketable securities and as a result of the IFRIC 12 financial asset model for the Talmei Yosef PV Plant. Net cash from operating activities was approximately €6.6 million.

Investing activities

Net cash used in investing activities was approximately €12.1 million in the year ended December 31, 2020, primarily attributable to investments in the Talasol PV Plant.

Net cash used in investing activities was approximately €68.9 million in the year ended December 31, 2019, primarily attributable to funds transferred to the nominee company in connection with the early repayment of the Series A Debentures and to investments in the Talasol PV Plant partially offset by the consideration received in connection with the sale of our Italian subsidiaries in December 2019.

Net cash used in investing activities was approximately €5.8 million in the year ended December 31, 2018, primarily attributable to acquisition of fixed assets in the WtE Plants in the Netherlands and a refundable down payment in connection with the Talasol PV Plant.

Financing activities

Net cash provided by financing activities in the year ended December 31, 2020 was approximately €141.6 million, derived primarily from loan amounts withdrawn on account of the Talasol PV Plant Finance, the issuance of additional Series C Debentures and the private placement of our ordinary shares, partially offset by the early repayment of Debentures A at January 5, 2020.

Net cash from financing activities in the year ended December 31, 2019 was approximately €72.5 million, derived primarily from the shareholder loans injected by our partners that hold 49% in the Talasol PV Plant, the financing of our Spanish PV Plants, the issuance of the Series C Debentures and the private placement of our ordinary shares, partially offset by prepaid expenses in connection with the Talasol project finance.

Net cash from financing activities in the year ended December 31, 2018 was approximately €12.3 million, derived primarily from the financing of five of our Italian subsidiaries, net of repayment of principal on our Debentures and loans and early repayment of project finance in Italy.

For more information concerning hedging transactions undertaken in connection with financings granted at EURIBOR linked interest, in connection with our Debentures, and in connection with our exposure to changes in fair value of our other loans and borrowings, as a result of changes in the interest rates, see “Item 11: Quantitative and Qualitative Disclosures About Market Risk.”

During 2020, we issued additional Series C Debentures and issued ordinary shares in a private placement and withdrew funds under the project finance facilities of the Talasol PV Plant. For more information see “General” and “Series C Debentures” under “Other Financing Activities” and “Project Finance” above and Notes 11, 12 and 16 to our financial statements included in this Report.

During 2019, we issued the Series C Debentures, issued ordinary shares in a private placement and obtained project finance for our Spanish PV Plants and for the Talasol Project. For more information see “General” and “Series C Debentures” under “Other Financing Activities” and “Project Finance” above and Notes 11, 12 and 16 to our financial statements included in this Report.

As of December 31, 2020, we were not in default under any financial covenants pursuant to the agreements set forth above.

As of December 31, 2020, our total current assets amounted to approximately €88 million, of which approximately €66.8 million was in cash and cash equivalents and approximately €1.8 million was in marketable securities, compared with total current liabilities of approximately €45.2 million.

As of December 31, 2019, our total current assets amounted to approximately €83.1 million, of which approximately €44.5 million was in cash and cash equivalents and approximately €2.2 million was in marketable securities, compared with total current liabilities of approximately €37.7 million.

The increase in our cash and marketable securities balance is mainly attributable to the cash received in connection with the issuance of additional Series C Debentures, the private placement of our ordinary shares, the financing of the Talasol PV Plant and the cash collected in connection with the sale of electricity, net of amounts invested in new operations, repayment of loans and general and administrative expenses.

Outstanding Options

As of March 15, 2021, we had 385,000 Series 1 Options were outstanding. Each Series 1 Option is exercisable into one Ordinary Share, at an exercise price of NIS 150 (subject to adjustments upon customary terms).

During January and February 2021, Israeli institutional investors exercised warrants to purchase an aggregate of 178,750 Ordinary Shares, issued to them in a private placement of our ordinary shares and warrants consummated on February 18, 2020. The exercise price per share was NIS 80 (approximately €20.3 based on the Euro/NIS exchange rate as of December 31, 2020) and the aggregate gross proceeds received in connection with the exercise of the warrants was approximately NIS 14.3 million (approximately €3.6 million based on the Euro /NIS exchange rate as of December 31, 2020).

C. Research and Development, Patents and Licenses, etc.

We did not conduct any research and development activities in the years ended December 31, 2018, 2019 and 2020.

D. Trend Information

We operate in the Italian and Spanish photovoltaic markets, in the Netherlands waste-to-energy market and in the Israeli energy market through our four PV Plants in Spain, the Talasol PV Plant (of which we own 51%), our PV Plant in Israel, three WtE Plants in the Netherlands, , our ownership of 50% of the issued and outstanding shares of Dori Energy, our ownership of 83.333% of the Manara PSP and several other projects under development in Italy and in Spain. Our operating PV Plants are all fully operational and connected to the relevant national grids. However, as the Oude Tonge plant only commenced operations in June 2018, the Gelderland plant was acquired on December 1, 2020 and the Talasol PV Plant was connected to the Spanish national grid on December 26, 2020, our results for 2018-2020 do not reflect a full three-years of operations of such projects. In addition, as we sold our Italian PV Portfolio on December 20, 2019, our results for 2018-2019, which include the revenues from such plants, are not indicative of our future results.

Our business and revenue growth from the markets in which we operate depends, among other factors, on payments received in accordance with applicable regulation and from the sale of the electricity produced by our plants and on seasonality and availability of raw materials. Revenue derived from our PV operations tends to be lower in the winter, primarily because of adverse weather conditions. The growth of our renewable energy business in Spain, the Netherlands, Israel and elsewhere and our other operations are affected significantly by government subsidies and economic incentives. In addition, our ability to continue to leverage the investment in these markets, may affect the profitability of past and future transactions. Dorad's revenues are also dependent to an extent on regulation and seasonality. For more information see "Item 3.D: Risk Factors - Risks Related to our Renewable Energy Operations," "Item 3.D: Risk Factors - Risks Related to our Investment in Dori Energy," and "Item 4.B: Business Overview."

E. Off-Balance Sheet Arrangements

We are not a party to any material off-balance sheet arrangements. In addition we have no unconsolidated special purpose financing or partnership entities that are likely to create material contingent obligations.

F. Tabular Disclosure of Contractual Obligations

The following table of our material contractual obligations as of December 31, 2020, summarizes the aggregate effect that these obligations are expected to have on our cash flows in the periods indicated:

Contractual Obligations*	Payments due by period (in thousands of euro)				
	Total	Less than 1 year	1 – 3 years	3 – 5 years	more than 5 years
Long-term loans (including current maturities) ⁽¹⁾	263,112	20,896	34,645	32,594	174,977
Debentures (including current maturities) ⁽¹⁾	91,431	13,502	33,368	44,561	-
Lease liability	28,910	1,051	1,941	1,799	24,119
SWAP contracts	9,570	1,378	2,490	2,109	3,593
Currency SWAP	132	(12)	63	81	-
Total	393,155	36,815	72,507	81,144	202,689

* For contractual obligations related to our investment in the Italian and Spanish photovoltaic market, please refer to “Business.”

(1) These amounts include future payments of interest.

ITEM 6: Directors, Senior Management and Employees

A. Directors and Senior Management

Directors and Senior Management

The following table sets forth certain information with respect to our directors and senior management, as of March 15, 2021:

Name	Age	Position with Ellomay
Shlomo Nehama ⁽¹⁾⁽²⁾	66	Chairman of the Board of Directors
Ran Fridrich ⁽¹⁾⁽²⁾	68	Director and Chief Executive Officer
Anita Leviant ⁽¹⁾⁽³⁾⁽⁴⁾	66	Director
Ehud Gil	46	Director
Dr. Michael J. Anghel ⁽³⁾⁽⁴⁾⁽⁵⁾	82	Director
Daniel Vaknin ⁽³⁾⁽⁴⁾⁽⁵⁾	65	Director
Kalia Weintraub	42	Chief Financial Officer
Ori Rosenzweig	44	Chief Investment Officer
Yehuda Saban	42	Director of Operations for Israel and EVP of Business Development

(1) Elected pursuant to the Shareholders Agreement, dated as of March 24, 2008, between S. Nechama Investments(2008) Ltd. and Kanir Joint Investments (2005) Limited Partnership (See “Item 7.A: Major Shareholders”).

(2) Provides management services to the Company pursuant to the Management Services Agreement (See “Item 6.B: Compensation”).

(3) Independent Director pursuant to the NYSE American LLC rules.

(4) Member of our Audit and Compensation Committees.

(5) External Director pursuant to the Companies Law.

The address of each of our executive officers and directors is c/o Ellomay Capital Ltd., 18 Rothschild Boulevard, 1st floor, Tel Aviv 6688121, Israel.

Shlomo Nehama has served as a director and Chairman of the Board of Ellomay since March 2008. From 1998 to 2007, Mr. Nehama served as the Chairman of the Board of Bank Hapoalim B.M., one of the largest Israeli banks. In 1997, together with the late Ted Arison, he organized a group of American and Israeli investors who purchased Bank Hapoalim from the State of Israel. From 1992 to 2006, Mr. Nehama served as the Chief Executive Officer of Arison Investments. From 1982 to 1992, Mr. Nehama was a partner and joint managing director of Eshed Engineers, a management consulting firm. He also serves as a director in several philanthropic academic institutions, on a voluntary basis. Mr. Nehama is a graduate of the Technion - Institute of Technology in Haifa, Israel, where he earned a degree in Industrial Management and Engineering. Mr. Nehama received an honorary doctorate from the Technion for his contribution to the strengthening of the Israeli economy.

Ran Fridrich has served as a director of Ellomay since March 2008, as our interim chief executive officer since January 2009, and as our chief executive officer since December 2009. Mr. Fridrich is the co-founder and executive director of Oristan, Investment Manager, an investment manager of CDO Equity and Mezzanine Funds and a Distress Fund, established in June 2004. In January 2001 Mr. Fridrich founded the Proprietary Investment Advisory, an entity focused on fixed income securities, CDO investments and credit default swap transactions, and served as its investment advisor through January 2004. Prior to that, Mr. Fridrich served as the chief executive officer of two packaging and printing Israeli companies, Lito Ziv, a public company, from 1999 until 2001 and Mirkam Packaging Ltd. from 1983 until 1999. Mr. Fridrich also serves as a director of Cargal Ltd. since September 2002 and since 2007 as a director in Plastosac. Mr. Fridrich is a graduate of the Senior Executive Program of Tel Aviv University.

Anita Leviant has served as a director of Ellomay since March 2008. Ms. Leviant heads LA Global Consulting, a practice specializing in representing and consulting global oriented companies in IPO process. LAGC represents and consults investors and corporations on business and regulatory issues, in Fintech and Cyber investments, in cross border and financial transactions, banking and capital markets. LAGC provides through its Tel Aviv head office and its London based subsidiary soft lending for overseas business in Israel and in the UK. For a period of twenty years, until 2006, Ms. Leviant held several senior positions with Hapoalim Banking group including EVP Deputy Head of Hapoalim Europe and Global Private Banking and EVP General Global Counsel of the group, and served as a director in the overseas subsidiaries of Bank Hapoalim. Prior to that, Ms. Leviant was an associate in GAFNI & CO. Law Offices in Tel Aviv where she specialized in Liquidation, Receivership and Commercial Law and was also a Research Assistant to the Law School Dean in the Tel Aviv University specialized in Private International Law. Ms. Leviant holds a LL.B degree from Tel Aviv University Law School and is a member of both the Israeli and the New York State Bars. Ms. Leviant currently also serves as President of the Israel-British Chamber of Commerce, Council Member of the UK- Israel Tech Council, Board Member of the Federation of Bi-Lateral Chambers of Commerce and a Co-Founder of the Center for Arbitration and Dispute Resolutions Ltd. Ms. Leviant is a certified mediator.

Ehud Gil has served as a director of Ellomay since November 12, 2020. Mr. Gil has been an entrepreneur in the intersection of security and technology, and a consultant to the Israeli Ministry of Defense. In 2018, Mr. Gil retired from the Israeli Defense Forces, or IDF, at the rank of Lieutenant-Colonel. Prior to his retirement from the IDF, Mr. Gil held various key managerial positions in the IDF and the Israeli Ministry of Defense, including Head of Planning and Control Branch, Head of Training Branch in the General Headquarters of the IDF, and Director of Projects for the IDF. Mr. Gil holds an M.Ed. (with honors) in Management and Organization of Education Systems from the University of Haifa and a B.Sc. in Materials Engineering from the Ben-Gurion University of the Negev. As indicated below, Mr. Gil is the brother-in-law of the late Mr. Hemi Raphael.

Dr. Michael J. Anghel has served as an external director of Ellomay since January 24, 2019. From 1977 to 1999, Dr. Anghel led the Discount Investment Corporation Ltd. (one of the major Israeli industrial holding groups) activities in the fields of technology and communications. Dr. Anghel was instrumental in founding Tevel, one of the first Israeli cable television operators and later in personally managing the founding of Cellcom Israel Ltd. (NYSE; TASE: CEL), the largest cellular operator in Israel. In 1999 he founded CAP Ventures - a technology venture company. From 2004 to 2005, Dr. Anghel served as CEO of DCM, the investment banking arm of the Israel Discount Bank. He led and took part in founding various technology enterprises and has served on the board of directors of various major Israeli corporations and financial institutions including: Elron Electronic Industries Ltd., Elbit Systems Ltd., Nice Ltd., Gilat Satellite Networks Ltd., American Israeli Paper Mills Ltd., Maalot (the Israeli affiliate of Standard and Poor's), Hapoalim Capital Markets Ltd., Syneron Medical Ltd., Dan Hotels Ltd., the Strauss Group Ltd. and Partner Communications Company Ltd. He also served until recently as the Chairman of the Israeli Center for Educational Technology (Matach). Dr. Anghel currently serves on the board of directors of InMode Ltd. (NASDAQ: INMD) and BiolineRx Ltd. (NASDAQ; TASE: BLRX). On all boards of directors of the publicly traded companies he served as member or chairman of the audit committees. Prior to launching his business career, Dr. Anghel was a full-time member of the Recanati Graduate School of Business Administration of the Tel Aviv University, where he taught finance and corporate strategy. He currently serves as Chairman of the Tel Aviv University's Executive Program. Dr. Anghel holds a B.A. in economics from the Hebrew University in Jerusalem and an M.B.A. and Ph.D. in finance, both from Columbia University in New York.

Daniel Vaknin, has served as an external director of Ellomay since December 20, 2020. Mr. Vaknin is a financial consultant. Mr. Vaknin currently serves on the Board of Directors of Global Wings Leasing Ltd. (TASE: GKL), Arad Ltd. (TASE: ARD) and Kardan Israel Ltd. (TASE: KRDI) and served on the Board of Directors of Global Wings Leasing Ltd. (TASE: GKL) until 2020. From 2007 to 2011 Mr. Vaknin served as Chief Executive Officer of Israel Financial Levers Ltd. From 2005 to 2007 Mr. Vaknin served as the Chief Executive Officer of Phoenix Investments and Finance Ltd. From 2004 to 2005 Mr. Vaknin served as the Vice Chief Executive Officer of I.D.B Development Company Ltd. Prior to that Mr. Vaknin was a Senior Partner at Kesselman & Kesselman C.P.A.s, a member firm of PricewaterhouseCoopers International Limited. Mr. Vaknin is a CPA and holds a BA in Economics and Accounting from the Hebrew University in Jerusalem.

Kalia (Weintraub) Rubenbach has served as our chief financial officer since January 2009. Prior to her appointment as our chief financial officer, Ms. Weintraub served as our corporate controller from January 2007 and was responsible, among her other duties, for the preparation of all financial reports. Prior to joining Ellomay, she worked as a certified public accountant in the AABS High-Tech practice division of the Israeli accounting firm of Kost Forer Gabbay & Kasierer, an affiliate of the international public accounting firm Ernst & Young, from 2005 through 2007 and in the audit division of the Israeli accounting firm of Brightman Almador Zohar, an affiliate of the international public accounting firm Deloitte, from 2003 to 2004. Ms. Weintraub holds a B.A. in Economics and Accounting and an M.B.A. from the Tel Aviv University and is licensed as a CPA in Israel.

Ori Rosenzweig has served as our Chief Investment Officer since November 2014. Prior to joining Ellomay, Mr. Rosenzweig was the head of Cash Management at Bank Leumi Le-Israel B.M. (TASE: LUMI), one of Israel's largest banks, from 2013 through 2014, the VP Finance at AFI Investments, one of the largest international real-estate developers in Israel (TASE: AFIL) from 2009 through 2013 and a senior manager at GSE financial consulting from 2002 through 2008. Mr. Rosenzweig holds a MBA degree from the Tel Aviv University and a BA degree in business and international relations from the Hebrew University.

Yehuda Saban has served as our Director of Operations for Israel and EVP of Business Development since April 2019. Mr. Saban served between 2011- mid 2015 as Executive Vice President Economics & Regulation at Delek Drilling, the biggest oil and gas company in Israel. Previously, Mr. Saban served over six years in various capacities with the budget department of the Israeli Ministry of Finance as Manager of the Telecommunications and Tourism unit, Manager of the Budget and Macroeconomics unit and as an economist in the Energy unit. During those years, Mr. Saban was also an active partner in a number of committees and authorities in the energy, telecommunications and infrastructure fields. Mr. Saban serves as a member of the board of directors of Partner Communications Ltd. (NASDAQ and TASE: PTNR, one of the biggest telecommunication companies in Israel) and of Israel Opportunity Energy Resources LP (TASE: ISOP) and as chairman of its compensation and audit committee as of June 2015. Prior to joining Ellomay, Mr. Saban managed projects and business development for Hutchinson Water between the years 2015-2017. Mr. Saban holds a B.A. in Economics & Business Management (graduated with great honors) and an M.B.A specializing in Financing, both from the Hebrew University in Jerusalem.

There are no family relationships among any of the directors or members of senior management named above.

On November 12, 2020, Mr. Hemi Raphael resigned from our Board of Directors for personal reasons and we appointed Ehud Gil to our Board of Directors. Mr. Gil is the brother-in-law of the late Mr. Raphael.

Mr. Raphael passed away during December 2020. Mr. Raphael served on the Company's Board of Directors from June 2006 until his resignation and provided services to the Company under the Management Services Agreement. For more information concerning the Management Services Agreement, see "Compensation" below.

On December 19, 2020, the third term of Mordechai Bignitz as external director ended and on December 20, 2020, Mr. Daniel Vaknin joined our Board of Directors, our Audit Committee and our Compensation Committee as external director following his appointment by our shareholders for a three-year term as required under the Companies Law.

B. Compensation

General

Salaries, fees, commissions, share compensation and bonuses paid or accrued with respect to all of our directors and senior management as a group in the fiscal year ended December 31, 2020 was approximately €1.038 million, including an amount of approximately €0.62 million related to pension, retirement and other similar benefits. These figures do not include the compensation of Messrs. Shlomo Nehama and Ran Fridrich, who are members of our Board and of Mr. Hemi Raphael, who was a member of our Board until November 12, 2020 and passed away in December 2020, that are compensated pursuant to the Management Services Agreement (see "Item 7.B: Related Party Transactions" below) and have, in connection with such agreement, waived their right to receive the compensation, including options, paid to our directors.

The table below reflects the terms of service and employment of our five most highly compensated "office holders" (as such term is defined in the Companies Law) during or with respect to the year ended December 31, 2020. All amounts reported in the table below are as recognized in our financial statements for the year ended December 31, 2020.

Name and Position	Salary ⁽¹⁾	Management Fees	Bonus	Share-Based Payment	Total
	(euro in thousands)				
Shlomo Nehama, <i>Chairman of the Board</i>	-	175 ⁽²⁾	-	-	175 ⁽²⁾
Ran Fridrich, <i>CEO and Director</i>	-	175 ⁽²⁾⁽³⁾	-	-	175 ⁽²⁾⁽³⁾
Yehuda Saban, <i>Director of Operations for Israel and EVP of Business Development</i>	249	-	69	-	318
Kalia Weintraub, <i>Chief Financial Officer</i>	244	-	59	-	303
Ori Rosenzweig, <i>Chief Investment Officer</i>	259	-	-	-	259

1. Salary and related benefits are paid to our executive officers in NIS. Salary as reported herein includes the recipient's gross salary plus payment of social and other benefits made by us to or on behalf of the recipient. Such benefits may include, to the extent applicable, payments, contributions and/or allocations for education funds, pension funds, managers' insurance, severance, risk insurances (e.g., life, or work disability insurance), social security, tax gross-up payments, vacation, car, phone, convalescence pay and other benefits and perquisites consistent with our policies.
2. Such amounts are paid pursuant to the terms of the Management Services Agreement among the Company, Kanir and Meisaf Blue & White Holdings Ltd., which provides for an annual aggregate payment of \$400,000. For additional information, see "Management Services Agreement" below.
3. The Management Services Agreement provides for an aggregate payment to Kanir of \$200,000 in connection with services provided by Messrs. Fridrich and Raphael (that served as a member of our board and provided management services to us until shortly before he passed away in December 2020). For purposes of this tabular presentation, we attribute the aggregate annual payment to Kanir to Mr. Fridrich, however, this division does not necessarily represent the actual amounts received by each of Mr. Fridrich and Mr. Raphael from Kanir during the year.

Other than options granted to members of our Board of Directors, there are 14,803 outstanding options to purchase ordinary shares that were granted during 2019 to our employees. For more information see “Item 6.E: Share Ownership.”

Management Services Agreement

In December 2008, following the approval of our Audit Committee, Board of Directors and shareholders, we entered into the Management Services Agreement with Kanir and with Meisaf Blue & White Holdings Ltd., or Meisaf, a private company controlled by Shlomo Nehama, effective as of March 31, 2008, the date of appointment of Messrs. Fridrich and Nehama as members of our Board. In consideration for the performance of the management services and the board services under the terms of the Management Services Agreement, we agreed to pay Kanir and Meisaf, in equal parts and quarterly, an aggregate annual services fee in the amount of \$250,000 plus value added tax pursuant to applicable law. This annual amount was increased to \$400,000 following approval by our Audit Committee, Compensation Committee, Board of Directors and by our shareholders at our annual shareholders meeting for 2013, or the 2013 Shareholders Meeting. Messrs. Nehama, Fridrich and Raphael waived any right to additional remuneration for their service as members of our board of directors. In addition, Mr. Fridrich, who first served as our Interim Chief Executive Officer and is now our Chief Executive Officer, serves as our Chief Executive Officer as part of the management services provided pursuant to the Management Services Agreement, and agreed not to receive any additional compensation or other benefits beyond the fees paid in connection with the Management Services Agreement. For more information see “Item 7.B: Related Party Transactions.”

Compensation of Non-Executive Directors

As approved by our shareholders, we pay our non-executive directors (Anita Leviant, Dr. Michael J. Anghel, Daniel Vaknin and Ehud Gil) remuneration for their services as directors. During 2010 and thereafter, based on the approval by our shareholders at our annual general meeting of shareholders held on December 30, 2009 and on June 20, 2012, our current and future directors have been and would in the following years be paid the minimum fees permitted by the Companies Regulations (Rules for Compensation and Expenses of External Directors), 5760-2000, or the Compensation Regulations. The Compensation Regulations set forth a range of fees that may be paid by Israeli public companies to their external directors, depending upon each company's equity based on the most recent financial statements. The current minimum cash amounts permitted to be paid to our external directors pursuant to the Compensation Regulations, are an annual fee of NIS 52,525 (equivalent to approximately €13,301 based on the Euro /NIS exchange rate as of March 15, 2021) and an attendance fee of NIS 1,855 (equivalent to approximately €70 based on the Euro /NIS exchange rate as of March 15, 2021) per meeting (board or committee). These amounts are updated once a year based on increases in the Israeli Consumer Price Index. According to the Compensation Regulations, which we apply to all our non-executive directors, the directors are entitled to 60% of the meeting fee if they participated at the meeting by teleconference and not in person, and to 50% of the meeting fee if resolutions were approved in writing, without convening a meeting.

Each of these non-executive directors also receives an annual grant of options to purchase 1,000 ordinary shares under the terms and conditions set forth in our 1998 Share Option Plan for Non-Employee Directors, or the 1998 Plan. The 1998 Plan provides for grants of options to purchase ordinary shares to our non-employee directors. The 1998 Plan, as amended, is administered, subject to Board approval, by the Compensation Committee and our Board. An aggregate amount of not more than 75,000 ordinary shares is reserved for grants under the 1998 Plan. The term of the 1998 Plan has been extended to December 8, 2028, unless earlier terminated by our Board.

Under the 1998 Plan, each non-employee director that served on the 1998 "Grant Date," as defined below, automatically received an option to purchase 1,000 ordinary shares on such Grant Date and will receive an option to purchase an additional 1,000 ordinary shares on each subsequent Grant Date thereafter, provided that he or she is a non-employee director on the Grant Date and has remained a non-employee director for the entire period since the previous Grant Date. The "Grant Date" means, with respect to 1998, October 26, 1998, and with respect to each subsequent year, August 1 of such year. Directors first elected or appointed after the 1998 Grant Date, will automatically receive on such director's first day as a director an option to purchase up to 1,000 ordinary shares pro-rated based on the number of full months of service between the prior Grant Date and the next Grant Date. Each such non-employee director would also automatically receive, on each subsequent Grant Date, an option to purchase 1,000 ordinary shares provided that he or she is a non-employee director on the Grant Date and has served as a non-employee director for the entire period since his or her previous Grant Date.

The exercise price of the option shares under the 1998 Plan is 100% of the fair market of such ordinary shares at the applicable Grant Date. The fair market value means, as of any date, the average closing bid and sale prices of the ordinary shares for the date in question as furnished by the National Association of Securities Dealers, Inc. through Nasdaq or any similar organization if Nasdaq is no longer reporting such information, or such other market on which the ordinary shares are then traded, or if not then traded, as determined in good faith (using customary valuation methods) by resolution of the members of our Board of Directors, based on the best information available to it. The exercise price is required to be paid in cash.

The term of each option granted under the 1998 Plan is 10 years from the applicable date of grant and such options may be terminated earlier upon certain circumstances, such as the expiration of three months from the date of the director's termination of service on our Board (subject to extension and certain exceptions pursuant to the terms of the 1998 Plan). Currently, the options granted to non-employee directors vest in one installment on the first anniversary of the grant date of the options.

The options granted are subject to restrictions on transfer, sale or hypothecation. All options and ordinary shares issuable upon the exercise of options granted to our non-employee directors could be withheld until the payment of taxes due (if any) with respect to the grant and exercise of such options.

For more information concerning our share option plans and options granted to directors and an executive officer see “Item 6.E: Share Ownership.”

Compensation Policy and Approval Process of Directors’ and Officers’ Terms of Service and Employment

The Companies Law regulates the approval process of arrangements with “office holders” as to their terms of service or employment, including the grant of an exemption, insurance, undertaking to indemnify or indemnification, retirement bonuses and any other benefit, payment or undertaking to pay any such amounts, given due to service or employment, or together, the Terms of Service and Employment. An “office holder” is defined under the Companies Law as a general manager, chief business manager, vice general manager, any other person assuming the responsibilities of any of the foregoing positions without regard to such person’s title, and a director, or manager directly subordinate to the general manager. Each person identified as a director or member of our senior management in the first table in this Item is an office holder.

Compensation Policy

The Companies Law requires the board of directors of a public company to adopt a policy with respect to the Terms of Service and Employment of office holders, after taking into consideration the recommendations of the compensation committee. The Companies Law further provides for the approval of the compensation policy by the company’s shareholders with a “special majority” requirement, i.e. the affirmative vote of the holders of a majority of the shares present, in person or by proxy, and voting on the matter provided that at least one of the following conditions is met: (i) the shares voting in favor of the matter include at least a majority of the shares voted by shareholders who are not controlling shareholders and who do not have a personal interest in the approval of the compensation policy (or the transaction, as the case may be) or (ii) the total number of shares voted against the compensation policy by shareholders referenced under (i) does not exceed 2% of the company’s outstanding voting rights.

A compensation policy for a period exceeding three years is required to go through the complete approval process once every three years. In addition, the board of directors is required to periodically examine the compensation policy and the need for adjustments based on the considerations in determining a compensation policy in the event of a material change in the circumstances prevailing during the adoption of the compensation policy or for other reasons.

At our annual shareholders meeting held on June 19, 2019, or the 2019 Shareholders Meeting, our shareholders ratified and approved our compensation policy, or the Compensation Policy.

Our Compensation Policy is designed to support the achievement of our long term work plan goals and ensure that: (i) officer’s interests are as closely as possible aligned with the interests of our shareholders; (ii) the correlation between pay and performance will be enhanced; (iii) we will be able to recruit and retain top level senior managers capable of leading us to further business success and facing the challenges ahead; (iv) officers will be motivated to achieve a high level of business performance without taking unreasonable risks; and (v) an appropriate balance will be established between different compensation elements – fixed vs. variable, short term vs. long term and cash payments vs. equity based compensation. Our Compensation Policy is filed by us as Exhibit 4.14 under Item 19.

The Companies Law provides that the process for approval of Terms of Service and Employment of office holders, that are required to be for the benefit of the company, is as follows:

- With respect to our chief executive officer, a controlling shareholder or a relative of a controlling shareholder, approval is required by the (i) compensation committee, (ii) board of directors and (iii) company's shareholders with the "special majority" described above (in that order). Subject to certain conditions, the Israeli Companies Law provides an exemption from the shareholder approval requirement in connection with the approval of the Terms of Service and Employment of a CEO candidate.
- With respect to a director, approval is required by the (i) compensation committee, (ii) board of directors and (iii) company's shareholders with a regular majority (in that order).
- With respect to any other office holder, approval is required by the compensation committee and the board of directors (in that order); however, in the event of an update of existing Terms of Service and Employment, which the Compensation Committee confirms is not material, the approval of the compensation committee is sufficient.

In the event the transaction with any office holder is not in accordance with the compensation policy, the approval of the company's shareholders, by "special majority," is also required. In the event the company's shareholders do not approve the compensation of the CEO or other office holders (who are not directors, controlling shareholders or relatives of the controlling shareholders), the compensation committee and board of directors may, in special situations, approve the transaction, subject to their providing detailed reasons and after discussion and examination of the rejection by the company's shareholders. The Companies Regulations (Relief in Related Party Transactions), 2000, promulgated under the Companies Law, or the Relief Regulations, provide additional temporary or permanent relief from the shareholder approval requirement under certain circumstances.

C. Board Practices

We are a "controlled company" as defined in Section 801 of the NYSE American LLC Company Guide. As a result, we are exempt from certain of the NYSE American LLC corporate governance requirements, including the requirement that a majority of the board of directors be independent, the requirement applicable to the nomination process of directors and the requirements applicable to the determination or recommendation of executive compensation by a committee comprised of independent directors or by a majority of the independent directors and the additional requirements concerning compensation committee independence, compensation advisor engagement and independence. If the "controlled company" exemption would cease to be available to us under the NYSE American LLC Company Guide, we may instead elect to follow Israeli law ("home country law"), which we currently follow, with respect to these matters. For more information see "Item 16.G: Corporate Governance."

According to the provisions of our Second Amended and Restated Articles, or the Articles, and the Companies Law, our Board convenes in accordance with our requirements, and is required to convene at least once every three months. Furthermore, the Companies Law provides that the board of directors may also adopt resolutions without actually convening, provided that all the directors entitled to participate in the discussion and vote on a matter that is brought for resolution agree not to convene for discussion of the matter.

The chief executive officer serves at the discretion of the board of directors.

Terms of Directors

Our Board currently consists of six members, including two external directors. Pursuant to our Articles, unless otherwise prescribed by resolution adopted at a general meeting of our shareholders, our Board shall consist of not less than four (4) nor more than eight (8) directors (including the external directors). Except for our two external directors, the members of our Board are elected annually at our annual shareholders' meeting and remain in office until the next annual shareholders' meeting, unless the director has previously resigned, vacated his office, or was removed in accordance with the Articles. Our most recent annual meeting (the 2020 Shareholders Meeting), was held on May 13, 2020 and an extraordinary meeting of our shareholders was held on December 17, 2020, or the 2020 Extraordinary Meeting. Our Board, by unanimous approval of all directors then in office, may at any time appoint any person to serve as director as replacement for a vacated office or in order to increase the number of directors, subject to the condition that the number of directors shall not exceed the maximum established in the Articles. Any so appointed director shall remain in office until the next Annual Meeting, at which he may be reelected. On November 12, 2020, following the resignation of Mr. Raphael from our Board of Directors, our Board of Directors appointed Mr. Gil to serve as a Board member.

The members of our Board do not receive any additional remuneration upon termination of their services as directors.

External Directors

We are subject to the provisions of the Companies Law, which requires that we, as a public company, have at least two external directors.

Under the Companies Law, a person may not be appointed as an external director if he or his relative, partner, employer or any entity under his control has or had during the two years preceding the date of appointment any affiliation with the company, any entity controlling the company or any entity controlled by the company or by this controlling entity or, in a company that does not have a controlling shareholder, in the event that he has affiliation, at the time of his appointment, to the chairman of the board, chief executive officer, a 5% shareholder or the highest ranking officer in the financial field. The term "affiliation" includes: an employment relationship, a business or professional relationship maintained on a regular basis, control, and service as an office holder. No person can serve as an external director if the person's position or other business creates, or may create, conflicts of interest with the person's responsibilities as an external director, or if the person is an employee of the Israel Securities Authority or of an Israeli stock exchange. In addition, an individual may not be appointed as an external director if she or he, or her or his relative, partner, employer, supervisor, or an entity she or he controls, has other than negligible business or professional relations with any of the persons with which the external director may not be affiliated, even if such relations are not routine, or if she or he received any consideration, directly or indirectly, in addition to the remuneration to which she or he are entitled and to reimbursement of expenses, for acting as a director in the company. The Compensation Regulations set the range of compensation and the terms of other compensation that may be paid to statutory external directors.

Pursuant to the Companies Law, the election of an external director for the initial term requires the affirmative vote of a majority of the shares present, in person or by proxy, and voting on the matter, provided that either: (i) at least a majority of the shares of non-controlling shareholders and shareholders who do not have a personal interest in the resolution (excluding a personal interest that is not related to a relationship with the controlling shareholders) are voted in favor of the election of the external director, or (ii) the total number of shares of non-controlling shareholders and of shareholders who do not have a personal interest in the resolution (excluding a personal interest that is not related to a relationship with the controlling shareholders) voted against the election of the external director does not exceed two percent of the outstanding voting power in the company.

The initial term of an external director is three years. An external director may be re-elected to serve for two additional three-year terms in one of the two following methods: (i) the board of directors proposed the nomination of the external director for an additional term and her or his appointment is approved by the shareholders in the manner required to appoint external directors for an initial term as set forth above, or (ii) in the event a shareholder holding 1% or more of the voting rights nominates the external director for an additional term or in the event the external director nominates himself or herself for an additional term, the nomination is required to be approved by a majority of the votes cast by the shareholders of the company; provided that: (x) the votes of controlling shareholders, the votes of shareholders who have a personal interest in the approval of the appointment of the external director, other than a personal interest that is not as a result of such shareholder's connections to the controlling shareholder, and abstaining votes are excluded from the counting of votes and (y) the aggregate votes cast by shareholders in favor of the nomination that are counted for purposes of calculating the majority exceeds two percent of the voting rights in the company. The external director nominated by shareholders may not be a related or competing shareholder or a relative of such shareholder at the date of appointment and may not have an affiliation to a related or competing shareholder at the date of appointment or for the two-year period prior to the appointment. A "related or competing shareholder" is defined by the Companies Law as the shareholder that proposed the nomination or a significant shareholder (a shareholder holding five percent or more of the outstanding shares of a company or of the voting rights in a company), provided that at the date of appointment of the external director such shareholder, its controlling shareholder or a corporation controlled by either of them, have business connections with the company or are competitors of the company. The term "affiliation" is defined as set forth above. In addition, Israeli companies listed on certain stock exchanges outside Israel, including the NYSE American LLC, such as our company, may appoint an external director for additional terms of not more than three years each subject to certain conditions. Such conditions include the determination by the audit committee and board of directors, that in view of the external director's professional expertise and special contribution to the company's board of directors and its committees, the appointment of the external director for an additional term is in the best interest of the company.

All of the external directors of a company must be members of its audit committee and compensation committee and at least one external director is required to serve on every committee authorized to exercise any of the powers of the board of directors. Our external directors are currently Dr. Michael J. Anghel and Daniel Vaknin.

Under the Companies Law an external director cannot be dismissed from office unless: (i) the board of directors determines that the external director no longer meets the statutory requirements for holding the office, or that the external director is in breach of the external director's fiduciary duties and the shareholders vote, by the same majority required for the appointment, to remove the external director after the external director has been given the opportunity to present his or her position; (ii) a court determines, upon a request of a director or a shareholder, that the external director no longer meets the statutory requirements of an external director or that the external director is in breach of his or her fiduciary duties to the company; or (iii) a court determines, upon a request of the company or a director, shareholder or creditor of the company, that the external director is unable to fulfill his or her duty or has been convicted of specified crimes. For a period of two years following the termination of services as an external director, the company, its controlling shareholder and any entity the controlling shareholder controls may not provide any benefit to such former external director, directly or indirectly. The prohibited benefits include the appointment as an office holder in the company or the controlled entity, employment of, or receipt of professional services from, the former external director for compensation, including through an entity such former external director controls. The same prohibition applies to the former external director's spouse and child for the same two-year period and to other relatives of the external director for a period of one year following the termination of services as an external director.

The Companies Law requires that at least one of the external directors have "Accounting and Financial Expertise" and the other external directors have "Professional Competence." Under the applicable regulations, a director having accounting and financial expertise is a person who, due to his or her education, experience and talents is highly skilled in respect of, and understands, business-accounting matters and financial reports in a manner that enables him or her to understand in depth the company's financial statements and to stimulate discussion regarding the manner in which the financial data is presented. Under the applicable regulations, a director having professional competence is a person who has an academic degree in either economics, business administration, accounting, law or public administration or an academic degree in an area relevant to the company's business, or has at least five years' experience in a senior position in the business management of a corporation with a substantial scope of business, in a senior position in the public service or a senior position in the field of the company's main business. Our Board determined that both Dr. Michael J. Anghel and Daniel Vaknin have the requisite accounting and financial expertise.

Our Board further determined that at least two directors out of the whole Board shall be required to have accounting and financial expertise pursuant to the requirements of the Companies Law and previously determined that Shlomo Nehama shall be designated as an additional accounting and financial expert.

Independent Directors Pursuant to the Companies Law

In addition to the external director, the Companies Law includes another category of directors, which is the "independent" director. An independent director is either an external director or a director appointed or classified as such who meets the same non-affiliation criteria as an external director, as determined by the company's audit committee, and who has not served as a director of the company for more than nine consecutive years (subject to the right granted to certain companies, including companies whose shares are listed on the NYSE American LLC, to permit independent directors to serve as such for periods exceeding nine years). For these purposes, ceasing to serve as a director for a period of two years or less would not be deemed to sever the consecutive nature of such director's service.

Pursuant to the Companies Law, we, as a public company, may include in our articles of association a provision providing that a specified number of our directors be independent directors or may adopt a standard provision providing that a majority of our directors be independent directors or, if there is a controlling shareholder or a 25% or more shareholder, that at least one-third of our directors be independent directors. We have not included a provision requiring that a certain percentage of the members of our Board be independent directors.

Independent Directors pursuant to the NYSE American LLC Requirements

In general, the NYSE American LLC Company Guide requires that a NYSE American LLC listed company have a majority of independent directors, as defined under the NYSE American LLC Company Guide, on its board of directors. Because we are a “controlled company” as defined in Section 801 of the NYSE American LLC Company Guide, we are exempt from this requirement. If the “controlled company” exemption would cease to be available to us under the NYSE American LLC Company Guide, we may instead elect to continue to follow Israeli law.

Our Board determined that three of the members of our Board, Dr. Anghel, Ms. Leviant and Mr. Vaknin, are “independent” within the meaning of Section 803A of the NYSE American LLC Company Guide.

Alternate Directors

Our Articles provide that, subject to the Board’s approval, a director may appoint an individual, by written notice to us, to serve as an alternate director. The following persons may not be appointed nor serve as an alternate director: (i) a person not qualified to be appointed as a director, (ii) an actual director, or (iii) another alternate director. Any alternate director shall have all of the rights and obligations of the director appointing him or her, except the power to appoint an alternate (unless the instrument appointing him or her expressly provides otherwise). The alternate director may not act at any meeting at which the director appointing him or her is present. Unless the appointing director limits the time period or scope of any such appointment, such appointment is effective for all purposes and for an indefinite time, but will expire upon the expiration of the appointing director’s term. There are currently no alternate directors.

Duties of Office Holders and Approval of Certain Actions and Transactions under the Companies Law

The Companies Law codifies the duty of care and fiduciary duties that an office holder has to our company.

The duty of care requires an office holder to act at a level of care that a reasonable office holder in the same position would employ under the same circumstances. This includes the duty to utilize reasonable means to obtain (i) information regarding the appropriateness of a given action brought for his or her approval or performed by the office holder by virtue of his or her position and (ii) all other information of importance pertaining to the foregoing actions.

The duty of loyalty includes avoiding any conflict of interest between the office holder's position in the company and his or her personal affairs or other positions, avoiding any competition with the company, avoiding exploiting any business opportunity of the company in order to receive personal gain for himself or herself or for others, and disclosing to the company any information or documents relating to the company's affairs which the office holder has received due to his or her position as such. A company can approve actions by an office holder that could be deemed to be in breach of his or her duty of loyalty provided that: (i) the office holder acted in good faith and the action or its approval do not prejudice the company's interests, and (ii) the office holder disclosed to the company, a reasonable time prior to the discussion of the approval, the nature of his or her personal interest in the action, including any material fact or document. The approval of such actions is obtained based on the requirements for approval of transactions in which an office holder has a personal interest. The Companies Law provides that for purposes of determining the approval process, "actions" (defined as any legal action or inaction) are treated as "transactions" and "material actions" (defined as an action that may materially affect the company's profitability, assets or liabilities) are treated as "extraordinary transactions." An "extraordinary transaction" is defined as a transaction that is not in the ordinary course of business, not on market terms, or that is likely to have a material impact on the company's profitability, assets or liabilities. One of the roles of the audit committee under the Companies Law is to determine whether a transaction is or is not an extraordinary transaction. These transactions and extraordinary transactions are required to be for the benefit of the company and are subject to a special approval process as set forth below. The Companies Law requires that an office holder of a company promptly disclose to the company's board of directors any personal interest that he or she may have, and all related material information known to him or her in connection with any existing or proposed transaction by the company. This disclosure must be made by the office holder, whether orally or in writing, no later than the first meeting of the company's board of directors which discusses the particular transaction.

An office holder is deemed to have a "personal interest" if he has a personal interest in an act or transaction of a company, including a personal interest of his relative or of a corporation in which such office holder or his relative are a 5% or greater shareholder, but excluding a personal interest stemming from the fact of a shareholding in the company. The term "personal interest" also includes a personal interest of a person voting pursuant to a proxy provided to him from another person even if such other person does not have a personal interest and the vote of a person that received a proxy from a shareholder that has a personal interest is viewed as a vote of the shareholder with the personal interest, all whether the discretion with respect to the voting is held by the person voting or not.

Any transaction or action, whether material or extraordinary or not, cannot be approved unless they are not adverse to the company's interests. In the case of a transaction that is not an extraordinary transaction or an action that is not a material action, after the office holder complies with the above disclosure requirements, only board approval is required. In the case of an extraordinary transaction or a material action, the company's audit committee and board of directors, and, under certain circumstances, the shareholders of the company, must approve the action or transaction, in addition to any approval stipulated by the articles of the company.

For a discussion concerning the determination whether an action is material or not and whether a transaction is extraordinary or not and for a review on the approval process for the terms of services of officers, see “Committees of the Board of Directors – Audit Committee” below.

A director who has a personal interest in a matter that is considered at a meeting of the board of directors or the audit committee may not be present at this meeting or vote on this matter, provided that an officer holder who has a personal interest may be present for the presentation of the transaction in the event the chairman of the audit committee or the chairman of the board, as the case may be, determine that she or he are required for the presentation of the transaction, unless a majority of the members of the board of directors or audit committee, as the case may be, have a personal interest in the matter, in which case they may all be present and vote. In the event a majority of the members of the board of directors have a personal interest in a matter, such matter must be also approved by the shareholders of the company.

Committees of the Board of Directors

Audit Committee

Under the Companies Law, we, as a public company, are required to have an audit committee. The Audit Committee must be comprised of at least three members of the Board, including all of the external directors. In addition, the Companies Law requires that the majority of the members of the audit committee be “independent” (as such term is defined under the Israeli Companies Law) and that the chairman of the audit committee be an external director. The Companies Law further provides that the following may not be members of the audit committee: (a) the chairman of the board of directors; (b) any director employed by or providing services on an ongoing basis to the company, to a controlling shareholder of the company or an entity controlled by a controlling shareholder of the company; (c) a director who derives most of its income from a controlling shareholder; and (d) a controlling shareholder or any relative of a controlling shareholder.

Our Audit Committee, acting pursuant to a written charter adopted based on the requirements of the Companies Law, the rules promulgated under the Exchange Act and the NYSE American LLC Company Guide, currently consists of Dr. Michael Anghel, who is also the chairman of the Audit Committee, Daniel Vaknin and Anita Leviant. The members of our Audit Committee satisfy the respective “independence” requirements of the Securities and Exchange Commission, NYSE American LLC and Israeli law for audit committee members. During 2020, our Audit Committee met at least once each quarter.

The Companies Law provides that the roles of an audit committee are as follows: (i) monitoring deficiencies in the business management of a company, including by consulting with the internal auditor or independent accountants and suggesting methods of correction of such deficiencies to the board of directors, (ii) determining whether or not certain related party actions and transactions and actions taken by office holders that are “material actions” or “extraordinary transactions” in connection with their approval procedures as more fully described above, (iii) determining in connection with transactions with the controlling shareholder or with a third party in which the controlling shareholder has a personal interest (event if they are not extraordinary transactions) and in connection with transactions with the controlling shareholder or its relative, directly or indirectly, for the receipt of services or in connection with terms of employment or service, a duty to conduct a competitive process, supervised by the audit committee or anyone else appointed by the audit committee and based on criteria determined by the audit committee, or to determine that other procedures determined by the audit committee will be conducted, prior to execution of such transactions, all based on the type of the transaction (the audit committee is permitted to determine criteria for this matter once a year in advance), (iv) determining whether to approve actions and transactions that require audit committee approval under the Companies Law, (v) determining the method of approval of non-negligible transactions (i.e. transactions of a company with a controlling shareholder or with a third party in which the controlling shareholder has a personal interest that the audit committee determined are not extraordinary but are non-negligible), including to determine types of such transactions that will require the approval of the audit committee (the audit committee is permitted to determine a classification of transactions as non-negligible based on criteria determined once a year in advance), (vi) in a company in which the work plan of the internal auditor is approved by the board – examining the work plan before it is submitted to the board and suggesting revisions, (vii) assessing the company’s internal audit system and the performance of its internal auditor and whether the internal auditor has the resources and tools required to it for the performance of its role, taking into account, among others, the special needs and size of the company, (viii) examining the scope of work and compensation of the company’s independent auditor and (ix) setting procedures in connection with the method of dealing with complaints of employees regarding defects in the management of the company’s business and with the protection that will be provided to employees who have complained.

The actions and transactions that require audit committee approval pursuant to the Companies Law are: (i) proposed extraordinary transactions to which we intend to be a party in which an office holder has a direct or indirect personal interest, (ii) actions or arrangements which may otherwise be deemed to constitute a breach of fiduciary duty or of the duty of care of an office holder to us, (iii) certain transactions and extraordinary transaction of the company in which a “controlling shareholder,” that is, a shareholder holding the ability to direct the actions of the company, other than by virtue of being a director or holding a position with the company, including a shareholder holding twenty five percent or more of the voting rights of the company if there is no other shareholder holding over fifty percent of the voting rights of the company, has a personal interest, including certain transactions with a relative of the controlling shareholder and (iv) certain private placements of the company’s shares. In certain circumstances, some of the matters referred to above may also require shareholder approval. For more information concerning the approvals required in connection with transactions in which a controlling shareholder has a personal interest, see “Item 10.B: Memorandum of Association and Second Amended and Restated Articles.”

An audit committee may not approve an action or transaction with a controlling shareholder or with an office holder or in which they have a personal interest unless at the time of approval its composition is as required by the Companies Law.

Our Audit Committee assists our Board in fulfilling its legal and fiduciary obligations in matters involving our accounting, auditing, financial reporting, internal control and legal compliance functions by approving the services performed by our independent accountants and reviewing their reports regarding our accounting practices and systems of internal accounting controls. Under the Sarbanes-Oxley Act of 2002, the Audit Committee is also responsible for the appointment, compensation, retention and oversight of our independent accountants and takes those actions as it deems necessary to satisfy itself that the accountants are independent of management. However, under the Companies Law the appointment of independent auditors requires the approval of our shareholders, accordingly, the appointment of the independent auditors is approved and recommended to the shareholders by our Audit Committee and Board and ratified by the shareholders. Furthermore, pursuant to our Articles, our shareholders have the authority to determine the compensation of the independent auditors (or empower the Board to establish their remuneration, as they have in the annual shareholders meeting held during 2020) and such compensation is approved by our Board following a recommendation of the Audit Committee.

The Audit Committee discussed with the independent registered public accounting firm the matters covered by Statement on Auditing Standards No. 114, as well as their independence, and was satisfied as to the independent registered public accounting firm's compliance with said standards.

Compensation Committee

The Companies Law requires the board of directors of a public company to appoint a compensation committee that shall consist of no less than three members, that will include all of external directors (which will constitute a majority of its members of the committee), and that the remainder of the members of the compensation committee be directors whose terms of service and employment were determined pursuant to the Compensation Regulations. In addition, the Companies Law imposes the same restrictions on the actions and membership in the compensation committee as are discussed above under "Audit Committee" with respect to, among other things, the requirement that an external director serve as the chairman of the committee and the list of persons who may not serve on the committee. Our Compensation Committee currently consists of Dr. Michael J. Anghel, who is also the chairman of the Compensation Committee, Daniel Vaknin and Anita Leviant.

The Companies Law sets forth the roles of the compensation committee as follows: (i) to recommend to the board on a compensation policy for office holders and to recommend to the board, once every three years, on the approval of the continued validity of the compensation policy for a period that was determined for a period exceeding three years; (ii) to recommend to the board to update the compensation policy from time to time and to examine its implementation; (iii) to determine whether to approve the Terms of Service and Employment of office holders that require the committee's approval; and (iv) to exempt a transaction from the requirement for shareholders approval (as more fully described below).

In February 2016, the Companies Law was amended to provide that an audit committee that meets the criteria for the composition of a compensation committee, such as our Audit Committee, can also act as the compensation committee.

Indemnification, Exemption and Insurance of Executive Officers and Directors

Consistent with and subject to the provisions of the Companies Law, our Articles permit us to procure insurance coverage for our office holders, exempt them from certain liabilities and indemnify them, to the fullest extent permitted by law.

The Israeli Securities Law, 5728-1968, or the Securities Law, and the Companies Law, authorize the Israeli Securities Authority to impose administrative sanctions against companies and their office holders for certain violations of the Israeli Securities Law or the Companies Law. These sanctions include monetary sanctions and certain restrictions on serving as a director or senior officer of a public company for certain periods of time. The maximum amount of the monetary sanctions that could be imposed upon individuals is a fine of NIS 1 million (equivalent to approximately €0.25 million), plus payments to persons who suffered damages as a result of the violation in an amount equal to the higher of: (i) compensation for damages suffered by all injured persons, up to 20% of the fine imposed on the violator, or (ii) the amount of profits earned or losses avoided by the violator as a result of the violation, up to the amount of the applicable monetary sanction.

The aforementioned provisions of the Companies Law and the Securities Law generally provide that a company cannot indemnify or provide liability insurance to cover monetary sanctions. However, these provisions do permit reimbursement by indemnification and insurance of specific liabilities. Specifically, legal expenses (including attorneys' fees) incurred by an individual in the applicable administrative enforcement proceeding and any compensation payable to injured parties for damages suffered by them as described in clause (i) of the immediately preceding paragraph are permitted to be reimbursed via indemnification or insurance, provided that such reimbursements are permitted by the company's articles of association.

Indemnification

As permitted by the Companies Law, our Articles provide that we may indemnify an office holder in respect of a liability or expense which is imposed on him or incurred by him as a result of an action taken in his capacity as an office holder of the Company in connection with the following:

- a. monetary liability imposed on the office holder in favor of a third party by a judgment, including a settlement or a decision of an arbitrator which is given the force of a judgment by court order;
- b. reasonable litigation expenses, including legal fees, incurred by the office holder as a result of an investigation or proceeding instituted against such office holder by a competent authority, which investigation or proceeding has ended without the filing of an indictment or in the imposition of financial liability in lieu of a criminal proceeding, or has ended in the imposition of a financial obligation in lieu of a criminal proceeding for an offence that does not require proof of criminal intent (the phrases "proceeding that has ended without the filing of an indictment" and "financial obligation in lieu of a criminal proceeding" shall have the meanings ascribed to such phrases in Section 260(a)(1a) of the Companies Law) or in connection with an administrative enforcement proceeding or a financial sanction. Without derogating from the generality of the foregoing, such expenses will include a payment imposed on the office holder in favor of an injured party as set forth in Section 52[54](a)(1)(a) of the Securities Law, and expenses that the office holder incurred in connection with a proceeding under Chapters H'3, H'4 or I'1 of the Securities Law or in connection with Article D of Chapter Four of Part Nine of the Companies Law, including reasonable legal expenses, which term includes attorney fees;

- c. reasonable litigation expenses, including legal fees, which the office holder has incurred or is obliged to pay by the court in proceedings commenced against him by the Company or in its name or by any other person, or pursuant to criminal charges of which he is acquitted or criminal charges pursuant to which he is convicted of an offence which does not require proof of criminal intent; and
- d. Expenses, including reasonable legal fees, including attorney fees, incurred by the office holder with respect to a proceeding in accordance with the Restrictive Trade Practices Law, 1988, as amended, or the Restrictive Trade Practices Law.

Our Articles authorize us, from time to time and subject to any provision of the law, to undertake in advance to indemnify an office holder for any of the following: (i) any liability as set out in (a) above, provided that the undertaking to indemnify is limited to the classes of events which in the opinion of our Board can be anticipated in light of our activities at the time of giving the indemnification undertaking, and for an amount and/or criteria which our Board has determined are reasonable in the circumstances and, the events and the amounts or criteria that our Board deem reasonable in the circumstances at the time of giving of the undertaking are stated in the undertaking; (ii) any liability stated in (b) through (d) above; and any matter permitted by applicable law. Our Articles also authorize us to indemnify an office holder after the occurrence of the event which is the subject of the indemnity and with respect to any matter permitted by applicable law.

At our annual shareholders meeting held on June 21, 2018, or the 2018 Shareholders Meeting, our shareholders authorized us to revise the indemnification, insurance and exemption provisions of our Articles and further authorized us, following the approval of our Compensation Committee and Board of Directors, to provide amended indemnification undertakings and exemption to each of our current and future office holders. Such approval also included the requisite majority required to approve the provision of indemnification undertakings to our Board members who are also deemed to be "controlling shareholders," Messrs. Nehama, Fridrich and Raphael. At our 2020 Extraordinary Meeting, our shareholders approved granting an indemnification undertaking and exemption to Daniel Vaknin, one of our external directors and to Ehud Gil, as a relative of one of our late controlling shareholders (as noted above, Mr. Gil is the brother-in-law of the late Mr. Raphael, who at the time of the 2020 Extraordinary Meeting was one of our controlling shareholders).

The indemnification undertakings provided by us are limited to certain categories of events and the aggregate indemnification amount that we shall pay (in addition to sums payable by insurance companies) for monetary liabilities imposed on, or incurred by, the director or officer pursuant to all the indemnification undertakings issued by us to our directors and officers is also limited. Under the indemnification undertakings provided by us prior to the 2018 Shareholders Meeting, the aggregate indemnification amount payable by us for monetary liabilities may not exceed an amount equal to the higher of: (i) fifty percent (50%) of our net equity at the time of indemnification, as reflected on our most recent financial statements at such time, or (ii) our annual revenue in the year prior to the time of indemnification. Under the indemnification undertakings provided by us subsequent to the 2018 Shareholders Meeting and in line with the limitation currently included in our Compensation Policy, the aggregate indemnification amount payable by us for monetary liabilities, shall not exceed an amount equal to 25% of our shareholders' equity according to the latest reviewed or audited consolidated financial statements approved by our Board of Directors prior to the date on which the indemnification amount is paid. Our previous form of indemnification undertaking is attached hereto as Exhibit 4.3 and our current form of indemnification undertaking and exemption, granted to office holders commencing the 2018 Shareholders Meeting, is attached hereto as Exhibit 4.4.

In such indemnification undertakings, we also, among other things, undertake to (i) produce collateral, security, bond or any other guarantee that the director or officer may be required to produce as a result of any interim legal procedure (other than criminal procedures involving the proof of criminal thought), all up to the maximum indemnification amount set forth above; and (ii) maintain a liability insurance policy with a reputable insurer to the extent permitted by the Companies Law, for all of our directors and officers, in a total amount of not less than \$10 million during the period the recipient of the indemnity undertaking serves as a member of our board of directors or as an officer and for a period of seven years thereafter.

Based on the previous approvals of our Audit and Compensation Committee, Board and shareholders, we granted indemnification undertakings as explained above to each of our office holders and expect that we will provide them to our future office holders.

Exemption

Under the Companies Law, an Israeli company may not exempt an office holder from liability for a breach of his duty of loyalty, but may exempt in advance an office holder from his liability to the company, in whole or in part, for a breach of his duty of care, provided that in no event shall a director be exempt from any liability for damages caused as a result of a breach of his duty of care to the company in the event of a “distribution” (as defined in the Companies Law). Our Articles authorize us to, subject to the provisions of the Companies Law, exempt an office holder from all or part of such office holder’s responsibility or liability for damages caused to us due to any breach of such office holder’s duty of care towards us.

At our 2018 Shareholders Meeting, our shareholders authorized an amendment to our Articles, in line with the limitation currently included in our Compensation Policy, providing that we may not, subsequent to the 2018 Shareholders Meeting, grant exemption letters to office holders for an action or transaction in which a controlling shareholder (as such term is defined in the Companies Law) or any other office holder (including an office holder who is not the office holder we have undertaken to exempt) has a personal interest (as such term is defined in the Companies Law). At our 2018 Shareholders Meeting, our shareholders also approved a new form of Indemnification Undertaking and Exemption to be granted to all of our current and future office holders, which includes the foregoing limitation and further provides that no exemption will be granted in respect of any counterclaim of the Company filed against the office holder in response to a claim filed by the office holder against the Company, except if the office holder’s claim relates to his or her labor law rights and/or his or her individual employment agreement with the Company or any of its subsidiaries.

As noted above, we granted the new form of Indemnification Undertaking and Exemption to all our current directors and officers and intend to provide it to our future directors and officers.

Insurance

As permitted by the Companies Law, our Articles provide that we may enter into an agreement for the insurance of the liability of an office holder, in whole or in part, with respect to any liability which may be imposed upon such office holder as a result of an act performed by same office holder in his capacity as an office holder of the Company, for any of the following: (a) a breach of a cautionary duty toward the Company or toward another person; (b) a breach of a fiduciary duty toward the Company, provided the office holder acted in good faith and has had reasonable ground to assume that the act would not be detrimental to the Company; (c) a monetary liability imposed upon an office holder toward another; (d) reasonable litigation expenses, including attorney fees, incurred by the office holder as a result of an administrative enforcement proceeding instituted against him (without derogating from the generality of the foregoing, such expenses will include a payment imposed on the office holder in favor of an injured party as set forth in Section 52[54](a)(1)(a) of the Securities Law and expenses that the office holder incurred in connection with a proceeding under Chapters H'3, H'4 or I'1 of the Securities Law or in connection with Article D of Chapter Four of Part Nine of the Companies Law, including reasonable legal expenses, which term includes attorney fees); and (e) expenses, including reasonable litigation expenses, including attorney fees, incurred by the office holder with respect to a proceeding in accordance with the Restrictive Trade Practices Law. Our Articles further permit us to enter into such an agreement with respect to any other matter in respect of which it is permitted or will be permitted under applicable law to insure the liability of an office holder in the Company.

As stated above, in the indemnification undertakings approved by our Audit Committee, Board and shareholders and provided to our directors and officers, we have undertaken to maintain a liability insurance policy with a reputable insurer to the fullest extent currently permitted by the Companies Law and our Articles, for all of our directors and officers, in a total amount of not less than \$10 million during the period the recipient of the indemnity undertaking serves as a member of our board of directors or as an officer, and for a period of seven years thereafter.

The current coverage of our directors' and officers' liability insurance policy is \$15 million. At our 2020 Annual Meeting, our shareholders approved and ratified, following the approval of our Compensation Committee and Board, the terms and conditions for the purchase, renewal, extension and/or replacement, from time to time, of our directors' and officers' liability insurance policy for all current and future directors and officers (including office holders who may be deemed to be controlling shareholders, within the meaning of the Companies Law) as follows: (i) the coverage limit per claim and in the aggregate under the policy may not exceed \$15 million; (ii) the premium paid for such policy may be up to \$800,000 per year, and (iii) our Compensation Committee is and will be authorized to increase coverage and/or premiums above the maximums set forth in the resolution by up to 30% in any year, as compared to the previous year, or cumulatively for a number of years, without additional shareholders' approval. Based on these approvals, we have obtained directors' and officers' liability insurance covering our directors and officers.

In addition, the Relief Regulations provide that in the event the compensation committee and board of an Israeli public company determine that the insurance provided to our office holders who are deemed to be controlling shareholders or to the chief executive officer is: (i) upon terms identical to those provided to the company's other officers and directors, (ii) on market conditions, and (iii) not likely to materially affect the company's profitability, assets or liabilities, the approval of shareholders for the provision of liability insurance to such office holders is not required.

Limitations on Indemnification, Exemption and Insurance

The Companies Law provides that a company may not exempt or indemnify an office holder nor enter into an insurance contract which would provide coverage for liability incurred as a result of any of the following: (a) a breach by the office holder of his or her duty of loyalty (however, a company may insure and indemnify against such breach if the office acted in good faith and had reasonable cause to assume that his act would not prejudice the company's interests); (b) a breach by the office holder of his or her duty of care if the breach was done intentionally or recklessly, unless made in negligence only; (c) any act or omission done with the intent to derive an illegal personal benefit; or (d) any fine, civil fine, monetary sanction or penalty levied against the office holder. According to the Securities Law, a company cannot insure or indemnify an office holder for an Administrative Enforcement procedure, regarding payments to victims of the infringement or for expenses expended by the officer with respect to certain proceedings held concerning him or her, including reasonable litigation expenses and legal fees.

Internal Auditor

Under the Companies Law, our Board is required to appoint an internal auditor proposed by the Audit Committee. The role of the internal auditor is to examine, among other things, whether our activities comply with the law and orderly business procedure. The internal auditor may not be an interested party or office holder, or a relative of any interested party or office holder, and may not be a member of our independent auditor firm. The Companies Law defines the term "interested party" to include a person who holds 5% or more of the company's outstanding share capital or voting rights, a person who has the right to appoint one or more directors or the general manager, or any person who serves as a director or as the general manager. Pursuant to our Articles, our Audit Committee reviews and approves the work program of our internal auditor. Mr. Doron Cohen of Fahn, Kanne & Co., an Israeli accounting firm, serves as our internal auditor.

D. Employees

As of December 31, 2020 we had 18 employees. As of December 2019 and 2018, we had 11 employees. As of December 31, 2020, ten employees were located in Israel, all in management, finance and administration positions, one employee, serving as project manager was located in Spain and seven employees in the Netherlands, all engaged in the administration and operation of our WtE Plants.

All of our employees who have access to confidential information are required to sign a non-disclosure agreement covering all of our confidential information that they might possess or to which they might have access.

We believe our relations with employees are satisfactory. We have never experienced a strike or work stoppage. We believe our future success will depend, in part, on our ability to continue to attract, retain, motivate and develop highly qualified personnel.

Israeli labor laws and regulations are applicable to our employees located in Israel. Israeli labor laws govern, among other things, the length of the workday, minimum wages for employees, procedures for hiring and dismissing employees, annual leave and sick days. In addition, the Israeli Severance Pay Law, 1963, or the Severance Pay Law, generally requires the payment of severance pay equal to one month's salary, based on the most recent salary, for each year of employment or a prorated portion thereof upon the termination of employment of an employee. Unless otherwise indicated in the employment agreement or otherwise required by applicable law and labor orders, the employee is not entitled to severance pay in the event she or he willingly resigns. In order to fund, or partially fund as hereinafter explained, any future liability in connection with severance pay, we make payments equal to 8.33% of the employee's salary every month, to various managers' insurance policies or similar financial instruments.

In the event the employment agreement with an employee provides that the provisions of Section 14 of the Severance Pay Law will apply, our contributions for severance pay are in lieu of our severance liability and the employee is entitled to receive such contributions whether her or his employment is terminated by us or she or he resigns. Therefore, upon fulfillment of our obligation to make a monthly contribution to the managers' insurance policies or similar financial instruments in the amount of 8.33% of the employee's monthly salary and of the other terms of the relevant permit with respect to this arrangement, no additional payments must later be made to the employee on account of severance pay upon termination of the employment relationship. As required by Israeli law, our employees are also provided with a contribution toward their retirement that amounts to 12.5% of wages, of which the employee contributes 6%. Furthermore, Israeli employees and employers are required to pay predetermined sums to the National Insurance Institute, which is similar to the United States Social Security Administration, and additional sums towards compulsory health insurance.

E. Share Ownership

Beneficial Ownership of Executive Officers and Directors

The following table sets forth certain information regarding the beneficial ownership of our ordinary shares as of March 15, 2021, of (i) each of our directors and (ii) each member of our senior management. All of the information with respect to beneficial ownership of the ordinary shares is given to the best of our knowledge and has been furnished in part by the respective directors and members of senior management.

Name of Beneficial Owner	Number of Shares Beneficially Held	Percent of Class
	(1)	
Shlomo Nehama ⁽²⁾⁽⁴⁾	3,588,577	27.9%
Ran Fridrich ⁽³⁾⁽⁴⁾	2,605,845	20.3%
Ehud Gil ⁽³⁾⁽⁴⁾	2,605,845	20.3%
Anita Leviant ⁽⁶⁾	3,000	*
Dr. Michael J. Anghel ⁽⁶⁾	1,500	*
Daniel Vaknin	-	-
Kalia Weintraub	-	-
Ori Rosenzweig ⁽⁶⁾	3,290	*
Yehuda Saban	-	-

* Less than one percent of the outstanding ordinary shares. See additional details below.

- As used in this table, "beneficial ownership" means the sole or shared power to vote or direct the voting or to dispose or direct the disposition of any security. For purposes of this table, a person is deemed to be the beneficial owner of securities that can be acquired within 60 days from March 15, 2021 through the exercise of any option or warrant. Ordinary shares subject to options or warrants that are currently exercisable or exercisable within 60 days are deemed outstanding for computing the ownership percentage of the person holding such options or warrants, but are not deemed outstanding for computing the ownership percentage of any other person. The amounts and percentages are based upon 12,839,427 ordinary shares outstanding as of March 15, 2021. This number of outstanding ordinary shares 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 us. For so long as such treasury shares are owned by us they have no rights and, accordingly, are neither eligible to participate in or receive any future dividends which may be paid to our shareholders nor are they entitled to participate in, be voted at or be counted as part of the quorum for, any meetings of our shareholders.

2. According to information provided by the holders, the 3,588,577 ordinary shares beneficially owned by Mr. Nehama consist of: (i) 3,123,604 ordinary shares held by Nechama Investments, an Israeli company, which constitute approximately 24.3% of our outstanding ordinary shares, and (ii) 464,973 ordinary shares held directly by Mr. Nehama, which constitute approximately 3.6% of our outstanding ordinary shares. Mr. Nehama, as the sole officer, director and shareholder of Nechama Investments, may be deemed to indirectly beneficially own any ordinary shares beneficially owned by Nechama Investments, which constitute (together with the shares held directly by him) approximately 27.9% of our outstanding ordinary shares.
3. The 2,605,845 ordinary shares beneficially owned by Mr. Fridrich and Mr. Gil consist of ordinary shares held by Kanir, which constitute approximately 20.3% of our outstanding share capital. Mr. Fridrich and Mr. Gil are the board members of Kanir Investments Ltd., or Kanir Ltd., the general partner in Kanir, and by virtue of their position with Kanir Ltd. may be deemed to indirectly beneficially own the ordinary shares beneficially owned by Kanir. Each of Mr. Fridrich and Mr. Gil disclaims beneficial ownership of the shares held by Kanir, except to the extent of his pecuniary interest therein, if any.
4. By virtue of the 2008 Shareholders Agreement between Nechama Investments and Kanir (see "Item 7.A: Major Shareholders"), Mr. Nehama, Nechama Investments, Kanir and Messrs. Fridrich and Gil may be deemed to be members of a group that holds shared voting power with respect to 5,729,449 ordinary shares, which together constitute approximately 44.62% of our outstanding ordinary shares, and holds shared dispositive power with respect to 5,232,201 ordinary shares, which constitute 40.8% of our outstanding ordinary shares. Accordingly, taking into account the shares directly held by Mr. Nehama, he may be deemed to beneficially own approximately 48.2% of our outstanding ordinary shares. Mr. Nehama and Nechama Investments both disclaim beneficial ownership of the ordinary shares beneficially owned by Kanir and Kanir Ltd., Kanir and Messrs. Fridrich and Gil all disclaim beneficial ownership of the shares held by Nechama Investments.
5. (i) Anita Leviant holds currently exercisable options to purchase 2,000 ordinary shares with expiration dates ranging from August 1, 2028 to August 1, 2029 and exercise prices per share ranging between \$8.95 - \$13, and (ii) Dr. Michael J. Anghel holds currently exercisable options to purchase 1,500 ordinary shares with an expiration dates ranging from January 24, 2029 to August 1, 2029 and an exercise price per share ranging between \$8.41 - \$13.
6. Mr. Ori Rosenzweig holds currently exercisable options to purchase 3,290 ordinary shares at an exercise price per share of \$11.19.

Our directors currently hold, in the aggregate, options to purchase 6,749 ordinary shares. The options have a weighted average exercise price of approximately \$20.05 per share and have expiration dates until 2030. During the years ended December 31, 2018, 2019 and 2020 Anita Leviant, a member of our Board, was granted options to purchase 1,000 shares (on August 1 of each of such years) under the 1998 Plan. Dr. Michael J. Anghel, an external director, was granted options to purchase 500 shares upon his appointment as external director and additional awards of options to purchase 1,000 shares on each of August 1, 2019 and August 1, 2020. Daniel Vaknin, an external director, was granted options to purchase 583 shares upon his appointment as external director and Ehud Gil, a member of our Board, was granted options to purchase 666 shares on the date of our 2020 Extraordinary Meeting (calculated based on the date of his appointment as a member of our Board). The exercise price for the underlying shares of such options is the “Fair Market Value” (as defined in the 1998 Plan) of our ordinary shares at the date of grant. The options expire ten years after their grant date. As described above under “Compensation - Compensation of Non-Executive Directors”, the options granted to our directors vest on the first anniversary of the grant date, provided that the recipient is a member of our Board on such anniversary. Of the options held by our directors, options to purchase 3,500 ordinary shares are currently exercisable, options to purchase 2,000 ordinary shares will become exercisable on August 1, 2021, options to purchase 1,249 ordinary shares will become exercisable in December 2021.

During 2020 and 2021, Ms. Leviant and Mr. Bignitz (our former external director) exercised options to purchase 8,000 Ordinary Shares and 7,583 Ordinary Shares, respectively.

In June 2019, we granted options to purchase 9,869 ordinary shares to Mr. Ori Rosenzweig, our Chief Investment Officer. The options vest in equal installments on an annual basis over a period of three years and have an exercise price of \$11.19 per ordinary share. Other than Mr. Rosenzweig, none of our officers currently hold options to purchase our ordinary shares.

Outstanding Options

1998 Share Option Plan for Non-Employee Directors

For more information concerning our 1998 Share Option Plan for Non-Employee Directors see “Item 6.B: Compensation.”

As of January 1, 2020, December 31, 2020 and March 15, 2021, there were 33,916, 29,667 and 29,667 ordinary shares, respectively, available for future grants under the 1998 Plan.

2000 Stock Option Plan

In 2000, we adopted the 2000 Stock Option Plan, or the 2000 Plan, to provide for grants of service and non-employee options to purchase ordinary shares to our officers, employees, directors and consultants. The 2000 Plan provides that it may be administered by the Board, or by a committee appointed by the Board, and is currently administered by our Board.

As amended, the 2000 Plan provides for the issuance of 1,772,459 ordinary shares. During 2008 we repurchased options to acquire approximately 990,000 ordinary shares from employees and such options were canceled, decreasing the amount of shares reserved for issuance the 2000 Plan. The 2000 Plan, as amended, currently terminates on August 31, 2028.

Our Board has broad discretion to determine the persons entitled to receive options under the 2000 Plan, the terms and conditions on which options are granted, and the number of ordinary shares subject thereto. Our Board delegated to our management its authority to issue ordinary shares issuable upon exercise of options under the 2000 Plan. The exercise price of the options under the 2000 Plan is determined by our Stock Option and Compensation Committee, provided, however, that the exercise price of any option granted shall not be less than eighty percent (80%) of the stock value at the date of grant of such options. The stock value at any time is equal to the then current fair market value of our ordinary shares. For purposes of the 2000 Plan (as amended), the fair market value means, as of any date, the last reported closing price of the ordinary shares on such principal securities exchange on the most recent prior date on which a sale of the ordinary shares took place.

Our Board determines the term of each option granted under the 2000 Plan, including the vesting period; provided, however, that the term of an option shall not be for more than 10 years. Unless otherwise agreed by the parties, upon termination of employment, all unvested options lapse, and generally within three months from such termination all vested but not-exercised options shall lapse.

The options granted are subject to restrictions on transfer, sale or hypothecation. Options and ordinary shares issuable upon the exercise of options granted to our Israeli employees are held in a trust until the payment of all taxes due with respect to the grant and exercise (if any) of such options.

We have elected the benefits available under the “capital gains” alternative of Section 102 of the Israeli Tax Ordinance. Pursuant to this election, capital gains derived by employees arising from the sale of shares acquired as a result of the exercise of options granted to them under Section 102, will be subject to a flat capital gains tax rate of 25% (instead of the gains being taxed as salary income at the employee’s marginal tax rate). However, as a result of this election, we will no longer be allowed to claim as an expense for tax purposes the amounts credited to such employees as a benefit when the related capital gains tax is payable by them, as we were previously entitled to do. We may change the election from time to time, as permitted by the Tax Ordinance. There are various conditions that must be met in order to qualify for these benefits, including registration of the options in the name of a trustee, or the Trustee, for each of the employees who is granted options. Each option, and any ordinary shares acquired upon the exercise of the option, must be held by the Trustee for a period commencing on the date of grant and ending no earlier than 24 months after the date of grant.

As of March 15, 2021, there were 14,803 options outstanding under the 2000 Plan. The number of additional ordinary shares available for issuance under the 2000 Plan, as of January 1, 2020, December 31, 2020 and March 15, 2021, was 580,206.

ITEM 7: Major Shareholders and Related Party Transactions

A. Major Shareholders

The following table sets forth information regarding the beneficial ownership of our ordinary shares as of March 15, 2021, by each person known by us to be the beneficial owner of 5.0% or more of our ordinary shares. Each of our shareholders has identical voting rights with respect to its shares. All of the information with respect to beneficial ownership of the ordinary shares is given to the best of our knowledge based on public filings by the shareholders (and on information provided by them).

	Ordinary Shares Beneficially Owned ⁽¹⁾	Percentage of Ordinary Shares Beneficially Owned
Shlomo Nehama ⁽²⁾⁽⁵⁾⁽⁶⁾	3,588,577	27.9%
Kanir Joint Investments (2005) Limited Partnership ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	2,605,845	20.3%
Yelin Lapidot Holdings Management Ltd. ⁽⁷⁾	1,456,332	11.3%
Clal Insurance Enterprises Holdings Ltd. ⁽⁸⁾	1,137,678	8.9%

- (1) As used in this table, “beneficial ownership” means the sole or shared power to vote or direct the voting or to dispose or direct the disposition of any security as determined pursuant to Rule 13d-3 promulgated under the U.S. Securities Exchange Act of 1934, as amended. For purposes of this table, a person is deemed to be the beneficial owner of securities that can be acquired within 60 days from March 15, 2021 through the exercise of any option or warrant. Ordinary shares subject to options or warrants that are currently exercisable or exercisable within 60 days are deemed outstanding for computing the ownership percentage of the person holding such options or warrants, but are not deemed outstanding for computing the ownership percentage of any other person. The amounts and percentages are based on a total of 12,839,427 ordinary shares outstanding as of March 15, 2021. This number of outstanding ordinary shares 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 us. For so long as such treasury shares are owned by us they have no rights and, accordingly, are neither eligible to participate in or receive any future dividends which may be paid to our shareholders nor are they entitled to participate in, be voted at or be counted as part of the quorum for, any meetings of our shareholders.
- (2) The 3,588,577 ordinary shares beneficially owned by Mr. Nehama consist of: (i) 3,123,604 ordinary shares held by Nechama Investments, which constitute approximately 24.3% of our outstanding ordinary shares and (ii) 464,973 ordinary shares held directly by Mr. Nehama, which constitute approximately 3.6% of our outstanding ordinary shares. Mr. Nehama, as the sole officer, director and shareholder of Nechama Investments, may be deemed to indirectly beneficially own any ordinary shares owned by Nechama Investments, which constitute (together with his shares) approximately 27.9% of our outstanding ordinary shares.
- (3) Kanir is an Israeli limited partnership. Kanir Ltd., in its capacity as the general partner of Kanir, has the voting and dispositive power over the ordinary shares directly beneficially owned by Kanir. As a result, Kanir Ltd. may be deemed to indirectly beneficially own the ordinary shares beneficially owned by Kanir. Messrs. Ran Fridrich and Ehud Gil, who are members of our Board of Directors, are the sole directors of Kanir Ltd. As a result, Messrs. Fridrich and Gil may be deemed to indirectly beneficially own the ordinary shares beneficially owned by Kanir. In addition, the estate of Mr. Raphael, who passed away in December 2020, is the majority shareholder of Kanir Ltd. and beneficially owns 254,524 ordinary shares, which constitute approximately 2% of our outstanding shares and which constitute, together with Kanir’s holdings, 22.3% of our outstanding ordinary shares. Each of Kanir Ltd. and Messrs. Fridrich and Gil disclaims beneficial ownership of such ordinary shares except to the extent of their respective pecuniary interest therein, if any.
- (4) By virtue of the 2008 Shareholders Agreement, Mr. Nehama, Nechama Investments, Kanir, Kanir Ltd., and Messrs. Fridrich and Gil may be deemed to be members of a group that holds shared voting power with respect to 5,729,449 ordinary shares, which constitute approximately 44.6% of our outstanding ordinary shares, and holds shared dispositive power with respect to 5,232,201 ordinary shares, which constitute 40.8% of our outstanding ordinary shares. Accordingly, taking into account the shares directly held by Mr. Nehama, he may be deemed to beneficially own approximately 48.2% of our outstanding ordinary shares. Each of Mr. Nehama and Nechama Investments disclaims beneficial ownership of the ordinary shares beneficially owned by Kanir. Each of Kanir, Kanir Ltd. and Messrs. Fridrich and Gil disclaims beneficial ownership of the ordinary shares beneficially owned by Nechama Investments. A copy of the 2008 Shareholders Agreement was filed with the Securities and Exchange Commission, or the SEC, on March 31, 2008 as Exhibit 14 to an amendment to a Schedule 13D and is not incorporated by reference herein.

- (5) Bonstar Investments Ltd., or Bonstar, an Israeli company, holds 148,567 ordinary shares, which constitute approximately 1.2% of our outstanding ordinary shares. Bonstar is a limited partner of Kanir and assisted Kanir in the financing of the purchase of some of its ordinary shares. Accordingly, Bonstar may be deemed to be a member of a group with Kanir and its affiliates, although there are no agreements between Bonstar and either of such persons and entities with respect to the ordinary shares beneficially owned by each of them. Mr. Joseph Mor and Mr. Ishay Mor are the sole shareholders of Bonstar and Mr. Joseph Mor serves as the sole director of Bonstar. Messrs. Joseph Mor and Ishay Mor also hold, through a company jointly held by them, 75,000 ordinary shares, which constitute approximately 0.6% of our outstanding ordinary shares. By virtue of their control over Bonstar and the other company, Messrs. Joseph Mor and Ishay Mor may be deemed to indirectly beneficially own the 223,567 ordinary shares beneficially owned by Bonstar and by the other company, which constitute approximately 1.7% of our outstanding ordinary shares. Each of Bonstar and Messrs. Joseph Mor and Ishay Mor disclaims beneficial ownership of the ordinary shares beneficially owned by Kanir and Nechama Investments, except to the extent of their respective pecuniary interest therein, if any.
- (6) The information included in this table concerning the beneficial ownership of Nechama Investments, Kanir, Kanir Ltd., Bonstar and Messrs. Nehama, Gil, Fridrich, Joseph Mor and Ishay Mor is based on a Schedule 13D/A submitted on October 13, 2020 and on information provided by the shareholders.
- (7) Based on a Schedule 13G/A submitted on February 2, 2021 by Mr. Dov Yelin, Mr. Yair Lapidot, Yelin Lapidot Holdings Management Ltd., or Yelin Lapidot, and Yelin Lapidot Mutual Funds Management Ltd., or Yelin Lapidot Mutual. According to the Schedule 13G/A: (i) the securities reported therein are beneficially owned as follows: (a) 971,883 ordinary shares, which constitute approximately 7.6% of our outstanding ordinary shares, by mutual funds managed by Yelin Lapidot Mutual and (b) 484,449 ordinary shares, which constitute approximately 3.8% of our outstanding ordinary shares, by provident funds managed by Yelin Lapidot Provident Fund Management Ltd., or Yelin Lapidot Provident, (ii) both Yelin Lapidot Mutual and Yelin Lapidot Provident are wholly-owned subsidiaries of Yelin Lapidot and operate under independent management and make their own independent voting and investment decisions, and (iii) Messrs. Yelin and Lapidot each own 24.38% of the share capital and 25.004% of the voting rights of Yelin Lapidot, and are responsible for the day-to-day management of Yelin Lapidot. Pursuant to the Schedule 13G/A, any economic interest or beneficial ownership in any of the securities covered by the Schedule 13G/A is held for the benefit of the members of the provident funds or mutual funds, as the case may be, and each of Messrs. Yelin and Lapidot, Yelin Lapidot and wholly-owned subsidiaries of Yelin Lapidot, disclaims beneficial ownership of any such securities.
- (8) Based on a Schedule 13G/A submitted on February 16, 2021 by Clal Insurance Enterprises Holdings Ltd., or Clal. Based on the Schedule 13G/A, of the 1,137,678 ordinary shares reported as beneficially owned by Clal: (i) 159,678 ordinary shares are beneficially held for Clal's own account and (ii) 978,000 ordinary shares are held for members of the public through, among others, provident funds and/or pension funds and/or insurance policies, which are managed by subsidiaries of Clal, which subsidiaries operate under independent management and make independent voting and investment decisions. Consequently, Clal notes in the Schedule 13G/A that the Schedule 13G/A will not constitute an admission that it is the beneficial owner of more than 159,678 ordinary shares.

Significant Changes in the Ownership of Major Shareholders

On February 18, 2019, Mr. Itshak Sharon (Tshuva), Delek Group Ltd. and The Phoenix Holdings Ltd., or the Phoenix Reporting Persons, submitted a Schedule 13G to the SEC indicating that they beneficially own 895,618 ordinary shares, which at the time constituted approximately 8.39% of our outstanding ordinary shares. On February 18, 2020, the Phoenix Reporting Persons submitted an amendment to their Schedule 13G indicating that Mr. Sharon and Delek Group Ltd. no longer beneficially own any shares of our company and that The Phoenix Holdings Ltd., or The Phoenix, held, as of December 31, 2019, 750,314 ordinary shares, which at the time constituted approximately 6.5% of our outstanding ordinary shares. On February 18, 2020 we issued to The Phoenix and to an affiliated entity an aggregate of 75,000 ordinary shares and warrants to purchase an aggregated of 18,750 ordinary shares in connection with the February 2020 Private Placement. On October 14, 2020, The Phoenix submitted an amendment to its Schedule 13G indicating that it beneficially owned 630,053.49 ordinary shares, which at the time constituted approximately 4.98% of our outstanding ordinary shares. On January 25, 2021, The Phoenix submitted an amendment to its Schedule 13G indicating that it beneficially owned 642,163.49 ordinary shares, which at the time constituted approximately 5.07% of our outstanding ordinary shares. On February 3, 2021, The Phoenix submitted an amendment to its Schedule 13G indicating that it beneficially owned 460,517.49 ordinary shares, which at the time constituted approximately 3.64% of our outstanding ordinary shares.

On July 30, 2019, Mr. Dov Yelin, Mr. Yair Lapidot and Yelin Lapidot Holdings Management Ltd., or the Yelin Lapidot Reporting Persons, submitted a Schedule 13G to the SEC indicating that they beneficially own 642,318 ordinary shares, which at the time constituted approximately 5.6% of our outstanding ordinary shares. On January 9, 2020, the Yelin Lapidot Reporting Persons submitted an amendment to their Schedule 13G indicating that they beneficially own 1,168,953 ordinary shares, which at the time constituted approximately 10.2% of our outstanding ordinary shares. On February 2, 2021, the Yelin Lapidot Reporting Persons submitted an amendment to their Schedule 13G, indicating that as of December 31, 2020 they beneficially owned 1,456,332 ordinary shares, which at the time constituted approximately 11.51% of our outstanding ordinary shares.

On March 5, 2020, Clal submitted a Schedule 13G to the SEC indicating that they beneficially own 824,743 ordinary shares, which at the time constituted approximately 6.7% of our outstanding ordinary shares. On February 16, 2021, Clal submitted an amendment to its Schedule 13G indicating that on December 31, 2020 it beneficially owned 1,137,678 ordinary shares, which at the time constituted approximately 8.8% of our outstanding ordinary shares.

On March 26, 2020, Harel Insurance Investments & Financial Services Ltd., or Harel, submitted a Schedule 13G to the SEC indicating that it beneficially owns 650,176 ordinary shares, which at the time constituted approximately 5.3% of our outstanding ordinary shares. On January 27, 2021 Harel submitted an amendment to its Schedule 13G, indicating that as of December 31, 2020 it beneficially owned 560,006 ordinary shares, which at the time constituted approximately 4.4% of our outstanding ordinary shares.

Based on information available to us and on an amendment to a Schedule 13D submitted to the SEC on November 13, 2019 by Kanir, Kanir Investments, Mr. Raphael, Mr. Fridrich, S. Nechama, Mr. Nehama, Bonstar, Mr. Joseph Mor and Mr. Ishay Mor, or the Kanir Reporting Persons, Kanir sold an aggregate of 180,552 ordinary shares, which represent 1.5% of our outstanding ordinary shares. Based on information available to us, during 2020, each of Messrs. Raphael and Fridrich sold 100,000 ordinary shares, which represent 0.8% of our outstanding ordinary shares and during 2021 Messrs. Mor sold an aggregate of 184,691 ordinary shares indirectly beneficially owned by them. Based on an amendment to a Schedule 13D submitted by the Kanir Reporting Persons on October 13, 2020, Mr. Raphael sold an aggregate of 200,000 ordinary shares, Mr. Fridrich sold an aggregate of 116,787 ordinary shares and S. Nechama sold 428,265 ordinary shares.

Record Holders

Based on a review of the information provided to us by our transfer agent, as of March 15, 2021, there were 35 record holders of ordinary shares, of which 11 represented United States* record holders holding approximately 49.4% of our outstanding ordinary shares (including approximately 49.3% of our outstanding ordinary shares held by the Depository Trust Company). This does not reflect persons or entities that hold ordinary shares in nominee or "street name" through various brokerage firms and does not reflect where the beneficial holders of our shares are located in part because the shares held by the Depository Trust Company include shares held for the Tel Aviv Stock Exchange Clearing House.

* Including the Depository Trust Company

2008 Shareholders Agreement

Pursuant to public filings made and information provided by Kanir and Nechama Investments and their affiliates, on March 24, 2008, Kanir and Nechama Investments entered into a shareholders agreement, or the 2008 Shareholders Agreement, with respect to their holdings of our ordinary shares. The following summary is based on public filings made by the parties to the 2008 Shareholders Agreement, which include a more detailed description of the 2008 Shareholders Agreement and a copy of such agreement and that are not incorporated by reference herein.

The parties to the 2008 Shareholders Agreement agreed to vote all our ordinary shares held by them as provided in the 2008 Shareholders Agreement. Where the 2008 Shareholders Agreement is silent as to a matter brought before our shareholders, the parties will agree in advance as to how they will vote. In the event that the parties do not reach an agreement regarding any such matter, they will vote all of their ordinary shares against such matter. In addition, the parties agreed to use their best efforts to amend our articles to require that, if so requested by at least two of our directors, certain matters, such as related party transactions and any material change in the scope of our business, will require the approval of a simple majority of the outstanding ordinary shares. At our annual shareholders meeting held on December 30, 2008, our shareholders approved the adoption of our Second Amended and Restated Articles, as requested by Kanir and Nechama Investments and that includes, among other things, the revisions contemplated in the 2008 Shareholders Agreement. For more information, see "Item 10.B: Memorandum of Association and Second Amended and Restated Articles."

The parties to the 2008 Shareholders Agreement further agreed to use their best efforts to ensure that the composition of our Board will be in accordance with the agreements set forth therein.

The 2008 Shareholders Agreement also contains certain agreements with respect to the ordinary shares held by each party that constitute, from time to time, 25.05% of the outstanding ordinary shares and, in the aggregate, 50.1% of the outstanding ordinary shares (these shares are defined in the 2008 Shareholders Agreement as the Restricted Shares), including a lock-up period, right of first refusal, tag along and a buy/sell notice mechanism.

The parties to the 2008 Shareholders Agreement agreed not to enter into any additional voting or similar agreements with any of our other shareholders during the term of the 2008 Shareholders Agreement, which will be in effect so long as (i) the parties hold more than 50% of our outstanding ordinary shares or (ii) each of the parties holds all of its Restricted Shares (unless the lending bank of the parties to the 2008 Shareholders Agreement forecloses on its pledge on the Restricted Shares of either party, causing the immediate termination of the 2008 Shareholders Agreement).

Registration Rights

We previously executed various registration rights agreements with certain entities and individuals, including former controlling shareholders, in connection with private placements of our securities. Registration rights with respect to a majority of the ordinary shares held by our current controlling shareholders were assigned from certain holders of such registration rights to our controlling shareholders, subject to the undertaking of the assignees to be bound by and subject to the terms and conditions of the registration rights agreement. During 2014 we received a demand for registration from several shareholders, including our controlling shareholders, and filed a registration statement on Form F-3 with covering the resale of 6,421,545, or 52.7% of our ordinary shares, which became effective on November 17, 2014. During 2020, we received a second demand to maintain the registration statement effective pursuant to the terms of the registration rights agreement dated September 12, 2005. The registration of the shares included in this registration statement enable our controlling shareholders to sell a significant portion of our ordinary shares without restrictions, which could result in a change of control of Ellomay or in us ceasing to be a “controlled company” for purposes of the NYSE American LLC rules. For more information see “Item 16.G: Corporate Governance.”

B. Related Party Transactions

On December 30, 2008, following the approval of our Audit Committee, Board of Directors and shareholders, we entered into the Management Services Agreement with Kanir and Meisaf, effective as of March 31, 2008, the date of appointment of Messrs. Fridrich and Nehama as members of our Board.

The Management Services Agreement provides, among other things, that Meisaf and Kanir, through their employees, officers and directors, will assist us in connection with the process of identifying and evaluating opportunities to acquire operations, otherwise provide us with management services and advise and assist our management concerning our affairs and business. It is further agreed that the management services will be provided primarily by Messrs. Nehama, Fridrich and Raphael.

In addition, the Management Services Agreement notes that Kanir’s and Meisaf’s representatives on our Board of Directors, Messrs. Nehama, Fridrich and Raphael, or other affiliates of such entities, serve and will continue to serve on our Board of Directors. In providing the Board services, the directors and the Chairman of the Board will be subject to any and all fiduciary and other duties applicable to them under law and under our Articles and they are required to dedicate as much time as reasonably necessary for the proper performance of such services.

In consideration for the performance of the management services and the Board services, we currently pay to Meisaf and Kanir, in equal parts, an aggregate annual fee in the amount of \$400,000 (approximately €326 based on the Euro /USD exchange rate as of December 31, 2020), on a quarterly basis. Meisaf and Kanir are also entitled to receive reimbursement for reasonable out-of-pocket business expenses borne by them in connection with the provision of the services, as customary in the Company. In connection with the Management Services Agreement, the Board representatives of Kanir and Mr. Nehama waived any director fees and options to purchase our ordinary shares they may be entitled to as a result of their service on our Board. In addition, Mr. Fridrich, who first served as our Interim Chief Executive Officer and is now our Chief Executive Officer, serves as our Chief Executive Officer since January 2009 as part of the management services provided pursuant to the Management Services Agreement, and agreed not to receive any additional compensation or other benefits beyond the fees paid in connection with the Management Services Agreement.

At our 2019 Shareholders Meeting, following the approval of our Audit Committee, Compensation Committee and Board, our shareholders approved certain amendments and a further extension of the term of the Management Services Agreement, so that it shall remain in effect until the earlier of: (i) June 17, 2022, (ii) the termination of service of all of the Kanir and Nechama Investments nominees on our Board of Directors, (iii) a date that is six (6) months following the delivery of a written termination notice by Meisaf and Kanir to the Company or by the Company to Meisaf and Kanir, or (iv) the cessation of provision of Chairman and CEO services.

On November 12, 2020, Mr. Hemi Raphael resigned from our Board of Directors for personal reasons. Mr. Raphael passed away during December 2020. On March 29, 2021, our Audit and Compensation Committee discussed the materiality of the cessation of services previously provided by the late Mr. Raphael under the Management Services Agreement through Kanir. The Audit and Compensation Committee resolved that in light of the change in scope of services from Kanir during the first quarter of 2021, the payment due to Kanir under the Management Services Agreement at the end of the first quarter of 2021 will be reduced to 66%, taking into account the reduction in the scope of services and the continued provision of services by Mr. Fridrich during such period, including the appointment of Mr. Fridrich as a member of the Dorad Board of Directors, replacing late Mr. Raphael. The Audit and Compensation Committee further resolved that following receipt of a benchmark report regarding similar agreements and further discussions by the Audit and Compensation Committee, revisions to the Management Services Agreement will be discussed and then presented for the approval of our shareholders.

For a further discussion of transactions and balances with related parties see “Item 4.D: Property, Plants and Equipment” (with respect to the sublease of office space to a company controlled by Mr. Nehama), “Item 6.B: Compensation,” “Item 6.C: Board Practices” under “Indemnification, Exemption and Insurance of Executive Officers and Directors,” “Registration Rights” above and Note 15 to our consolidated financial statements, which are included elsewhere in this report.

C. Interests of Experts and Counsel

Not Applicable.

ITEM 8: Financial Information

A. Consolidated Statements and Other Financial Information.

Consolidated Statements

Our consolidated financial statements are set forth in Item 18.

Legal Proceedings

We may from time to time become a party to various legal proceedings in the ordinary course of our business. While the outcome of these matters cannot be predicted with certainty, we do not believe they will have a material effect on our consolidated financial position, results of operations, or cash flows. In addition, we are involved in various legal proceedings in connection with our holdings in Dori Energy and indirect holdings in Dorad. For more information see “Item 4.B: Business Overview” under “The Dorad Power Plant” and under “Pumped Storage project in the Manara Cliff in Israel.”

Dividends

On March 18, 2015, our Board of Directors adopted a dividend distribution policy, or the Policy, pursuant to which we intend to distribute a dividend of up to 33% of our annual distributable profits each year, either by way of a cash dividend, a share buyback program or a combination of both. Distributions or the amount or method of the distribution pursuant to the Policy are not guaranteed and are subject to the specific approval of our Board of Directors, based on various factors they deem appropriate including, among others, our financial position, our outstanding liabilities and contractual obligations, prospective acquisitions, our business plan and the market conditions. In addition, as described herein, distributions are subject to the restrictions in the deeds of trust governing our Debentures. Our Board of Directors may, subject to the circumstances and conditions stated above, declare additional dividend distributions, change the rate of a specific distribution or cancel a distribution (either as a revision to the Policy or on a more temporary basis). In addition, our Board of Directors may, in its absolute discretion and at any time, revise, update or terminate the Policy. Prior to the adoption of the Policy, we did not have a dividend distribution policy or distribute cash dividends in the past.

In May 2015, our Board of Directors approved the repurchase of up to \$3 million of our ordinary shares. The authorized repurchases will be made from time to time in the open market on the NYSE American LLC and Tel Aviv Stock Exchange or in privately negotiated transactions. The timing, volume and nature of share repurchases will be at the sole discretion of management and will be dependent on regulatory restrictions, market conditions, the price and availability of our ordinary shares, applicable securities laws and other factors, including compliance with the terms of our Debentures. No assurance can be given that any particular amount of ordinary shares will be repurchased. The buyback program does not obligate us to acquire a specific number of shares in any period, and it may be modified, suspended, extended or discontinued at any time, without prior notice. We repurchased 172,391 ordinary shares in the NYSE American LLC under this buyback program. On March 23, 2016, we announced the decision to distribute a cash dividend in the amount of \$0.225 per share (an aggregate distribution of approximately \$2.4 million). We distributed this dividend in April 2016. We did not declare or pay a cash dividend during 2017 and we did not repurchase any of our ordinary shares or declare or pay a cash dividend during 2018-2020.

The terms of the deeds of trust governing our Debentures restrict our ability to distribute dividends (for more information see “Item 5.B: Liquidity and Capital Resources” and “Item 10.C: Material Contracts”). In addition, under Israeli law, the payment of dividends is generally made from accumulated retained earnings or retained earnings accrued over a period of the last two years (after deducting prior dividends to the extent not already deducted from retained earnings), and in either case, provided there is no reasonable concern that the dividend will prevent the company from satisfying current or foreseeable obligations as they become due. Notwithstanding the foregoing, dividends may be paid with the approval of a court, provided that there is no reasonable concern that payment of the dividend will prevent us from satisfying our existing and foreseeable obligations as they become due.

B. Significant Changes

Except as otherwise disclosed in this report, no significant changes have occurred since December 31, 2020.

ITEM 9: The Offer and Listing**A. Offer and Listing Details**

Our ordinary shares are listed on the NYSE American LLC and the TASE under the symbol “ELLO.”

B. Plan of Distribution

Not Applicable.

C. Markets

Our ordinary shares have been listed on the NYSE American LLC since August 22, 2011. Our trading symbol is “ELLO.” On October 27, 2013, our ordinary shares were listed for trading on the Tel Aviv Stock Exchange under the symbol “ELLO.”

D. Selling Shareholders

Not Applicable.

E. Dilution

Not Applicable.

F. Expenses of the Issue

Not Applicable.

ITEM 10: Additional Information**A. Share Capital**

Not Applicable.

B. Memorandum of Association and Second Amended and Restated Articles**Memorandum of Association and Second Amended and Restated Articles**

Set forth below is a brief description of certain provisions contained in the Memorandum of Association, the Second Amended and Restated Articles, adopted by our shareholders at our general meeting held on December 30, 2008, as amended, as well as certain statutory provisions of Israeli law. The Memorandum of Association and the Articles are incorporated by reference herein. The description of certain provisions does not purport to be a complete summary of these provisions and is qualified in its entirety by reference to such exhibits and to Israeli law.

Authorized Share Capital

Our authorized share capital is one hundred seventy million (170,000,000) New Israeli Shekels, divided into seventeen million (17,000,000) ordinary shares, NIS 10.00 par value per share.

Due to the fact that we were incorporated prior to 1999, the year the Companies Law was enacted, a special majority of 75% of the shares voting on the matter is generally required in order to amend our Memorandum, however, pursuant to our Memorandum, changes to our capital structure, such as an increase in our authorized capital, only require the vote of a majority of the shares voting on the matter.

Purpose and Objective

We are a public company registered under the Companies Law as Ellomay Capital Ltd., registration number 52-003986-8. Pursuant to Article 3.1 of our Articles, our objective is to undertake any lawful activity, including any objective set forth in our Memorandum of Association. Pursuant to Article 3.2 of our Articles, our purpose is to operate in accordance with commercial considerations with the intentions of generating profits. In addition, we may contribute reasonable amounts for any suitable purpose even if such contributions do not fall within our business considerations. The Board may determine the amounts of the contributions, the purpose for which the contribution is to be made, and the recipients of any such contribution.

Board of Directors

Under the Companies Law, our Board is authorized to determine our strategy and supervise the performance of the duties and actions of our chief executive officer. Our Board may not delegate to a committee of the Board or the chief executive officer the right to decide on certain of the authorities vested in it, including determination of our strategy, distributions, certain issuances of securities and approval of financial reports. The powers conferred upon the Board are vested in the Board as a collective body and not in each one or more of the directors individually. Unless otherwise set forth in a resolution of the shareholders, our Articles provide that our Board shall consist of not less than four (4) nor more than eight (8) directors (including any external directors whose appointment is mandated under the Companies Law).

Pursuant to the Companies Law, publicly traded companies must appoint at least two external directors to serve on their board of directors and audit committee. For further information concerning external directors see "Item 6.C: Board Practices."

The Companies Law codifies the fiduciary duties that an office holder has to a company. An office holder's fiduciary duties consist of a duty of loyalty and a duty of care. For more information concerning these duties, the approval process of certain transactions and other board practices see "Item 6.C: Board Practices."

Our directors cannot vote approve compensation to themselves or any members of their body without the approval of our compensation committee and our shareholders. For more details concerning the approval process of Terms of Service and Employment of office holders see "Item 6.C: Board Practices" under "Compensation Committee." Borrowing powers exercisable by the directors are not specifically outlined in our Articles.

No person shall be disqualified to serve as a director by reason of his not holding our shares in. Additionally, our Articles do not provide for an age in which directors are required to retire.

Rights of Shareholders

No preemptive rights are granted to holders of our ordinary shares under the Articles or the Companies Law. Each ordinary share is entitled to one vote on all matters to be voted on by shareholders, including the election of directors.

The directors, other than external directors who are elected for three-year terms, are elected annually at a general meeting of shareholders and remain in office until the next annual meeting at which time they retire, unless their office is previously vacated as provided in the Articles. A retiring director may be reelected. If no directors are elected at the annual meeting, all of the retiring directors remain in office pending their replacement at a general meeting. Holders of the ordinary shares do not have cumulative voting rights in the election of directors. Consequently, the holders of ordinary shares in the aggregate conferring more than 50% of the voting power, represented in person or by proxy, will have the power to elect all the directors. On March 24, 2008, in connection with the purchase of a controlling interest of our ordinary shares, Nechama Investments and Kanir entered into the 2008 Shareholders Agreement. Under the 2008 Shareholders Agreement, both parties agreed to vote all of our shares held by them as provided in the agreement and, where the agreement is silent, as the parties shall agree prior to any meeting of our shareholders. In addition, the 2008 Shareholders Agreement provides that in the event the parties do not reach an agreement regarding certain resolution proposed to our shareholders meeting, the parties shall vote all of their shares against such proposed resolution. For further information with respect to the 2008 Shareholders Agreement, see "Item 7.A: Major Shareholders" under the caption "2008 Shareholders Agreement."

Following the adoption of the Articles at our general meeting of shareholders held on December 30, 2008, Article 25.5 provides that for so long as the 2008 Shareholders Agreement is in effect, at the written request of any two directors with respect to any proposed action or transaction (including certain related party transactions, any amendments to our Memorandum of Association or Articles, any merger or consolidation of the Company, any material change in the scope of our business, the voluntary liquidation or dissolution of the Company, approval of annual budget or business plan and material deviations therefrom and any change in signatory rights on behalf of the Company), such action or transaction shall require the approval of our general meeting by a resolution supported by members present, in person or by proxy, vested with at least 50.1% of our outstanding shares, or by such higher approval threshold as may be required by Israeli law.

Chairman of the Board

Our Articles provide that our Chairman of the Board shall have no casting vote, unless (i) the Chairman of the Board is then Mr. Shlomo Nehama and (ii) Nechama Investments, together with any Affiliates (as defined in our Articles) thereof, then holds at least 25.05% of our outstanding shares. Our Articles further provide that, notwithstanding the foregoing, in case Mr. Shlomo Nehama elects to exercise his casting vote in respect of a specific resolution brought before our Board, or the Triggering Resolution, then (a) prior to such exercise, Nechama Investments shall be required to trigger the "Buy Me Buy You" mechanism set forth in the 2008 Shareholders Agreement as an Offering Party (as defined in the 2008 Shareholders Agreement), whereby the Triggering Resolution will be pending until the consummation of the sale of the Restricted Shares (as defined in the 2008 Shareholders Agreement) of one party to the 2008 Shareholders Agreement to the other party of the 2008 Shareholders Agreement in accordance with such "Buy Me Buy You" mechanism; and (b) in the event that three (3) of the members of our Board so require, the Triggering Resolution shall be conditioned upon the approval of our General Meeting pursuant to Article 25.1 of the Articles (requiring a special majority of 50.1% of our outstanding shares). Upon a transfer of the Restricted Shares by Kanir to third party in accordance with the terms of the 2008 Shareholders Agreement, the casting vote of the Chairman of the Board shall expire.

Dividends and Liquidation Rights

Our Board of Directors is authorized to declare dividends, subject to applicable law. Dividends may be paid only out of profits and other surplus, as defined in the Companies Law, as of the end of the most recent financial statements or as accrued over a period of two years, whichever is higher. Alternatively, if we do not have sufficient profits or other surplus, then permission to effect a distribution can be granted by order of an Israeli court. In any event, a distribution is permitted only if there is no reasonable concern that the distribution will prevent us from satisfying our existing and foreseeable obligations as they become due.

Upon recommendation by the Board, dividends may be paid, in whole or in part, by the distribution of certain of our specific assets, of our shares or debentures, or shares or debentures of any other company, or in any combination of such manners. Subject to special or restricted rights conferred upon the holders of shares as to dividends, if any, the dividends shall be distributed in accordance with our paid-up capital attributable to the shares for which the dividend has been declared. Our obligation to pay dividends or any other amount in respect of shares may be set-off against any indebtedness, however arising, liquidated or non-liquidated, of the person entitled to receive the dividend. Any dividend unclaimed within the period of seven years from the date stipulated for its payment shall be forfeited and returned to us, unless otherwise directed by our Board. In the event of the winding up of Ellomay, then, after satisfaction of liabilities to creditors and subject to provisions of any applicable law and to any special or restricted rights attached to a share, our assets in excess of our liabilities will be distributed among the shareholders in proportion to the paid-up capital attributable to the shares in respect of which the distribution is being made. Dividend and liquidation right may be affected by the grant of preferential dividends or distribution rights to the holders of a class of shares with preferential rights that may be authorized in the future.

For more information concerning our dividend distribution policy see “Item 8.A: Financial Information – Consolidated Statements and Other Financial information,” under the heading “Dividends.”

Redemption Provisions

We may, subject to any applicable law, issue redeemable securities and then redeem them.

The liability of our shareholders for the indebtedness of the Company is limited to payment of the nominal value of the shares held by them.

Certain Transactions with Controlling Persons

No provision in the Articles discriminates against an existing or prospective holder of securities, as a result of such shareholder owning a substantial amount of shares. However, the Companies Law extends the disclosure requirements applicable to office holders as described in “Board Practices” under “Management” above, to a controlling shareholder in a public company. For purposes of the issues described in these paragraphs, the Companies Law defines a controlling shareholder a shareholder who can direct the activities of the company, including a presumption that a person who holds 25% or more of the voting rights at the company’s general meeting, provided there is no other person that holds more than 50% of the voting rights in such company, is a controlling shareholder. If two or more shareholders are interested parties in the same transaction, their shareholdings are combined for the purposes of calculating the percentages held by them. If two or more shareholders are parties to a voting agreement, their interests are also generally combined for the purposes of calculating percentages.

“Extraordinary Transactions” (as such term is defined by the Companies Law and as set forth in “Board Practices” under “Management” above) of a public company with its controlling shareholder or with another person if the controlling shareholder has a personal interest in such transaction, including certain private offering of securities in which the controlling shareholder has a personal interest, a transaction between a company and a controlling shareholder or her or his relative, directly or indirectly, including through a company controlled by her or him, relating to the receipt by the company of services from her or him, and, if such controlling shareholder or her or his relative are office holders, a transaction in connection with their Terms of Service and Employment or, if he or she is an employee of the company and not an office holder, a transaction of the company with such person in connection with his or her employment by the company, all are required to be for the benefit of the company and require the approval of the audit committee, the board of directors and the shareholders. The shareholders’ approval of such a transaction requires a simple majority approval and the fulfillment of one of the following conditions: (i) at least a majority of the votes cast by shareholders who have no personal interest in the transaction and who vote on the matter are voted in favor of the transaction, or (ii) the votes cast by shareholders who have no personal interest in the transaction voted against the transaction do not represent more than two percent of the voting rights in the company. In addition, any such transaction with a term that exceeds three years requires approval as described above every three years, unless (with respect only to extraordinary transactions and not to other transactions that require the special approval process) the audit committee approves that a longer term is reasonable under the circumstances. For more information concerning the roles of the audit committee in connection with related party transactions, including a recent amendment to the Companies Law, see “Item 6.C: Board Practices.” For more information concerning the approval process and requirements in connection with the Terms of Service and Employment of controlling shareholders and their relatives see “Item 6.B: Compensation.”

Pursuant to the Relief Regulations, certain extraordinary transactions between a company and its controlling shareholder(s), certain undertakings of a company to its directors in connection with their terms of service and certain transactions between a company and its controlling shareholder(s) or their relatives in their capacity as office holders or employees of the company may be approved, if the conditions set forth in such regulations are met, without the requirement to obtain shareholder approval. The Relief Regulations require that the company’s audit committee and board of directors determine that the conditions set forth in the Relief Regulations are met. One of the alternative conditions for approving an extraordinary transaction with a controlling shareholder is that such transaction only benefits the company. Another available condition is that the transaction is in the ordinary course of business, on market terms, and does not harm the company.

Changing Rights Attached to Shares

According to our Articles, in order to change the rights attached to any class of shares, unless otherwise provided by the terms of the class, such change must be adopted by a general meeting of the shareholders and by a separate general meeting of the holders of the affected class by the majority that is generally required for the amendment of the Articles or, if higher, the Memorandum. The provisions of the Articles relating to General Meetings of our shareholders shall apply, mutatis mutandis, to any separate General Meeting of the holders of the shares of a specific class; provided, however, that the requisite quorum at any such separate General Meeting shall be one or more members present in person or by proxy and holding not less than thirty three and one third percent (33 1/3%) of the issued shares of such class.

Pursuant to the Companies Law, the quorum requirement for General Meetings and for separate General Meetings for holders of a specific class may be satisfied with the presence of at least two members present in person or by proxy and holding not less than 25% of the outstanding shares, or the shares of such class, as the case may be.

Annual and Extraordinary Meetings of our Shareholders

Pursuant to the Companies Law, an annual meeting of shareholders must be held once in every calendar year at such time (within a period of not more than fifteen months after the preceding annual meeting) and at such place as may be determined by the board of directors. The board of directors may, at any time, convene extraordinary general meetings of shareholders, and shall be obligated to do so upon receipt of a requisition in writing from any of the following: (i) two directors or one quarter of the directors holding office; (ii) one or more shareholders holding at least 5% of the issued capital and at least 1% of the voting rights in the Company; or (iii) one or more shareholders holding at least 5% of the voting rights in the Company. A requisition must detail the objects for which the meeting must be convened and shall be signed by the persons requisitioning it and sent to the Company's registered office. When the board of directors is required to convene a special meeting, it shall do so within 21 days of the requisition being submitted. In the event the board of directors does not convene the extraordinary meeting despite the receipt of a valid requisition, the persons requisitioning the meeting may convene the meeting themselves, provided that such meeting shall not be held more than three months following the delivery of the requisition and will be convened, to the extent possible, in the same manner as general meetings are convened by the board of directors.

Prior to any general meeting a written notice thereof shall be made public as required by Israeli law. The Articles provide that we shall not be required to deliver notice to each shareholder, except as may be specifically required by Israeli law. The Articles further provide that a notice by us of a general meeting that is published in one international wire service shall be deemed to have been duly given on the date of such publication.

Two or more members present in person or by proxy and holding shares conferring in the aggregate more than 25% of the total voting power attached to our shares shall constitute a quorum at general meetings. If a meeting is adjourned due to the lack of a quorum, any two shareholders, present in person or by proxy at the subsequent adjourned meeting, will constitute a quorum. Unless provided otherwise by the terms of issue of the shares, no member shall be entitled to be present or vote at a general meeting (or to be counted as part of the quorum) unless all amounts due as of the date designated for same general meeting with respect to his shares were paid. A resolution shall be deemed adopted if the requisite quorum is present and the resolution is supported by members present, in person or by proxy, vested with more than fifty percent (50%) of the total voting power attached to the shares whose holders were present, in person or by proxy, at such meeting and voted thereon, or such other percentage required by law or set forth in the Articles from time to time.

Limitations on the Rights to Own Securities in Our Company

Our Memorandum of Association and Articles and the laws of the State of Israel do not restrict in any way the ownership or voting of ordinary shares by non-residents, except that shares held by citizens of countries which are in a state of war with Israel will not confer any rights to their holders unless the Ministry of Finance consents otherwise.

Anti-takeover Provisions; Mergers and Acquisitions under Israeli Law

The Companies Law permits merger transactions with the approval of each party's board of directors and generally requires shareholder approval as well. A merger with a wholly owned subsidiary does not require approval of the target company's shareholders. A merger does not require approval of the surviving company's shareholders if: (i) the merger does not require the adoption of amendments to the surviving company's memorandum of association or articles and (ii) the surviving company does not issue more than 20% of its voting power in connection with the merger and as a result of the issuance no shareholder would become a controlling shareholder (for this purpose any securities convertible into shares of the surviving company that such person holds or that are issued to him in the course of the merger are deemed to have been converted or exercised). Shareholder approval of the surviving company would nevertheless be required if the other party to the merger, or a person holding more than 25% of the outstanding voting shares or means of appointing the board of directors of the other party to the merger, holds any shares of the surviving company. In accordance with the Companies Law, our Articles provide that a merger may be approved at a shareholders meeting by a majority of the voting power represented at the meeting, in person or by proxy, and voting on that resolution. The Companies Law provides that in determining whether the required majority has approved the merger, shares held by the other party to the merger, any person holding at least 25% of the outstanding voting shares or means of appointing the board of directors of the other party to the merger, or the relatives or companies controlled by these persons, are excluded from the vote. As described above, our Articles currently provide, under certain circumstances, including a merger of the Company, that two directors may require that, in addition to the majority prescribed by the Companies Law, a merger be approved by a resolution supported by shareholders present, in person or by proxy, vested with at least 50.1% of our outstanding shares. For additional voting requirements that may apply to us pursuant to Article 25.5 of our Articles in connection with a proposed merger see "Rights of Shareholders" above.

Under the Companies Law, a merging company must inform its creditors of the proposed merger. Any creditor of a party to the merger may seek a court order blocking the merger, if there is a reasonable concern that the surviving company will not be able to satisfy all of the obligations of the parties to the merger. Moreover, a merger may not be completed until at least 50 days have passed from the time that a merger proposal was filed with the Israeli Registrar of Companies and 30 days have passed from the shareholder approval of the merger in each merging company.

The Companies Law provides that an acquisition of shares in a public company must be made by means of a tender offer if as a result of the acquisition the purchaser would hold 25% or more of the voting rights in the company. This rule does not apply if there is already another holder of 25% or more of the voting rights in the company. Similarly, the Companies Law provides that an acquisition of shares in a public company must be made by means of a tender offer if as a result of the acquisition the purchaser would hold greater than 45% of the voting rights in the company, unless there is another shareholder holding more than 45% of the voting rights in the company. These requirements do not apply if, in general, the acquisition: (1) was made in a private placement that received shareholder approval as a private placement and was meant to grant the purchaser 25% or more of the voting rights of a company in which no other shareholder holds 25% or more of the voting rights, or to grant the purchaser more than 45% of the voting rights of a company in which no other shareholder holds more than 45% of the voting rights, (2) was from a holder of 25% or more of the voting rights in the company which resulted in the acquiror holding 25% or of the voting rights in the company, or (3) was from a shareholder holding more than 45% of the voting rights in the company which resulted in the acquiror becoming a holder of more than 45% voting rights in the company.

If, as a result of an acquisition of shares, the acquiror will hold more than 90% of a company's outstanding shares, the acquisition must be made by means of a tender offer for all of the outstanding shares, or a full tender offer. A full tender offer is accepted if either: (i) holders of less than 5% of the outstanding shares do not accept the tender offer and more than half of the offerees who do not have a personal interest in accepting the tender offer accepted it, or (ii) holders of less than 2% of the outstanding shares do not accept the tender offer. If the full tender offer is not accepted, then the acquiror may not acquire shares in the tender offer that will cause his shareholding to exceed 90% of the outstanding shares.

The Companies Law provides for appraisal rights in the event a full tender offer is accepted if the shareholder files a request with the court within six months following the consummation of a full tender offer. The acquirer may provide in the tender offer documents that any shareholder that accepted the offer and tendered his shares will not be entitled to appraisal rights.

Duties of Shareholders and of Controlling Shareholders

Under the Companies Law, a shareholder has a duty to act in good faith towards the company and other shareholders and to refrain from abusing his or her power in the company including, among other things, when voting in a general meeting of shareholders or in a class meeting on the following matters:

- any amendment to the articles;
- an increase in the company's authorized share capital;
- a merger; or
- approval of related party transactions that require shareholder approval.

A shareholder also has a general duty to refrain from depriving any other shareholders of their rights as shareholders.

In addition, a duty to act with fairness towards the company is imposed on: (i) anyone who controls a company, i.e. a person that has the ability to direct the activity of a company, excluding an ability deriving merely from holding an officer or director or another office in the company (a person shall be presumed to control a corporation if he or she holds half or more of certain means of control, i.e. rights to vote at a general meeting and the right to appoint directors or general manager), (ii) any shareholder who knows that it possesses the power to determine the outcome of a shareholder vote and (iii) any shareholder who has the power to appoint or prevent the appointment of an office holder in the company. The Companies Law does not describe the substance of this duty of fairness.

C. Material Contracts

Management Services Agreement with Kanir and Meisaf

For details concerning the Management Agreement, see "Item 7.B: Related Party Transactions."

The description of the Management Agreement is only a summary and does not purport to be complete and is qualified by reference to the full text of the Management Agreement filed by us as Exhibit 4.6 and the amendments to the Management Agreement filed by us as Exhibit 4.10 and Exhibit 4.17 under Item 19.

Agreements in connection with the Investment in Dori Energy

Summaries of the material agreements executed in connection with our investment in Dori Energy are included as Exhibits 4.7 and 4.8 under Item 19.

Series C Deed of Trust

For a description of our debt agreements, including the Series C Deed of Trust governing our Series C Debentures, see “Item 5.B: Operating and Financial Review and Prospects – Liquidity and Capital Resources.”

The descriptions of the Series C Deed of Trust is only a summary and does not purport to be complete and is qualified by reference to the convenience translation of the Series C Deed of Trust filed by us as Exhibit 4.18 under Item 19.

Series D Deed of Trust

On February 23, 2021, we issued NIS 62 million (approximately €15.6 million, as of the issuance date) of unsecured convertible Series D Debentures due December 31, 2026 through a public offering in Israel. The gross proceeds of the offering were approximately NIS 62.6 million and the net proceeds of the offering, net of related expenses such as consultancy fee and commissions, were approximately NIS 61.8 million (approximately €15.6 million). The Series D Debentures are traded on the TASE.

The principal amount of Series D Debentures is repayable one installment on December 31, 2026. The Series D Debentures bear a fixed interest at the rate of 1.2% per year (that is not linked to the Israeli CPI or otherwise), payable semi-annually on June 30 and December 31 commencing June 30, 2021 through December 31, 2026 (inclusive). The Series D Debentures are convertible into the Company's ordinary shares, NIS 10.00 par value per share, at a conversion price of NIS 165 (approximately \$50.55, as of the issuance date), subject to adjustments upon customary terms.

The Series D Deed of Trust includes customary provisions, including (i) a negative pledge such that we may not place a floating charge on all of our assets, subject to certain exceptions and (ii) an obligation to pay additional interest for failure to maintain certain financial covenants, with an increase of 0.25% in the annual interest rate for the period in which we do not meet each standard and up to an increase of 0.75% in the annual interest rate. The Series D Deed of Trust does not restrict our ability to issue any new series of debt instruments, other than in certain specific circumstances, and enables us to expand the Series D Debentures up to an aggregate par value of NIS 200 million provided that: (i) we are not in default of any of the immediate repayment provisions included in the Series D Deed of Trust or in breach of any of our material obligations to the holders of the Series D Debentures pursuant to the terms of the Series D Deed of Trust, (ii) the expansion will not harm our compliance with the financial covenants included in the distribution undertaking Series D Deed of Trust and (iii) to the extent the Series D Debentures are rated at the time of the expansion, the expansion will not harm the rating of the existing Series D Debentures.

The Series D Deed of Trust includes a number of customary causes for immediate repayment, including a default with certain financial covenants for the applicable period, and includes a mechanism for the update of the annual interest rate of the Series D Debentures in the event we do not meet certain financial covenants. The financial covenants are as follows:

- a. Our Adjusted Balance Sheet Equity (as such term is defined in the Series D Deed of Trust), on a consolidated basis, shall not be less than €70 million for two consecutive quarters for purposes of the immediate repayment provision and shall not be less than €75 for purposes of the annual interest update provision;
- b. The ratio of (a) the short-term and long-term debt from banks, in addition to the debt to holders of debentures issued by us and any other interest-bearing financial obligations provided by entities who are in the business of lending money (excluding financing of projects and other exclusions as set forth in the Series D Deed of Trust), net of cash and cash equivalents, short-term investments, deposits, financial funds and negotiable securities, to the extent that these are not restricted (with the exception of a restriction for the purpose of securing any financial debt according to this definition), or, together, the Series D Net Financial Debt, to (b) our Adjusted Balance Sheet Equity, on a consolidated basis, plus the Series D Net Financial Debt, or our CAP, Net, to which we refer herein as the Series D Ratio of Net Financial Debt to CAP, Net, shall not exceed the rate of 68% for three consecutive quarters for purposes of the immediate repayment provision and shall not exceed a rate of 60% for purposes of the annual interest update provision; and
- c. The ratio of (a) our Series D Net Financial Debt, to (b) our earnings before financial expenses, net, taxes, depreciation and amortization, where the revenues from our operations, such as the Talmei Yosef project, are calculated based on the fixed asset model and not based on the financial asset model (IFRIC 12), and before share-based payments, when the data of assets or projects whose Commercial Operation Date occurred in the four quarters that preceded the test date will be calculated based on Annual Gross Up (as such terms are defined in the Series D Deed of Trust), based on the aggregate four preceding quarters, or our Series D Adjusted EBITDA, to which we refer to herein as the Ratio of Net Financial Debt to Series D Adjusted EBITDA, shall not be higher than 14 for purposes of the immediate repayment provision and shall not be higher than 12 for purposes of the annual interest update provision.

The Series D Deed of Trust includes similar conditions to our ability to make distributions (as such term is defined in the Companies Law, e.g. dividends), to our shareholders as are included in the Series C Deed of Trust and set forth above. We are also required to maintain the following financial ratios (which are calculated based on the same definitions applicable to the financial covenants set forth above) after the distribution: (i) Adjusted Balance Sheet Equity not lower than €85 million, (ii) Ratio of Series D Net Financial Debt to CAP, Net not to exceed 60%, and (iii) Ratio of Series D Net Financial Debt to Series D Adjusted EBITDA, shall not be higher than 9, and not to make distributions if we do not meet all of our material obligations to the holders of the Series D Debentures and if on the date of distribution and after the distribution a cause for immediate repayment exists.

The descriptions of the Series D Deed of Trust is only a summary and does not purport to be complete and is qualified by reference to the convenience translation of the Series D Deed of Trust filed by us as Exhibit 4.21 under Item 19.

Sale of Italian PV Portfolio

For a description of the agreement for the sale of our Italian subsidiaries, see “Item 4.B: Business Overview - Sale of Italian PV Portfolio.”

The descriptions of the sale and purchase agreement does not purport to be complete and is qualified by reference to the full text of the sale and purchase agreement filed by us as Exhibit 4.19 under Item 19.

D. Exchange Controls

Dividends, if any, paid by us to the holders of our ordinary shares, and any amounts payable upon our dissolution, liquidation or winding up, as well as the proceeds of any sale in Israel of our ordinary shares to an Israeli resident, may be paid in non-Israeli currency. If these amounts are paid in Israeli currency, they may be converted into U.S. dollars at the rate of exchange prevailing at the time of conversion. However, legislation remains in effect pursuant to which currency controls can be imposed by administrative action at any time.

The State of Israel does not restrict in any way the ownership or voting of ordinary shares of Israeli entities by non-residents of Israel, except with respect to subjects of countries that are in a state of war with Israel. In addition, there are currently no limitations on our ability to import and export capital.

E. Taxation

Israeli Taxation

The following is a summary of the material Israeli tax consequences and Israeli foreign exchange regulations as they relate to our shareholders and us. To the extent that the discussion is based on new tax or other legislation that has not been subject to judicial or administrative interpretation, there can be no assurance that the views expressed in the discussion will be accepted by the tax or other authorities in question. **The discussion is not intended, and should not be construed, as legal or professional tax advice and is not exhaustive of all possible tax considerations.**

General Corporate Tax Structure

Israeli companies are generally subject to company tax on their taxable income. The Israeli corporate tax rate was 25% in 2013. The corporate tax rate increased to 26.5% in 2014 and 2015 and was reduced to 25% as of January 1, 2016. The Israeli Parliament on December 22, 2016, approved the Israeli Budgetary Law for 2017 and 2018, or the Budget Law. The Budget Law reduces the regular corporate tax rate from 25% to 24% in 2017 and to 23% in 2018.

Capital Gains Tax on Sales of Our Ordinary Shares

Israeli law generally imposes a capital gains tax on the sale of any capital assets by residents of Israel, as defined for Israeli tax purposes, and on the sale of assets located in Israel, including shares in Israeli companies, by both residents and non-residents of Israel, unless a specific exemption is available or unless a tax treaty between Israel and the shareholder's country of residence provides otherwise. The law distinguishes between real gain and inflationary surplus. The inflationary surplus is a portion of the total capital gain, which is equivalent to the increase of the relevant asset's purchase price, which is attributable to the increase in the Israeli consumer price index between the date of purchase and the date of sale. The real gain is the excess of the total capital gain over the inflationary surplus.

Taxation of Israeli Residents

The tax rate applicable to capital gains derived from the sale of shares, whether listed on a stock market or not, is 25% for Israeli individuals, unless such shareholder claims a deduction for financing expenses in connection with such shares, in which case the gain will generally be taxed at a rate of 30%. Additionally, if such shareholder is considered a “significant shareholder” at any time during the 12-month period preceding such sale (i.e., such shareholder holds directly or indirectly, including jointly with others, at least 10% of any means of control in the company) the tax rate will be 30%. However, different tax rates may apply to dealers in securities and shareholders who acquired their shares prior to an initial public offering. Israeli companies are subject to the corporate tax rate on capital gains derived from the sale of shares.

Taxation of Non-Israeli Residents

Non-Israeli residents are generally exempt from Israeli capital gains tax on any gains derived from the sale of shares of Israeli companies publicly traded on a recognized stock market outside of Israel, provided such shareholders did not acquire their shares prior to the issuer’s initial public offering and that the gains did not derive from a permanent establishment of such shareholders in Israel and that such shareholders are not subject to the Inflationary Adjustments Law. However, non-Israeli corporations will not be entitled to such exemption if an Israeli resident (i) has a controlling interest of 25% or more in such non-Israeli corporation, or (ii) is the beneficiary or is entitled to 25% or more of the revenues or profits of such non-Israeli corporation, whether directly or indirectly.

In addition, the sale, exchange or disposition of our ordinary shares by a shareholder who is a U.S. resident (for purposes of the U.S.-Israel Tax Treaty) holding ordinary shares as a capital asset is also exempt from Israeli capital gains tax under the U.S.-Israel Tax Treaty unless either (i) the shareholder holds, directly or indirectly, shares representing 10% or more of our voting power during any part of the 12-month period preceding such sale or (ii) the capital gains arising from such sale are attributable to a permanent establishment of the shareholder located in Israel. If the above conditions are not met, the U.S. resident would be subject to Israeli tax, to the extent applicable; however, under the U.S.-Israel Tax Treaty, the gain would be treated as foreign source income for United States foreign tax credit purposes and such U.S. resident would be permitted to claim a credit for such taxes against the United States income tax imposed on such sale, exchange or disposition, subject to the limitations under the United States federal income tax laws applicable to foreign tax credits.

Taxation on Dividends paid to a Shareholder

Taxation of Israeli Residents

Individuals who are Israeli residents are generally subject to Israeli income tax on the receipt of dividends paid on our ordinary shares at the rate of 25%, unless the recipient is a “significant” shareholder (as defined above) at any time during the 12-month period preceding the distribution, in which case the applicable tax rate is 30%. The company distributing the dividend is required to withhold tax at the rate of 25% (a different rate may apply to dividends paid on shares deriving from the exercise of stock options or other equity-based awards granted as compensation to employees or office holders of the company) or 30%, as applicable. Companies which are Israeli residents are generally exempt from income tax on the receipt of dividends from another Israeli company, unless the source of such dividends is located outside of Israel, in which case tax will generally apply at a rate of 25%.

Taxation of Non-Israeli Residents

Non-residents of Israel are generally subject to Israeli income tax on the receipt of dividends paid on our shares at the rate of 25% or 30%, if such person (including a non-Israeli corporation) is a substantial shareholder at the time of recipient of the dividend or on any date in the 12 months preceding such date, which tax will be withheld at the source, unless a different rate is provided in a tax treaty between Israel and the shareholder's country of residence. Under the U.S.-Israel Tax Treaty, the maximum rate of tax withheld in Israel on dividends paid to a holder of our ordinary shares who is a U.S. resident (for purposes of the U.S.-Israel Tax Treaty) is 25%. A non-resident of Israel who receives dividends from which tax was withheld is generally exempt from the duty to file returns in Israel in respect of such income, provided such income was not derived from a business conducted in Israel by the taxpayer, and the taxpayer has no other taxable sources of income in Israel.

Taxation of Holders of our Debentures

Capital Gains Tax

Taxation of Israeli Residents

A capital gain for an individual derived from the sale of a debenture that is not linked to an index, such as our Debentures, will be taxable at a rate not to exceed 15% in case of a "non-significant" individual debenture holder, or 20% in the case of a "significant" individual debenture holder. Tax payers claiming a deduction of real interest expenses and linkage differences on debentures such as the Debentures will be taxed at a rate of 30% on their real capital gains. Dealers in securities in Israel are taxed at regular tax rates applicable to business income. Companies resident in Israel are taxed at rates applicable to capital gains.

Taxation of Non-Israeli Residents

Gains on the sale of securities traded on the TASE, such as our Debentures, held by non-Israeli resident investors for tax purposes will generally be exempt from Israeli capital gains tax, subject to the provisions of the Israeli tax legislation. However, non-Israeli corporations will not be entitled to such exemption if an Israeli resident: (i) has a controlling interest of 25% or more in such non-Israeli corporation; or (ii) is the beneficiary or is entitled to 25% or more of the revenues or profits of such non-Israeli corporation, whether directly or indirectly.

Income Tax on Interest Income

Taxation of Israeli Residents

Israeli resident individuals are exempt from tax on the linkage differences derived from the debenture principal, under certain conditions. An individual is taxable at a rate of 15% on interest or discount fees originating from debentures which are not linked to the index, whether in whole or in part, such as our Debentures. Pursuant to Section 125C(b) of the Israeli Income Tax Ordinance, the tax rate on interest income or discount fees originating from fully index-linked debentures, including debentures linked to a foreign currency, is 25% in case of a “non- significant” debenture holder. Pursuant to Section 125C(d) of the Israeli Income Tax Ordinance, these tax rates will not apply if any of the following conditions are met: (1) the interest represents income from a “business” or is recorded in the individual’s books of account or is required to be so recorded; (2) the individual has claimed deduction of linkage differences and interest expenses on the debentures; (3) the individual is a “significant” individual debenture holder; or (4) the individual is employed by a corporation that paid the interest, is a supplier of goods or services to the corporation or has other special relations with the corporation, unless the tax assessing officer is satisfied that the interest rate has been established in good faith and regardless of the existence of any such relations between the individual and the corporation. In these cases, the individual will be taxed at the marginal tax rate. The paying company will deduct tax at a rate of 15% on interest in respect of unlinked debentures, such as our Debentures, and at a rate of 25% in the case of linked debentures. The maximum tax rate pursuant to Section 121 of the Israeli Income Tax Ordinance will apply in the case of an individual who is a “significant” individual debenture holder, an individual employed by the interest-paying-corporation or a supplier of goods or services to the corporation. The tax rate applicable to interest income (including linkage differences) or discount fees of an Israeli resident corporation is the corporate tax rate. The paying company will deduct tax at the corporate tax rate.

Taxation of Non-Israeli Residents

Interest, discount fees or linkage differences paid to a foreign resident on debentures listed on the TASE and issued by an Israeli resident corporation, such as our Debentures, are typically exempt from Israeli tax, provided that the income is not produced by the foreign resident’s permanent establishment in Israel. The tax exemption will not apply in the following circumstances: (1) the foreign resident is a “significant” shareholder or debenture holder of the issuing company; (2) the foreign resident is a relative, as defined in the Ordinance, of the issuing company; (3) the foreign resident is an employee, a supplier of goods or services or has special relations with respect to the issuing company (unless it is demonstrated that the interest rate or discount fees have been determined in good faith and regardless of the existence of any special relations); or (4) the foreign resident company is held by Israeli residents. If the tax exemption does not apply as above, the tax rate applicable to interest income received by foreign residents (individuals and corporations) originating from securities will be established in accordance with the provisions of the Ordinance, or in accordance with the provisions of the relevant treaty for the avoidance of double taxation signed between the State of Israel and the foreign resident’s country of residence. In such case, the paying company will withhold tax according to the rates prescribed in the Ordinance as above, and this rate may be reduced subject to the relevant treaty for the avoidance of double taxation. As indicated above, our Debentures are not registered under the Securities Act and may not be offered or sold in the United States or to U.S. Persons (as defined in Regulation “S” under the Securities Act) without registration under the Securities Act or an exception from the registration requirements of the Securities Act.

U.S. Tax Considerations Regarding Ordinary Shares

The following is a general summary of the material United States federal income tax consequences relating to the acquisition, ownership and disposition of our ordinary shares by a U.S. Holder (as defined below) that holds those ordinary shares as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended, or the Code. This summary is based on the tax laws of the United States, and existing final, temporary and proposed Treasury Regulations, administrative pronouncements and judicial decisions, as in effect on the date hereof, all of which are subject to prospective and retroactive changes, and to differing interpretations.

This summary does not address all federal income tax consequences that may be relevant to particular persons, and does not take into account the specific circumstances of any particular persons, including, but not limited to:

- tax-exempt entities or any individual retirement account or Roth IRA;
- banks and other financial institutions;
- insurance companies;
- real estate investment trusts and regulated investment companies;
- broker-dealers;
- traders in securities that elect to use a mark-to-market method of accounting for their securities holdings;
- persons liable for alternative minimum tax;
- “U.S. shareholders” (as defined in Code Section 951(b), generally persons owning directly, indirectly or constructively at least 10% of our shares by vote or value);
- persons that hold ordinary shares as part of a straddle, hedge, conversion transaction or other integrated transaction;
- U.S. expatriates;
- persons whose functional currency is not the U.S. dollar;
- persons that are residents of or have a permanent establishment in a jurisdiction outside the United States or persons who are not U.S. Holders; and
- persons who acquired the shares pursuant to the exercise of any employee share option or otherwise as compensation.

This summary does not address any aspect of United States federal gift or estate tax or state, local or foreign tax laws.

ACCORDINGLY, PERSONS CONSIDERING THE PURCHASE OF ORDINARY SHARES SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE APPLICATION OF UNITED STATES FEDERAL TAX LAWS, AS WELL AS THE LAWS OF ANY STATE, LOCAL OR FOREIGN TAXING JURISDICTION, TO THEIR PARTICULAR SITUATIONS.

For purposes of this discussion, a “U.S. Holder” is any beneficial owner of our ordinary shares that, for U.S. federal income tax purposes, is:

- (1) an individual citizen or resident of the United States;
- (2) a corporation or other entity taxable as a corporation for U.S. federal income tax purposes created or organized in or under the laws of the United States or any political subdivision thereof;

- (3) an estate the income of which is subject to U.S. federal income tax without regard to its source; or
- (4) a trust, if such trust was in existence on August 20, 1996 and has validly elected to be treated as a U.S. person for U.S. federal income tax purposes, or if (a) a court within the U.S. can exercise primary supervision over its administration and (b) one or more U.S. persons have the authority to control all of the substantial decisions of such trust.

If a partnership (including for this purpose any entity treated as a partnership for U.S. tax purposes) is a beneficial owner of our ordinary shares, the U.S. tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. A holder of our ordinary shares that is a partnership and partners in such partnership should consult their individual tax advisors about the U.S. federal income tax consequences of holding and disposing of our ordinary shares.

Taxation of U.S. Holders

Distributions on Ordinary Shares. Subject to the discussion in “Passive Foreign Investment Company” below, distributions made by us with respect to ordinary shares generally will constitute dividends for federal income tax purposes and will be taxable to a U.S. Holder as a dividend to the extent of our undistributed current or accumulated earnings and profits (as determined for United States federal income tax purposes). Distributions in excess of our current and accumulated earnings and profits will be treated first as a nontaxable return of capital reducing the U.S. Holder’s tax basis in the ordinary shares, thus increasing the amount of any gain (or reducing the amount of any loss) which might be realized by such U.S. Holder upon the sale or exchange of such ordinary shares. Any such distributions in excess of the U.S. Holder’s tax basis in the ordinary shares will be treated as gain from the sale or exchange of our ordinary shares. Dividends paid by us generally will not be eligible for the dividends received deduction available to certain corporate U.S. Holders.

With respect to non-corporate U.S. Holders, dividends may qualify as “qualified dividend income” which is eligible for reduced rates of taxation provided that (1) we are eligible for the benefits of the income tax treaty between the United States and Israel or with respect to any dividend paid on shares which are readily tradable on an established securities market in the United States; (2) we are not a PFIC (as defined below) for either the taxable year in which the dividend was paid or the preceding taxable year; (3) the U.S. Holder satisfies certain holding period requirements; and (4) the U.S. Holder is not under an obligation to make related payments with respect to positions in substantially similar or related property. A corporate U.S. Holder (and a non-corporate U.S. Holder that fails to satisfy the applicable holding period requirements) is taxable at ordinary rates on dividends received.

A dividend paid in New Israeli Shekel will be included in gross income in a U.S. dollar amount based on the NIS/U.S. dollar exchange rate in effect on the date the dividend is included in the income of the U.S. Holder, regardless of whether the payment, in fact, is converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is included in the gross income of a U.S. Holder through the date that payment is converted into U.S. dollars (or otherwise disposed of) will be treated as U.S. source ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income.

Subject to certain conditions and limitations, any Israeli withholding tax imposed upon distributions which constitute dividends under United States federal income tax law will be eligible for credit against a U.S. Holder's federal income tax liability. Alternatively, a U.S. Holder may claim a deduction for such amount, but only for a year in which a U.S. Holder elects to do so with respect to all foreign income taxes. The overall limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed with respect to our ordinary shares will generally constitute "passive income."

Sale or Exchange of Ordinary Shares. Subject to the discussion in "Passive Foreign Investment Company" below, a U.S. Holder of ordinary shares generally will recognize capital gain or loss upon the sale or exchange of the ordinary shares measured by the difference between the amount realized and the U.S. Holder's tax basis in the ordinary shares. Any such capital gain will be long-term capital gain or loss if the U.S. Holder's holding period in our ordinary shares is more than one year. Subject to the discussion in "Medicare Tax" below, tax rates for the long-term capital gain to an individual U.S. Holder will be taxable at a maximum rate of 20%. Gain or loss will be computed separately for each block of ordinary shares sold (ordinary shares acquired separately at different times and prices). The deductibility of capital losses is restricted and generally may only be used to reduce capital gains to the extent thereof. However, individual taxpayers generally may deduct annually \$3,000 of capital losses in excess of their capital gains.

Medicare Tax. Subject to specific requirements, certain U.S. Holders will be subject to a 3.8% Medicare tax (in addition to otherwise applicable federal income tax) on their investment income and gain, with limited exceptions. U.S. Holders should consult with their tax advisors regarding the effect, if any, of this tax on the ownership and disposition of our ordinary shares.

Passive Foreign Investment Company. A foreign corporation generally will be treated as a "passive foreign investment company," or PFIC, if, after applying certain "look-through" rules, either (1) 75% or more of its gross income is passive income or (2) 50% or more of the average value of its assets is attributable to assets that produce or are held to produce passive income. Passive income for this purpose generally includes dividends, interest, rents, royalties and gains from securities and commodities transactions. The look-through rules require a foreign corporation that owns at least 25%, by value, of the stock of another corporation to treat a proportionate amount of assets and income of the other corporation as held or received directly by such foreign corporation. We must make a separate determination each year as to whether we are a PFIC. As a result, our PFIC status may change. The determination of whether or not we are a PFIC depends on the composition of our income and assets, including goodwill, from time to time.

Based on our income and/or assets, we believe that we were a PFIC from 2008 through 2012. Since PFIC shares are subject to the PFIC rules even in future years in which we are no longer a PFIC, our ordinary shares will be PFIC shares with respect to any U.S. Holder that held our ordinary shares in 2008 through 2012. Based on our income and assets, we do not believe that we were a PFIC from 2013 through 2020. However, because the determination of whether we are, or will be, a PFIC for a taxable year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to various interpretations, there is a risk that the Internal Revenue Service may disagree with our determinations regarding our prior or present PFIC status. In addition, depending on future events, we could become a PFIC in future years.

U.S. Holders who own our ordinary shares during a taxable year in which we are a PFIC generally will be subject to increased U.S. tax liabilities and reporting requirements for that taxable year and all succeeding years, regardless of whether we continue to meet the income or asset test for PFIC status, although shareholder elections may apply in certain circumstances. U.S. Holders should consult their own tax advisors regarding our status as a PFIC and the consequences of investment in a PFIC.

If we are a PFIC for any taxable year during which U.S. Holders hold ordinary shares, such U.S. Holders will be subject to special tax rules with respect to any “excess distribution” that they receive and any gain that they realize from a sale or other disposition (including a pledge) of the ordinary shares, unless such U.S. Holders make a “mark-to-market” election as discussed below. Distributions that each U.S. Holder receives in a taxable year that are greater than 125% of the average annual distributions that such U.S. Holder received during the shorter of the three preceding taxable years or such U.S. Holder’s holding period for the ordinary shares will be treated as an excess distribution. Under these special tax rules:

- (1) the excess distribution or gain will be allocated ratably over each U.S. Holder’s holding period for the ordinary shares;
- (2) the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, will be treated as ordinary income; and
- (3) the amount allocated to each other year will be subject to tax at the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts under (3) above that is allocated to years prior to the year of disposition or “excess distribution” cannot be offset by any net operating losses, and gains (but not losses) realized on the sale of the ordinary shares cannot be treated as capital, even if a U.S. Holder holds the ordinary shares as capital assets. The portion of any distributions that are not treated as excess distributions are taxable as ordinary income in the current taxable year under the normal tax rules of the Code.

A U.S. Holder may not avoid taxation under the rules described above by making a “qualified electing fund” election to include such U.S. Holder’s share of our income on a current basis because we do not presently intend to prepare or provide information necessary to make such election.

Alternatively, a U.S. Holder of “marketable stock” in a PFIC may make a mark-to-market election for stock of a PFIC to elect out of the tax treatment discussed three paragraphs above. If a U.S. Holder makes a mark-to-market election for the ordinary shares, such U.S. Holder will include in income each year an amount equal to the excess, if any, of the fair market value of the ordinary shares as of the close of such U.S. Holder’s taxable year over such U.S. Holder’s adjusted basis in such ordinary shares. A U.S. Holder is allowed a deduction for the excess, if any, of the adjusted basis of the ordinary shares over their fair market value as of the close of the taxable year. However, deductions are allowable only to the extent of any net mark-to-market gains on the stock included in a U.S. Holder’s income for prior taxable years. Amounts included in a U.S. Holder’s income under a mark-to-market election, as well as gain on the actual sale or other disposition of the ordinary shares, are treated as ordinary income. Ordinary loss treatment also applies to the deductible portion of any mark-to-market loss on the ordinary shares, as well as to any loss realized on the actual sale or disposition of the ordinary shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such ordinary shares, and any loss in excess of such amount is treated as capital loss. Each U.S. Holder’s basis in the ordinary shares will be adjusted to reflect any such income or loss amounts. The tax rules that apply to distributions by corporations which are not passive foreign investment companies generally would apply to distributions by us.

The mark-to-market election is available only for stock which is regularly traded on a national securities exchange that is registered with the Securities and Exchange Commission or on Nasdaq, or an exchange or market that the U.S. Secretary of the Treasury determines has rules sufficient to ensure that the market price represents a legitimate and sound fair market value. U.S. Holders should consult their tax advisors as to the availability of the mark-to-market election, based on the exchange on which we trade and the amount of trading of our ordinary shares, and the tax ramifications of such election (including the special rules that may apply to the gain realized in the year of the election).

Dividends paid by a PFIC (or by a company that was a PFIC in the year preceding the dividend) are not “qualified dividend income” for purposes of the preferential tax rate on dividends discussed above.

Special limitations may apply to the use of foreign tax credits arising in connection with distributions on PFIC shares as to which U.S. Holders should consult their tax advisors.

If a U.S. Holder holds ordinary shares in any year in which we are a PFIC, such U.S. Holder is generally required to file Internal Revenue Service Form 8621 every year. U.S. Holders should consult their tax advisors regarding their PFIC shareholder reporting obligation in connection with their investment.

U.S. Information and Backup Withholding. Dividends and proceeds from the sale or exchange of shares may be subject to information reporting to the Internal Revenue Service and possible U.S. backup withholding. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number on a properly completed Internal Revenue Service Form W-9 or otherwise properly establishes an exemption from backup withholding. U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules. Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. Holder's U.S. federal income tax liability, if any, and such U.S. Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund and furnishing any required information to the Internal Revenue Service.

Foreign Financial Asset Reporting. United States return disclosure obligations (and related penalties) are imposed on U.S. individuals who hold certain specified foreign financial assets in excess of certain dollar thresholds. The definition of specified foreign financial assets would include our ordinary shares, unless they are held in an account at a domestic financial institution. U.S. Holders should consult with their tax advisors regarding the requirements of filing IRS Form 8938 under these rules.

F. Dividends and Paying Agents

Not Applicable.

G. Statement by Experts

Not Applicable.

H. Documents on Display

We are subject to certain of the reporting requirements of the Exchange Act, as applicable to “foreign private issuers” as defined in Rule 3b-4 under the Exchange Act. As a foreign private issuer, we are exempt from certain provisions of the Exchange Act. Accordingly, our proxy solicitations are not subject to the disclosure and procedural requirements of Regulation 14A under the Exchange Act, and transactions in our equity securities by our officers and directors are exempt from reporting and the “short-swing” profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. However, we file with the Securities and Exchange Commission an annual report on Form 20-F containing financial statements audited by an independent accounting firm. We also submit to the Securities and Exchange Commission reports on Form 6-K containing (among other things) press releases and unaudited financial information. We post our annual report on Form 20-F on our website (<http://www.ellomay.com>) promptly following the filing of our annual report with the Securities and Exchange Commission. The information on our website is not incorporated by reference into this annual report.

Any statement in this report about any of our contracts or other documents is not necessarily complete. If the contract or document is filed as an exhibit to this report or any of our annual reports or to a registration statement or other documents filed by us, the contract or document is deemed to modify the description contained in this report. You must review the exhibits themselves for a complete description of the contract or document. In the event any of the documents that are filed as exhibits to our annual reports are not in English, the original language version is on file in our offices and is available upon request.

You may review a copy of our filings with the SEC, including exhibits and schedules, and obtain copies of such materials at the SEC’s public reference room at Room 1580, 100 F Street, N.E., Washington, D.C. 20549. You may call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an Internet site (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding registrants that we file electronically with the SEC. These SEC filings are also available to the public from commercial document retrieval services. Our filings commencing October 2013 may also be found at the TASE’s website at <http://mava.tase.co.il> and at the Israeli Securities Authority’s website at <http://www.magna.isa.gov.il>.

I. Subsidiary Information

Not applicable.

ITEM 11: Quantitative and Qualitative Disclosures About Market Risk

We are exposed to a variety of risks, including foreign currency fluctuations and changes in interest rates. We regularly assess currency and interest rate risks to minimize any adverse effects on our business as a result of those factors and periodically use hedging transactions in order to attempt to limit the impact of such changes.

We hold cash and cash equivalents, marketable securities and restricted cash in various currencies, including euro and NIS. Our holdings in our Spanish PV Plants and in the Dutch WtE Plants are denominated in euro and our holdings in the Talmei Yosef PV Plant and in Dori Energy are denominated in NIS. The financing we have in connection with our Italian PV Plants and the Netherlands WtE Plants is denominated in euro and the financing we have in connection with our Italian PV Plants bears interest that is based on EURIBOR rate. Our Debentures and the project finance debt of the Talmei Yosef PV Plant are denominated in NIS and are to be repaid (principal and interest) in NIS.

Inflation and Fluctuation of Currencies

The goal of our forward and swap transactions set forth below is to limit the impact of exchange rate and interest rate fluctuations on our statements of financial position. We do not hold derivative financial instruments for trading purposes. Nevertheless, under IFRS, we are required to treat our forward and swap transactions as though they were speculative investments. As a result, we are required to value these hedge positions at the end of each fiscal period and record a gain or loss equal to the difference in their market value from the last statements of financial position date. Accordingly, these differences could result in significant fluctuations in our reported net income. Following the change of presentation currency to the euro effective as of December 31, 2017 as explained below, we closed a significant portion of our euro/US\$ forward contracts during 2017 and during 2018.

Until December 31, 2017, our presentation currency was the U.S. dollar, while the functional currency of us and a majority of our subsidiaries is the euro. This difference exposed our statements of financial position to the effects of presentation currency translation adjustments. In order to manage this foreign exchange exposure we previously executed several forward transactions, of which euro/USD forward positions with an aggregate euro denominated principal of €25 million, with a weighted average rate of approximately 1.18 USD/EUR and expiration dates in November 2021-February 2022 were still in effect as of December 31, 2017. During 2018, we closed additional contracts and as of December 31, 2018 euro/USD forward positions with an aggregate euro denominated principal of €12 million expiring in November 2021 were still in effect. For more information see “Item 5.A: Impact of Inflation and Fluctuation of Currencies.”

In order to manage the currency risk resulting from the Series B Debentures, which are denominated in NIS, we executed currency swap transactions in April 2017. We exchanged Series B Debentures NIS denominated notional principal in the aggregate amount of NIS 83.232 million with a euro notional principal (currency swap transactions). Such currency swap transactions qualify for hedge accounting.

Interest Rate

As noted under “Item 4.B: Business Overview,” we entered into various project finance agreements that are based on EURIBOR rate and therefore we may be affected by adverse movements in interest rates. We utilize interest rate swap derivatives to convert certain floating-rate debt to fixed-rate debt. Our interest rate swap derivatives involve an agreement to pay a fixed-rate interest and receive a floating-rate interest, at specified intervals, calculated on an agreed notional amount that matches the amount of the original loan and paid on the same installments and maturity dates. In the future, we may enter into additional interest rate swaps or other derivatives contracts to further hedge our exposure to fluctuations in interest rates.

In order to manage and limit the interest-rate risk resulting from financing secured or about to be secured from local financing institutions for our PV operations, we executed the following swap transactions as of December 31, 2020:

Interest rate swap in connection with the financing of four of our Spanish indirect wholly-owned subsidiaries-

A €17.6 million interest swap transaction for a period of 18 years, payable semi-annually commencing on March 12, 2019, whereby we are the fixed rate payer (the fixed rate is set at 3%).

Interest rate swap in connection with the financing of the Talasol PV Plant-

The principal of the interest rate swap transaction is based on a pre-determined sculptured repayment schedule in the maximum amount of Euro 131 million for a period of 12 years, payable semi-annually commencing on April 30, 2019, whereby we are the fixed rate payer (the fixed rate is set at 2.92% - 3.69%).

For more information concerning hedging transactions, see Note 21 to our financial statements included elsewhere in this Report.

Sensitivity Analysis

A change as at December 31 in the exchange rates of the following euro against the USD, as indicated below would have increased (decreased) equity by the amounts shown below (after tax). This analysis is based on foreign currency exchange rate that we consider to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	December 31, 2020	
	Increase	Decrease
	Equity	Equity
	€ thousands	
Change in the exchange rate of:		
5% in the USD	79	(79)
5% in NIS	308	(308)

	December 31, 2019	
	Increase	Decrease
	Equity	Equity
	€ thousands	
Change in the exchange rate of:		
5% in the USD	185	185
5% in NIS	(412)	(412)

A change in interest rate would have increased (decreased) profit or loss by the amounts shown below:

	December 31,	
	2020	2019
	Profit or loss	Profit or loss
	€ in thousands	
Increase of 1%	803	580
Increase of 3%	2,444	1,701
Decrease of 1%	(836)	(542)
Decrease of 3%	(2,477)	(1,663)

For more information see Note 21E to our annual financial statements included elsewhere in this report. We do not otherwise believe the disclosure required by Item 11 of this report to be material to us.

ITEM 12: Description of Securities Other Than Equity Securities

Not Applicable (for a description of our Debentures see “Item 5.B: Operating and Financial Review and Prospects; Liquidity and Capital Resources” and “Item 10.C: Material Contracts”).

PART II

ITEM 13: Defaults, Dividend Arrearages and Delinquencies

Not Applicable.

ITEM 14: Material Modifications to the Rights of Security Holders and Use of Proceeds

Not applicable.

ITEM 15: Controls and Procedures

(a) Disclosure Controls and Procedures

Our chief executive officer and chief financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report, have concluded that, as of such date, our disclosure controls and procedures were effective to ensure that the information required in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) promulgated under the Securities Exchange Act of 1934, as amended, as a process designed 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.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2020. In making this assessment, our management used the criteria in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission 2013.

Based on this assessment, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2020, our internal control over financial reporting is effective based on those criteria.

(c) Attestation Report of the Registered Public Accounting Firm

Our independent registered accounting firm, Somekh Chaikin, a member firm of KPMG International, has issued an audit report on the effectiveness of our internal control over financial reporting. The report is included our audited consolidated financial statements set forth in "Item 18 - Financial Statements."

(d) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the year ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16: [Reserved]

ITEM 16A: Audit Committee Financial Expert

Daniel Vaknin has been designated as the Audit Committee financial expert and was also determined to be "independent" under the applicable SEC and NYSE American LLC regulations.

ITEM 16B: Code of Ethics

We adopted a code of business conduct and ethics which is applicable to all of our officers, directors and employees, including our principal executive, financial and accounting officers and persons performing similar functions, or the Code of Ethics.

The Code of Ethics, in its current form, is posted on our website at the following web address: https://d1io3yog0oux5.cloudfront.net/e3111ca667e22f9c04e6965ab5256a4b/ellomay/db/222/2287/file/Code_of_Business_Conduct_and_Ethics.pdf. We will provide a copy of the Code of Ethics to any person, without charge, upon written request addressed to our Chief Financial Officer at our office in Tel Aviv, Israel.

ITEM 16C: Principal Accountant Fees and Services

Fees paid to the Independent Registered Public Accounting Firm

Somekh Chaikin, an independent registered public accounting firm and a member firm of KPMG International, serves as our principal independent registered public accounting firm since December 2011.

The following table sets forth, for each of the years indicated, the aggregate fees paid for professional audit services and other services rendered by Somekh Chaikin and other KPMG member firms.

	2020	2019
	(euro in thousands)	
Audit Fees ⁽¹⁾	317	236
Audit-Related Fees ⁽²⁾	35	34
Tax Fees ⁽³⁾	53	31
Total	405	301

⁽¹⁾ Professional services rendered by our independent registered public accounting firm for the audit of our annual financial statements or services that are normally provided by the accountants in connection with statutory and regulatory filings or engagements.

⁽²⁾ Including professional services related to due diligence investigations.

⁽³⁾ Professional services rendered by our independent registered public accounting firm for international and local tax compliance, tax advice services and tax planning performed during the fiscal year.

Audit Committee's pre-approval policies and procedures

Our Audit Committee nominates and engages our registered public accounting firm to audit our financial statements. See also the description under the heading in "Item 6.C: Board Practices." In July 2003, our Audit Committee also adopted a policy requiring management to obtain the Audit Committee's approval before engaging our independent auditors worldwide to provide any other audit or permitted non-audit services to us. Pursuant to this policy, which is designed to assure that such engagements do not impair the independence of our auditors, the Audit Committee pre-approves all specific audit and non-audit services and related fees in the categories audit service, audit-related service and tax services that may be performed by our independent auditors worldwide.

ITEM 16D: Exemptions from the Listing Standards for Audit Committees

Not Applicable.

ITEM 16E: Purchase of Equity Securities by the Company and Affiliated Purchasers

Not Applicable.

ITEM 16F: Change in Registrant's Certifying Accountants

Not Applicable.

ITEM 16G: Corporate Governance*NYSE American LLC Company Guide and Home Country Laws*

Section 110 of the NYSE American LLC Company Guide provides that the NYSE American LLC will consider the laws, customs and practices of an issuer's country of domicile, to the extent not contrary to the federal securities laws, regarding such matters as: (i) the election and composition of the board of directors; (ii) the issuance of quarterly earnings statements; (iii) shareholder approval requirements; and (iv) quorum requirements for shareholder meetings. If we wish to seek relief under these provisions we are required to provide written certification from independent local counsel that the non-complying practice is not prohibited by our home country law.

Our corporate governance practices currently differ from those followed by U.S. companies listed on the NYSE American LLC in connection with the quorum required for shareholders meetings. While the NYSE American LLC Company Guide requires a quorum for shareholder meetings of at least 33-1/3% of our outstanding ordinary shares, our Articles, as permitted by the Companies Law, provide for a quorum of two or more shareholders holding more than 25% of the total voting power attached to our shares and for a quorum of any two shareholders, present in person or by proxy at the subsequent adjourned meeting. For more information concerning the quorum requirements for shareholders meetings and adjourned shareholders meetings see "Item 10.B: Memorandum of Association and Second Amended and Restated Articles."

In addition, under the Companies Law we may not be required to obtain shareholder approval for certain issuances of shares in excess of 20% of our outstanding shares, as would be required in certain circumstances by the NYSE American LLC Company Guide. At this time, we do not have any intention to enter into any such transaction; however, we may in the future do so and opt to comply with the Companies Law, which may not require shareholder approval. Any such determination to follow the Companies Law's requirements rather than the standards applicable to U.S. companies listed on NYSE American LLC will be made by us based on the circumstances existing at the time approval is required.

Controlled Company

By virtue of the 2008 Shareholders Agreement, we are a "controlled company" as defined in Section 801 of the NYSE American LLC Company Guide. As a result, we are exempt from certain of the NYSE American LLC corporate governance requirements, including the requirement that a majority of the board of directors be independent, the requirement applicable to the nomination process of directors and the requirements applicable to the determination or recommendation of executive compensation by a committee comprised of independent directors or by a majority of the independent directors. We follow the requirements of the Companies Law with respect to these issues, including the requirement that we appoint two external directors, all as more fully described in "Item 6.B: Compensation" and "Item 6.C: Board Practices."

If the “controlled company” exemptions would cease to be available to us under the NYSE American LLC Company Guide, we may elect to follow “home country laws” (i.e. Israeli law) instead of some or all of the applicable NYSE American LLC Company Guide requirements as described above.

ITEM 16H: Mine Safety Disclosure

Not Applicable.

PART III

ITEM 17: Financial Statements

Not Applicable.

ITEM 18: Financial Statements

Our Financial Statements are included in pages F-1 – F-104 of this report.

The Financial statements of Dorad Energy Ltd. are included in pages FD-1 – FD-47 of this report.

ITEM 19: Exhibits

Number	Description
<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 21, 2018⁽²⁾</u>
<u>2.1</u>	<u>Specimen Certificate for ordinary shares⁽³⁾</u>
<u>2.2</u>	<u>Description of Rights of Securities Registered Under Section 12 of the Exchange Act⁽⁴⁾</u>
<u>4.1</u>	<u>1998 Share Option Plan for Non-Employee Directors⁽⁴⁾</u>
<u>4.2</u>	<u>2000 Stock Option Plan⁽⁴⁾</u>
<u>4.3</u>	<u>Form of Indemnification Undertaking between the Registrant and its officers and directors, granted until June 21, 2018⁽¹⁾</u>
<u>4.4</u>	<u>Form of Indemnification Undertaking and Exemption between the Registrant and its officers and directors, granted following June 21, 2018⁽²⁾</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⁽⁶⁾</u>
<u>4.6</u>	<u>Management Services Agreement, by and among the Registrant, Kanir Joint Investments (2005) Limited Partnership and Meisaf Blue & White Holdings Ltd., effective as of March 31, 2008⁽²⁾</u>
<u>4.7</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)^{(8)*}</u>
<u>4.8</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)^{(8)*}</u>
<u>4.9</u>	<u>Rinconada II Building Right Agreement (summary of Spanish version)^{(3)*}</u>
<u>4.10</u>	<u>Amendment No. 1 to Management Services Agreement, by and among the Registrant, Kanir Joint Investments (2005) Limited Partnership and Meisaf Blue & White Holdings Ltd., dated June 18, 2013⁽²⁾</u>
<u>4.11</u>	<u>Rodríguez I Lease Agreements (summary of Spanish version)^{(10)*}</u>
<u>4.12</u>	<u>Rodríguez II Lease Agreements (summary of Spanish version)^{(10)*}</u>
<u>4.13</u>	<u>Fuente Librilla Lease Agreement (summary of Spanish version)^{(10)*}</u>
<u>4.14</u>	<u>Updated Directors and Officers Compensation Policy, adopted July 5, 2016⁽¹¹⁾</u>
<u>4.15</u>	<u>Talmei Yosef Lease Agreement (summary of Hebrew version)^{*(11)}</u>

Number	Description
4.16	Talasol Lease Agreements (summary of Spanish versions)*⁽⁴⁾
4.17	Amendment No. 3 to Management Services Agreement, by and among the Registrant, Kanir Joint Investments (2005) Limited Partnership and Meisaf Blue & White Holdings Ltd., dated June 19, 2019⁽⁴⁾
4.18	Deed of Trust between the Registrant and Hermetic Trust (1975) Ltd., governing the Company's Series C Debentures, dated July 15, 2019 (translation of Hebrew version)*⁽¹²⁾
4.19	Sale and Purchase Agreement between Ellomay Luxembourg Holdings S.a.r.l and Sonnedix San Davide S.r.l. executed on December 20, 2020⁽⁴⁾
4.20	Ellomay Solar Lease Agreement (summary of Spanish version)*
4.21	Deed of Trust between the Registrant and Hermetic Trust (1975) Ltd., governing the Company's Series D Convertible Debentures, dated February 21, 2021 (translation of Hebrew version)*
8	List of Subsidiaries of the Registrant
12.1	Certification of Principal Executive Officer required by Rule 13a-14(a) and Rule 15d-14(a) (Section 302 Certification)
12.2	Certification of Principal Financial Officer required by Rule 13a-14(a) and Rule 15d-14(a) (Section 302 Certification)
13	Certification of Principal Executive Officer and Principal Financial Officer required by Rule 13a-14(b) and Rule 15d-14(b) (Section 906 Certification)
15.1	Consent of Somekh Chaikin, Member Firm of KPMG International, Independent Registered Public Accounting Firm with respect to our financial statements
15.2	Consent of Somekh Chaikin, Member Firm of KPMG International, Independent Registered Public Accounting Firm with respect to the financial statements of Dorad Energy Ltd.
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Label Linkbase Document
101.PRE**	XBRL Taxonomy Presentation Linkbase Document

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

** Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for the purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

- (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, 2018 and incorporated by reference herein.
- (3) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2011 and incorporated by reference herein.
- (4) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2019 and incorporated by reference herein.
- (5) Included in the Registrant's Form 6-K dated May 17, 2018 and incorporated by reference herein.
- (6) Included in the Registrant's Form 6-K dated October 14, 2005 and incorporated by reference herein.
- (7) Included in the Registrant's Form 6-K dated December 1, 2008 and incorporated by reference herein.
- (8) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2010 and incorporated by reference herein.
- (9) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2013 and incorporated by reference herein.
- (10) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2014 and incorporated by reference herein.
- (11) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2017 and incorporated by reference herein.
- (12) Included in the Registrant's Form 6-K dated September 25, 2019 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 annual report on its behalf.

Ellomay Capital Ltd.

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

Dated: March 31, 2021

**Ellomay Capital Ltd. and its
Subsidiaries**

**Consolidated Financial Statements
As at December 31, 2020**

Consolidated Financial Statements as at December 31, 2020

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Ellomay Capital Ltd.

Opinions on the Consolidated Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated statements of financial position of Ellomay Capital Ltd. and subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of profit or loss and other comprehensive income (loss), changes in equity and cash flows for each of the years in the three-year period ended December 31, 2020, and the related consolidated financial statements (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and cash flows for each of the years in the three-year period ended December 31, 2020, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Convenience translation

The accompanying consolidated financial statements as of and for the year ended December 31, 2020 have been translated into United States dollars ("dollars") solely for the convenience of the reader. We have audited the translation and, in our opinion, the consolidated financial statements expressed in euro have been translated into dollars on the basis set forth in note 3B of the notes to the consolidated financial statements.

Change in Accounting Principle

As discussed in note 3J to the consolidated financial statements, the Company has changed its method of accounting for leases as of January 1, 2019, due to the adoption of International Accounting Standard No. 16, Leases.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Impairment assessment of two biogas plants in the Netherlands

As discussed in Notes 3F and 6D.1 to the consolidated financial statements, non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. In assessing the value in use, the estimated future cash flows are discounted using a discount rate that reflects the assessments of market participants regarding the time value of money and the risks specific to the asset. During 2020, the Company assessed the value in use of two cash generating biogas plants in the Netherlands in light of operating losses suffered by these projects in previous years and lower results than forecasted for 2020. The examination was conducted based on projected discounted cash flows, which included key assumptions related to forecasted prices of feedstock and discount rate.

We identified the evaluation of the impairment assessment of the two biogas plants in the Netherlands as a critical audit matter. Assessing the key assumptions used to determine the value in use of such biogas plants, specifically the forecasted prices of feedstock and the Company's discount rate, involved a high degree of subjective auditor judgment as changes to the assumptions could have had a significant effect on the Company's assessment of the value in use of these biogas plants.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's impairment assessment process, including controls over the key assumptions described above used in the determination of value in use of the two biogas plants in the Netherlands. We assessed the Company's assumptions related to forecasted prices of feedstock through a combination of inquiry of finance and operations personnel, comparison to the Company's business plans, comparison of forecasted prices of feedstock to actual recent prices, and performing a sensitivity analysis over the forecasted prices. We compared the actual cash flow for the two biogas plants in the current year to the amount originally forecasted, in order to assess the Company's ability to accurately forecast. In addition, we involved a valuation professional with specialized skills and knowledge, who assisted in evaluating the discount rate used by management in the valuation by comparing it to discount rate ranges that were independently developed using current market conditions in the relevant infrastructure markets based on third-party market data for comparable entities.

/s/ Somekh Chaikin

Somekh Chaikin
Member firm of KPMG International

We have served as the Company's auditor since 2011.

Tel-Aviv, Israel
March 31, 2021

Consolidated Statements of Financial Position

	Note	December 31,		
		2020	2019	2020
		Convenience Translation into US\$ in thousands (Note 3B)		
		€ in thousands		
Assets				
Current assets:				
Cash and cash equivalents	4	66,845	44,509	82,004
Marketable securities	5	1,761	2,242	2,160
Short term deposits	5	8,113	6,446	9,953
Restricted cash	5	-	22,162	-
Receivable from concession project	6E	1,491	1,463	1,829
Financial assets	6B	-	1,418	-
Trade and other receivables	7	9,825	4,882	12,053
		<u>88,035</u>	<u>83,122</u>	<u>107,999</u>
Non-current assets				
Investment in equity accounted investee	6A	32,234	33,561	39,544
Advances on account of investments	6C	2,423	883	2,972
Receivable from concession project	6E	25,036	27,122	30,714
Fixed assets	8	264,095	114,389	323,987
Right-of-use asset	14	17,209	15,401	21,112
Intangible asset	6E	4,604	5,042	5,648
Restricted cash and deposits	5	9,931	10,956	12,183
Deferred tax	19	3,605	2,285	4,423
Long term receivables	7	2,762	12,249	3,388
Derivatives		10,238	5,162	12,560
		<u>372,137</u>	<u>227,050</u>	<u>456,531</u>
Total assets		<u>460,172</u>	<u>310,172</u>	<u>564,530</u>
Liabilities and Equity				
Current liabilities				
Current maturities of long term bank loans	10	10,232	4,138	12,552
Current maturities of long term loans		4,021	-	4,933
Debentures	12	10,600	26,773	13,004
Trade payables		12,387	1,765	15,197
Other payables	9	7,912	5,010	9,706
		<u>45,152</u>	<u>37,686</u>	<u>55,392</u>
Non-current liabilities				
Lease liability	14	17,299	15,402	21,222
Long-term loans	11	134,520	40,805	165,027
Other long-term bank loans	11	49,396	48,377	60,598
Debentures	12	72,124	44,811	88,480
Deferred tax	19	7,806	6,467	9,576
Other long-term liabilities	13	513	1,795	629
Derivatives		8,336	7,263	10,226
		<u>289,994</u>	<u>164,920</u>	<u>355,758</u>
Total liabilities		<u>335,146</u>	<u>202,606</u>	<u>411,150</u>
Equity				
Share capital	16	25,102	21,998	30,795
Share premium		82,401	64,160	101,088
Treasury shares		(1,736)	(1,736)	(2,130)
Transaction reserve with non-controlling Interests		6,106	6,106	7,491
Reserves		4,164	3,283	5,108
Retained earnings		8,191	12,818	10,049
Total equity attributed to shareholders of the Company		<u>124,228</u>	<u>106,629</u>	<u>152,401</u>
Non-Controlling Interest		798	937	979
Total equity		<u>125,026</u>	<u>107,566</u>	<u>153,380</u>
Total liabilities and equity		<u>460,172</u>	<u>310,172</u>	<u>564,530</u>

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

Consolidated Statements of Profit or Loss and Other Comprehensive Income (Loss)

	Note	For the year ended December 31,			
		2020	2019	2018	2020
		€ in thousands (except per share data)			Convenience Translation into US\$ in thousands (Note 3B)
Revenues	18E	9,645	18,988	18,117	11,832
Operating expenses	18B	(4,951)	(6,638)	(6,342)	(6,074)
Depreciation and amortization expenses	18B	(2,975)	(6,416)	(5,816)	(3,650)
Gross profit		1,719	5,934	5,959	2,108
Project development costs	6	(3,491)	(4,213)	(2,878)	(4,283)
General and administrative expenses	18C	(4,512)	(3,827)	(3,600)	(5,535)
Share of profits of equity accounted investee	6A	1,525	3,086	2,545	1,871
Other income (expenses), net	18D	2,100	(2,100)	884	2,576
Capital gain	6D	-	18,770	-	-
Operating profit (loss)		(2,659)	17,650	2,910	(3,263)
Financing income	18A	2,134	1,827	2,936	2,618
Financing income (expenses) in connection with derivatives, net	18A	1,094	897	494	1,342
Financing expenses	18A	(6,862)	(10,877)	(5,521)	(8,418)
Financing expenses, net		(3,634)	(8,153)	(2,091)	(4,458)
Profit (loss) before taxes on income		(6,293)	9,497	819	(7,721)
Tax benefit (taxes on income)	19	125	287	(215)	153
Profit (loss) for the year		(6,168)	9,784	604	(7,568)
Profit (loss) attributable to:					
Owners of the Company		(4,627)	12,060	1,057	(5,676)
Non-controlling interests		(1,541)	(2,276)	(453)	(1,892)
Profit (loss) for the year		(6,168)	9,784	604	(7,568)
Other comprehensive income (loss) items					
That after initial recognition in comprehensive income (loss) were or will be transferred to profit or loss:					
Foreign currency translation differences for foreign operations		(482)	2,103	(787)	(591)
Effective portion of change in fair value of cash flow hedges		2,210	1,076	(1,008)	2,711
Net change in fair value of cash flow hedges transferred to profit or loss		555	(1,922)	643	681
Total other comprehensive income (loss)		2,283	1,257	(1,152)	2,801
Total other comprehensive income (loss) attributable to:					
Owners of the Company		881	2,114	(1,188)	1,081
Non-controlling interests		1,402	(857)	36	1,720
Total other comprehensive income (loss)		2,283	1,257	(1,152)	2,801
Total comprehensive income (loss) for the year		(3,885)	11,041	(548)	(4,767)
Total comprehensive income (loss) for the year attributable to:					
Owners of the Company		(3,746)	14,174	(131)	(4,595)
Non-controlling interests		(139)	(3,133)	(417)	(172)
Total comprehensive income (loss) for the year		(3,885)	11,041	(548)	(4,767)
Earnings (loss) per share					
Basic earnings (loss) per share	20	(0.38)	1.09	0.10	(0.47)
Diluted earnings (loss) per share	20	(0.38)	1.09	0.10	(0.47)

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

Consolidated Statements of Changes in Equity

	Attributable to shareholders of the Company								Non-controlling Interests	Total Equity
	Share capital	Share premium	Retained earnings (accumulated deficit)	Treasury shares	Translation Reserve from foreign operations	Hedging Reserve	Transaction reserve with non-controlling Interests	Total		
	€ in thousands									
Balance as at January 1, 2020	21,998	64,160	12,818	(1,736)	4,356	(1,073)	6,106	106,629	937	107,566
Profit (loss) for the year	-	-	(4,627)	-	-	-	-	(4,627)	(1,541)	(6,168)
Other comprehensive loss for the year	-	-	-	-	(533)	1,414	-	881	1402	2,283
Total comprehensive loss for the year	-	-	(4,627)	-	(533)	1,414	-	(3,746)	(139)	(3,885)
Transactions with owners of the Company, recognized directly in equity:										
Issuance of ordinary shares	3,084	18,191	-	-	-	-	-	21,275	-	21,275
Options exercise	20	-	-	-	-	-	-	20	-	20
Share-based payments	-	50	-	-	-	-	-	50	-	50
Balance as at December 31, 2020	25,102	82,401	8,191	(1,736)	3,823	341	6,106	124,228	798	125,026

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Consolidated Statements of Changes in Equity

	Attributable to shareholders of the Company								Non-controlling Interests	Total Equity
	Share capital	Share premium	Retained earnings (accumulated deficit)	Treasury shares	Translation Reserve from Foreign Operations	Hedging Reserve	Transaction reserve with non-controlling Interests	Total		
US\$ in thousands										
<u>Convenience translation into US\$ (exchange rate as at December 31, 2020: euro 1 = US\$ 1.227)</u>										
Balance as at January 1, 2020	26,987	78,711	15,725	(2,130)	5,343	(1,316)	7,491	130,811	1,151	131,962
Profit (loss) for the year	-	-	(5,676)	-	-	-	-	(5,676)	(1,892)	(7,568)
Other comprehensive loss for the year	-	-	-	-	(654)	1,735	-	1,081	1,720	2,801
Total comprehensive loss for the year	-	-	(5,676)	-	(654)	1,735	-	(4,595)	(172)	(4,767)
Transactions with owners of the Company, recognized directly in equity:										
Issuance of ordinary shares	3,783	22,316	-	-	-	-	-	26,099	-	26,099
Options exercise	25	-	-	-	-	-	-	25	-	25
Share-based payments	-	61	-	-	-	-	-	61	-	61
Balance as at December 31, 2020	30,795	101,088	10,049	(2,130)	4,689	419	7,491	152,401	979	153,380

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

Consolidated Statements of Cash Flows

	For the year ended December 31			2020 Convenience Translation into US\$ in thousands (Note 3B)
	2020	2019	2018	
	€ in thousands			
Cash flows from operating activities				
Profit (loss) for the year	(6,168)	9,784	604	(7,568)
Adjustments for:				
Financing expenses, net	3,634	8,153	2,091	4,458
Capital gain	-	(18,770)	-	-
Depreciation and amortization	2,975	6,416	5,816	3,650
Share-based payment transactions	50	8	5	61
Share of profits of equity accounted investees	(1,525)	(3,086)	(2,545)	(1,871)
Payment of interest on loan from an equity accounted investee	582	370	3,036	714
Change in trade receivables and other receivables	(3,868)	403	(17)	(4,745)
Change in other assets	179	(1,950)	37	220
Change in receivables from concessions project	1,426	1,329	1,431	1,749
Change in accrued severance pay, net	-	9	15	-
Change in trade payables	190	461	633	233
Change in other payables	(1,226)	5,336	(1,565)	(1,504)
Taxes on income (tax benefit)	(125)	(287)	215	(153)
Income taxes paid	(119)	(100)	(77)	(146)
Interest received	2,075	1,719	1,835	2,546
Interest paid	(3,906)	(6,083)	(4,924)	(4,792)
	342	(6,072)	5,986	420
Net cash provided by (used in) operating activities	(5,826)	3,712	6,590	(7,148)

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

Consolidated Statements of Cash Flows

	For the year ended December 31,			2020 Convenience Translation into US\$ in thousands (Note 3B)
	2020	2019	2018	
	€ in thousands			
Cash flows from investing activities:				
Acquisition of fixed assets	(128,420)	(74,587)	(3,708)	(157,543)
Acquisition of subsidiary, net of cash acquired (see Note 6C and Note 6D)	(7,464)	(1,000)	(1,000)	(9,157)
Compensation as per agreement with Erez Electricity Ltd.	1,418	-	-	1,740
Repayment of loan from an equity accounted investee	1,978	-	1,540	2,427
Loan to an equity accounted investee	(181)	-	-	(222)
Proceeds from sale of investments	-	34,586	-	-
Advances on account of investments	(1,554)	-	-	(1,906)
Proceeds from marketable securities	1,800	-	3,316	2,208
Acquisition of marketable securities	(1,481)	-	-	(1,817)
Proceeds from settlement of derivatives, net	-	532	664	-
Proceed (investment) in restricted cash, net	23,092	(26,003)	(3,107)	28,329
Investment in short term deposit	(1,323)	(6,302)	-	(1,623)
Repayment (grant) Loan to others	-	3,912	(3,500)	-
Net cash used in investing activities	(112,135)	(68,862)	(5,795)	(137,564)
Cash flows from financing activities:				
Issuance of warrants	2,544	-	-	3,121
Repayment of long-term loans and finance lease obligations	(3,959)	(5,844)	(17,819)	(4,857)
Repayment of Debentures	(26,923)	(9,836)	(4,668)	(33,029)
Cost associated with long term loans	(734)	(12,218)	-	(900)
Proceeds from options	20	19	-	25
Sale of shares in subsidiaries to non-controlling interests	-	13,936	-	-
Acquisition of shares in subsidiaries from non-controlling interests	-	(2,961)	-	-
Issuance of ordinary shares	21,275	7,807	-	26,100
Proceeds from long term loans, net	111,357	59,298	34,745	136,611
Proceeds from issuance of Debentures, net	38,057	22,317	-	46,688
Net cash provided by financing activities	141,637	72,518	12,258	173,759
Effect of exchange rate fluctuations on cash and cash equivalents	(1,340)	259	(133)	(1,646)
Increase in cash and cash equivalents	22,336	7,627	12,920	27,401
Cash and cash equivalents at the beginning of year	44,509	36,882	23,962	54,603
Cash and cash equivalents at the end of the year	66,845	44,509	36,882	82,004

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

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 1 – General

- A. Ellomay Capital Ltd. (hereinafter - the "Company"), is an Israeli Company operating in the business of renewable energy and a power generator and developer of renewable energy and power projects in Europe and Israel. As of December 31, 2020, the Company owns six photovoltaic plants (each, a "PV Plant" and, together, the "PV Plants") that are connected to their respective national grids and operating as follows: (i) four photovoltaic plants in Spain with an aggregate installed capacity of approximately 7.9 MWp; (ii) 51% of Talasol Solar S.L.U that owns a photovoltaic plant with a peak capacity of 300 MW in the municipality of Talaván, Cáceres, Spain and (iii) one photovoltaic plant in Israel with an aggregate installed capacity of approximately 9 MWp. In addition, the Company indirectly owns: (i) 9.375% of Dorad Energy Ltd. (hereinafter - "Dorad"), (ii) 75% of Ellomay Pumped Storage (2014) Ltd. (increased to 83.333% in January 2021), which is promoting a project to construct a 156 MW pumped storage hydro power plant in the Manara Cliff, Israel, (iii) Ellomay Solar S.L.U that is constructing a photovoltaic plant with a peak capacity of 28 MW in the municipality of Talaván, Cáceres, Spain and (iv) Groen Gas Goor B.V., Groen Gas Oude-Tonge B.V. and Groen Gas Gelderland B.V., project companies operating anaerobic digestion plants in the Netherlands, with a green gas production capacity of approximately 3 million, 3.8 million and 9.5 million (with a license to produce 7.5 million) Nm3 per year, respectively.

The ordinary shares of the Company are listed on the NYSE American and on the Tel Aviv Stock Exchange (under the symbol "ELLO"). The address of the Company's registered office is 18 Rothschild Blvd., Tel Aviv, Israel.

B. Definitions:

In these financial statements:

Consolidated companies/subsidiaries – Companies, including partnerships, the financial statements of which are fully consolidated, directly or indirectly, with the financial statements of the Company.

Investee companies – Subsidiaries and companies, including a partnership, the Company's investment in which is stated, directly or indirectly, on the equity basis.

Related party - Within its meaning in IAS 24 (2009), "Related Party Disclosures".

Unless otherwise noted, all references to "€" "euro" or "EUR" are to the legal currency of the European Union, all references to "USD," "US dollar," "dollars" and "\$" are to United States dollars, and all references to "NIS" are to New Israeli Shekels.

C. Effects of the spreading of the coronavirus:

Following the outbreak of the coronavirus (Covid-19) in China in December 2019, and the spreading of Covid-19 to many other countries since the beginning of 2020, creating the current pandemic situation, there was a decrease in economic activity in many areas around the world, including Israel, Spain and Italy. The spread of the virus has led, inter alia, to a disruption in the supply chain, a decrease in global transportation, restrictions on travel and work that were announced by the State of Israel and other countries around the world and a decrease in the value of financial assets and commodities on the markets in Israel and the world. Although the Company's operations have not thus far been materially adversely affected by the restrictions imposed by local governments and authorities in the countries in which the Company operates, in the event restrictions are imposed, the operations of the Company, including the projects under construction and development, may be adversely affected. Also, as a result of the Covid-19 pandemic, the electricity prices in the European markets declined due to the decrease in demand, resulting in a slight decrease in the Company's revenues in Spain. The electricity prices in the European markets have since increased and are currently close to the electricity prices that were in effect prior to the pandemic. The spread of Covid-19 and its implications may also indirectly affect the operations of the Company, for example through changes in the prices of oil resulting in a decrease in the electricity prices, and through reduction in demand for electricity, delays in construction of projects due to curtailment of work, limited availability of components required in order to operate or construct new projects, regulatory changes by countries affected by the virus, including changes in subsidies, collection delays, delays in obtaining permits, limited availability or changes in terms of financing for future projects, limited availability of corporate financing and lower returns on potential future investments. As a result, the Company's business and operating results could be negatively affected. The extent to which the Covid-19 pandemic impacts the business of the Company will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of Covid-19 and the actions to contain Covid-19 or treat its impact, among others. These potential affects could last until a vaccine or successful treatment plan are implemented worldwide or at least in the countries in which the Company operates.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 1 – General (cont'd)

D. Material events in the reporting period

1. In December 2020, the Company indirectly acquired all issued and outstanding shares of Groen Gas Gelderland B.V. ("GG Gelderland") through its wholly-owned subsidiary, Ellomay Luxembourg Holdings S.à.r.l. ("Ellomay Luxembourg"). GG Gelderland owns an operating anaerobic digestion plant in Gelderland, the Netherlands, with a permit that enables it to produce approximately 7.5 million Nm3 per year. The Company paid €1,567 thousand for the shares and the repayment of shareholder loans. An additional shareholder loan of approximately €5,897 thousand was granted to GG Gelderland for the repayment of other existing loans as at the date of the acquisition. (See Note 6).
2. In February 2020, the Company issued 715,000 ordinary shares and warrants to purchase an additional 178,750 ordinary shares to several Israeli institutional investors in a private placement undertaken in accordance with Regulation S of the Securities Act of 1933, as amended. The gross proceeds to the Company in connection with the private placement were NIS 50.05 million (approximately €13.5 million based on the Euro /NIS exchange rate at that time).
3. In July 2020, the Company issued 450,000 ordinary shares to several Israeli qualified investors in a private placement undertaken in accordance with Regulation S. The Company received gross proceeds of approximately NIS 31,725 thousand (approximately €8,097 thousand based on the Euro/NIS exchange rate at that time).
4. In October 2020, the Company completed a public offering in Israel of additional Series C Debentures and a of a new series of options ("Series 1 Options"), tradable on the Tel Aviv Stock Exchange, to purchase the Company's ordinary shares at an exercise price per share of NIS 150 (approximately €37.5 based on the Euro/NIS exchange rate at that time) subject to adjustments upon customary terms. The Company issued an aggregate principal amount of NIS 154,000 thousand (approximately €38,520 thousand based on the Euro/NIS exchange rate at that time) of Series C Debentures and 385,000 Series 1 Options and received gross proceeds of approximately NIS 164,200 thousand (approximately €41.1 million based on the Euro/NIS exchange rate at that time).

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 2 – Basis of Preparation**A. Basis of preparation of the financial statements**

1. The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The operating cycle of the Company is one year.

The consolidated financial statements were authorized by the Company's Board of Directors for issue on March 31, 2021.

2. Consistent accounting policies

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

3. Basis of measurement - The consolidated financial statements have been prepared on the historical cost basis, except for the following:

- (i) Investment in investee accounted for using the equity method;
- (ii) Marketable securities;
- (iii) Deferred tax assets and liabilities;
- (iv) Financial instruments measured at fair value through other comprehensive income;
- (v) Derivative financial instruments and other receivables measured at fair value through profit or loss; and
- (vi) Provisions.

B. Significant accounting judgments, estimates and assumptions used in the preparation of the financial statements

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions regarding circumstances and events that involve considerable uncertainty, 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 Company's management 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. The key assumptions made in the financial statements 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 within the next financial year are discussed below:

Recoverable amount of cash generating unit:

The Company examines at the end of each reporting year whether there have been any events or changes in circumstances that indicate impairment of fixed assets. When indication of impairment revealed the company checks whether the carrying amount of the fixed assets is recoverable.

Fair value measurement of non-trading derivatives:

Within the scope of the valuation of financial assets and derivatives not traded on an active market, management makes assumptions about inputs used in the valuation models. For information on a sensitivity analysis of levels 2 and 3 financial instruments carried at fair value see Note 21 regarding financial instruments.

Recognition of deferred tax asset in respect of tax losses:

The probability that in the future there will be taxable profits against which carried forward losses can be utilized. See Note 19 regarding taxes on income.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 2 – Basis of Preparation (cont'd)

B. Significant accounting judgments, estimates and assumptions used in the preparation of the financial statements (cont'd)*Business combination:*

Fair value of assets and liabilities acquired in a business combination. See Note 6 regarding subsidiaries.

Determination of fair value

Preparation of the financial statements requires the Company to determine the fair value of certain assets and liabilities.

When determining the fair value of an asset or liability, the Company uses observable market data as much as possible. There are three levels of fair value measurements in the fair value hierarchy that are based on the data used in the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- 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).

C. Initial application of new standards, amendments to standards and interpretations**(1) Amendment to IFRS 3, *Business Combinations* ("the Amendment")**

The Amendment clarifies when a transaction to acquire an operation is the acquisition of a "business" and when it is the acquisition of a group of assets that according to the standard is not considered the acquisition of a "business". For the purpose of this examination, the Amendment added an optional concentration test which determines that if substantially all of the fair value of the acquired assets is attributable to a group of similar identifiable assets or to a single identifiable asset, this will not be the acquisition of a business. In addition, the minimum requirements for definition as a business have been clarified, and examples illustrating the aforesaid examination were added.

The Amendment is effective for transactions to acquire assets or businesses occurring in annual periods beginning on or after January 1, 2020.

Application of the Amendment will not have a material effect on the Company's financial statements. Nonetheless, the Amendment may have a material effect in the Company's future acquisitions.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 2 – Basis of Preparation (cont'd)

C. Initial application of new standards, amendments to standards and interpretations (cont'd)

(2) Amendments to IFRS 9, *Financial Instruments*, IAS 39, *Financial Instruments*:***Recognition and Measurement and IFRS 7, Financial Instruments: Disclosures, Interest Rate Benchmark Reform - Phase 1 ("the Amendments")***

The Amendments include several mandatory reliefs relevant for examining whether a hedging relationship affected by the uncertainty arising from the IBOR interest rate reform (a reform that in the future will lead to the replacement of interest rates such as the Libor and Euribor) qualifies for hedge accounting. Thus for example:

When determining the probability of occurrence of the hedged cash flows, the existing contractual cash flows should be used, and future changes arising from the IBOR reform should be ignored.

When performing a prospective assessment of effectiveness, the existing contractual terms of the hedged item and hedging item should be taken into consideration, and the uncertainties arising from the reform be ignored.

The Amendments are applicable retrospectively. The relief included in the Amendments will end prospectively on the earlier of: the date the uncertainty arising from the reform no longer exists and the date the hedging relationship was discontinued.

In the opinion of the Company, application of the Amendments is not expected to have a material effect on the financial statements. See Note 21 E regarding market risk.

(3) Amendment to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* and to IAS 1, *Presentation of Financial Statements* ("the Amendment")

The Amendment redefines the term "materiality" so that it be used consistently in the Conceptual Framework and in the other various standards.

According to the Amendment, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions made by the primary users on the basis of the financial statements.

The Amendment is applicable on a prospective basis for annual periods beginning on or after January 1, 2020.

In the opinion of the Company, application of the Amendment is not expected to have a material effect on the financial statements.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 3 – Significant Accounting Policies**A. Basis of consolidation and equity method accounting****1. Subsidiaries**

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control is lost. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

2. Transactions eliminated upon consolidation

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated against the investment to the extent of the Company's interest in these investments. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3. Investment in associates and joint ventures (equity accounted investees)

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. In assessing significant influence, potential voting rights that are currently exercisable or convertible into shares of the investee are taken into account. Joint ventures are joint arrangements in which the Company has rights to the net assets of the arrangement.

Associates and joint ventures are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. The cost of the investment includes transaction costs that are directly attributable to an expected acquisition of an associate or joint venture. The consolidated financial statements include the Company's share of the income and expenses in profit or loss and of other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases. When the Company increases its interest in an equity accounted investee while retaining significant influence, it implements the acquisition method only with respect to the additional interest obtained whereas the previous interest remains the same. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term interests that form a part thereof, is reduced to zero.

When the Company's share of long-term interests that form a part of the investment in the investee is different from its share in the investee's equity, the Company continues to recognize its share of the investee's losses, after the equity investment was reduced to zero, according to its economic interest in the long-term interests. The recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

Long-term interests in associates and joint ventures that, in substance, form part of the net investment in the associate or joint venture, such as preferred shares and long-term loans that their repayment is not expected and is unlikely to occur in the foreseeable future, are first accounted for in accordance with the guidance of IFRS 9 and then the equity method is applied in accordance with the guidance of IAS 28.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 3 – Significant Accounting Policies (cont'd)**A. Basis of consolidation and equity method accounting (cont'd)****4. Business combinations**

The Company implements the acquisition method to all business combinations. The acquisition date is the date on which the acquirer obtains control over the acquiree. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the acquiree and it has the ability to affect those returns through its power over the acquiree. Substantive rights held by the Company and others are taken into account when assessing control.

The Company recognizes goodwill on acquisition according to the fair value of the consideration transferred including any amounts recognized in respect of rights that do not confer control in the acquiree as well as the fair value at the acquisition date of any pre-existing equity right of the Company in the acquiree, less the net amount of the identifiable assets acquired and the liabilities assumed.

If the Company pays a bargain price for the acquisition (including negative goodwill), it recognizes the resulting gain in profit or loss on the acquisition date. Furthermore, goodwill is not adjusted in respect of the utilization of carry-forward tax losses that existed on the date of the business combination.

The consideration transferred includes the fair value of the assets transferred to the previous owners of the acquiree, the liabilities incurred by the acquirer to the previous owners of the acquiree and equity instruments that were issued by the Company. In a step acquisition, the difference between the acquisition date fair value of the Company's pre-existing equity rights in the acquiree and the carrying amount at that date is recognized in profit or loss under other income or expenses.

Costs associated with the acquisitions that were incurred by the acquirer in the business combination such as: finder's fees, advisory, legal, valuation and other professional or consulting fees, are expensed in the period the services are received.

5. Non-controlling interests

Non-controlling interests comprise the equity of a subsidiary that cannot be attributed, directly or indirectly, to the parent company.

Measurement of non-controlling interests on the date of the business combination:

Non-controlling interests that are instruments that give rise to a present ownership interest and entitle the holder to a share of net assets in the event of liquidation (for example: ordinary shares), are measured at the date of the business combination at either fair value, or at their proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis. This accounting policy choice does not apply to other instruments that meet the definition of non-controlling interests (for example: options to acquire ordinary shares). Such instruments will be measured at fair value or in accordance with other relevant IFRSs.

Allocation of comprehensive income to the shareholders:

Profit or loss and any part of other comprehensive income are allocated to the owners of the Company and the non-controlling interests. Total comprehensive income is allocated to the owners of the Company and the non-controlling interests even if the result is a negative balance of non-controlling interests.

Transactions with non-controlling interests, while retaining control

Transactions with non-controlling interests while retaining control are accounted for as equity transactions. Any difference between the consideration paid or received and the change in non-controlling interests is included in the owners' share in equity of the Company directly in retained earnings.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 3 – Significant Accounting Policies (cont'd)**A. Basis of consolidation and equity method accounting (cont'd)***Non-controlling interests (cont'd)*Transactions with non-controlling interests, while retaining control (cont'd)

The amount of the adjustment to non-controlling interests is calculated as follows:

For an increase in the holding rate, according to the proportionate share acquired from the balance of non-controlling interests in the consolidated financial statements prior to the transaction.

For a decrease in the holding rate, according to the proportionate share realized by the owners of the subsidiary in the net assets of the subsidiary, including goodwill.

Furthermore, when the holding rate of the subsidiary changes, while retaining control, the Company re-attributes the accumulated amounts that were recognized in other comprehensive income to the owners of the Company and the non-controlling interests.

Loss of control

Upon the loss of control, the Company derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. The amounts recognized in capital reserves through other comprehensive income with respect to the same subsidiary are reclassified to profit or loss or to retained earnings in the same manner that would have been applicable if the subsidiary had itself realized the same assets or liabilities.

B. Functional and presentation currency

These consolidated financial statements are presented in euro, which is the Company's functional currency, and have been rounded to the nearest thousand, except when otherwise indicated. The functional currency is examined for the Company and for each of the subsidiaries separately. Items included in the financial statements of each of the Company's subsidiaries and investee are measured using their functional currency. The euro is the currency that represents the principal economic environment in which the Company operates.

Foreign currency transactions-

Transactions in foreign currencies are translated to the respective functional currencies of the Company 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 year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

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.

Foreign currency differences arising on translation are generally recognized in profit or loss, except for the following differences which are recognized in other comprehensive income, arising on the translation of:

- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective;

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 3 – Significant Accounting Policies (cont'd)

B. Functional and presentation currency (cont'd)**Foreign operations (cont'd)-**

- Qualifying cash flow hedges to the extent the hedge is effective.

Foreign operations-

The assets and liabilities of foreign operations, including adjustments arising on acquisition, are translated at exchange rates at the reporting date. The income and expenses for each period presented in the statement of profit or loss and other comprehensive income (loss) are translated at average exchange rates for the presented periods; however, if exchange rates fluctuate significantly, income and expenses are translated at the exchange rates at the date of the transactions.

Foreign currency exchange differences are recognized in equity as a separate component of other comprehensive income (loss): "foreign currency translation adjustments".

When the foreign operation is a non-wholly-owned subsidiary of the Company, then the relevant proportionate share of the foreign operation translation difference is allocated to the non-controlling interests. On a total or partial disposal of a foreign operation, the relevant part of the other comprehensive income (loss) is recognized in the statement of comprehensive income (loss).

Generally, foreign currency differences from a monetary item receivable from or payable to a foreign operation, including foreign operations that are subsidiaries, are recognized in profit or loss in the consolidated financial statements. Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income, and are presented within equity as part of the translation reserve.

Presentation Currency-

For the convenience of the reader, the reported euro figures as of December 31, 2020 and for the year then ended, are presented in dollars, translated at the representative rate of exchange as of December 31, 2020 (euro 0.815 = US\$ 1.00). The dollar amounts presented in these financial statements should not be construed as representing amounts that are receivable or payable in dollars or convertible into dollars, unless otherwise indicated.

C. Financial instruments**Non-derivative Financial assets**

The Company's financial assets include cash and cash equivalents, marketable securities, restricted cash, trade receivables, loan to an equity accounted investee, service concession receivables and other receivables.

Initial recognition and measurement of financial assets

The Company initially recognizes loans, receivables and deposits on the date that they are created. All other financial assets, 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. A financial asset is initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial asset (except for financial assets that are measured at fair value through profit and loss, for which transaction costs are recognized in profit and loss). A trade receivable without a significant financing component is initially measured at the transaction price.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 3 – Significant Accounting Policies (cont'd)**C. Financial instruments (cont'd)****Non-derivative Financial assets (cont'd)*****Derecognition of financial assets***

Financial assets are derecognized when the contractual rights of the Company to the cash flows from the asset expire, or when the Company transfers the rights to receive the 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.

Classification of financial assets into categories and the accounting treatment of each category

Financial assets are classified at initial recognition to one of the following measurement categories: amortized cost; fair value through other comprehensive income – investments in debt instruments; fair value through other comprehensive income – investments in equity instruments; or fair value through profit or loss.

Financial assets are not reclassified in subsequent periods unless, and only if, the Company changes its business model for the management of financial debt assets, in which case the affected financial debt assets are reclassified at the beginning of the period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at fair value through profit or loss:

- It is held within a business model whose objective is to hold assets so as to collect contractual cash flows; and
- The contractual terms of the financial asset give rise to cash flows representing solely payments of principal and interest on the principal amount outstanding on specified dates.

A debt instrument is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated at fair value through profit or loss:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the debt instrument give rise to cash flows representing solely payments of principal and interest on the principal amount outstanding on specified dates.

All financial assets not classified as measured at amortized cost or fair value through other comprehensive income as described above, as well as financial assets designated at fair value through profit or loss, are measured at fair value through profit or loss.

Assessment whether cash flows are solely payments of principal and interest

For the purpose of assessing whether the cash flows are solely payments of principal and interest, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 3 – Significant Accounting Policies (cont'd)**C. Financial instruments (cont'd)****Non-derivative Financial assets – policy applicable as from January 1, 2018 (cont'd)***Assessment whether cash flows are solely payments of principal and interest (cont'd)*

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- Contingent events that would change the timing or amount of the cash flows;
- Terms that may change the stated interest rate, including variable interest;
- Extension or prepayment features; and
- Terms that limit the Company's claim to cash flows from specified assets (for example a non-recourse financial asset).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation, received or paid, for early termination of the contract. Additionally, for a financial asset acquired at a significant premium or discount compared to its contractual stated value, a feature that permits or requires prepayment at an amount that substantially represents the contractual stated value plus accrued (but unpaid) interest (which may also include reasonable additional compensation, received or paid, for early termination), is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

*Subsequent measurement and gains and losses**Financial assets at fair value through profit or loss*

These assets are subsequently measured at fair value. Net gains and losses, including any interest income or dividend income, are recognized in profit or loss (other than certain derivatives designated as hedging instruments).

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Classification of financial assets into categories and the accounting treatment of each category

The Company classifies its financial assets according to the following categories:

Held-to-maturity investments

If the Company has the positive intent and ability to hold debt securities to maturity, then such debt securities are classified as held-to-maturity. Held-to-maturity investments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment losses. Held-to-maturity financial assets include debentures.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 3 – Significant Accounting Policies (cont'd)

C. Financial instruments (cont'd)

Non-derivative financial assets – policy applicable before January 1, 2018 (cont'd)*Financial assets at fair value through profit or loss*

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy, providing that the designation is intended to prevent an accounting mismatch, or the asset is a combined instrument including an embedded derivative.

Financial assets at fair value through profit or loss (cont'd)

Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Financial assets designated at fair value through profit or loss also include equity investments that otherwise would have been classified as available for sale.

Financial assets classified as held-for-trading comprise securities that are held to support the Company's short-term liquidity needs.

Loans and 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. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, trade and other receivables, investments in non-marketable debentures and service concession receivables.

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. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or that are not classified in any of the previous categories. The Company's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, foreign currency differences and the accrual of effective interest on available-for-sale debt instruments, are recognized directly in other comprehensive income and presented within equity in a reserve for financial assets classified as available-for-sale. A dividend received in respect of available-for-sale financial assets is recognized in profit or loss on the date the entity's right to receive the dividend is established. When an investment is derecognized, the cumulative gain or loss in the reserve for available-for-sale financial assets is transferred to profit or loss.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 3 - Significant Accounting Policies (cont'd)**C. Financial instruments (cont'd)****Non-derivative financial assets – policy applicable before January 1, 2018 (cont'd)****Non-derivative financial liabilities**

The Company's financial liabilities include loans and borrowings, trade payables, other payables, finance lease obligations, debentures, long-term loans and other long-term liabilities.

Initial recognition of financial liabilities

The Company initially recognizes debt securities issued on the date that they 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.

Subsequent measurement of financial liabilities

Financial liabilities (other than financial liabilities at fair value through profit or loss) are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities are designated at fair value through profit or loss if the Company manages such liabilities and their performance is assessed based on their fair value in accordance with the Company's documented risk management strategy, providing that the designation is intended to prevent an accounting mismatch, or the liability is a combined instrument including an embedded derivative.

Transaction costs directly attributable to an expected issuance of an instrument that will be classified as a financial liability are recognized as an asset in the framework of deferred expenses in the statement of financial position. These transaction costs are deducted from the financial liability upon its initial recognition, or are amortized as financing expenses in the statement of income when the issuance is no longer expected to occur.

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.

Derivative financial instruments, including hedge accounting

The Company holds both derivative financial instruments to hedge its foreign currency and interest rate risk exposures and derivatives that do not serve hedging purposes.

Hedge accounting

The Company designates certain derivatives as hedging instruments in order to hedge changes in cash flows that relate to highly probable forecasted transactions and which derive from changes in foreign currency exchange rates, fluctuation in the electricity prices and changes in the flow and interest on variable-rate loans. The Company continue to apply IAS 39 for the hedge accounting.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 3 - Significant Accounting Policies (cont'd)**C. Financial instruments (cont'd)****Derivative financial instruments, including hedge accounting (cont'd)***Hedge accounting (cont'd)*

At the inception of the hedging relationship the Company documents its risk management objective and its hedging strategy. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and the hedging instrument are expected to offset each other.

The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

Measurement of derivative financial instruments

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative instrument is designated as a cash flow hedge, the effective portion of the changes in fair value of the derivative is recognized in other comprehensive income, directly within a hedging reserve. The effective portion of changes in fair value of a derivative, recognized in other comprehensive income, is limited to the cumulative change in fair value of the hedged item (based on present value), from inception of the hedge. The change in fair value in respect of the ineffective portion is recognized immediately in profit or loss.

If the result of a forecasted transaction is recognition of a non-financial asset, the amounts that were accumulated in the hedging reserve and the cost of hedging reserve are included in the initial cost of the non-financial item upon its recognition. For all other hedged forecasted transactions, the amounts accumulated in the hedging reserve and cost of hedging reserve are reclassified to profit or loss in the same period, or periods, in which the hedged forecasted future cash flows affect profit or loss.

If the hedge no longer qualifies as an accounting hedge, or the hedging instrument is sold, expires, is terminated or exercised, hedge accounting is discontinued on a prospective basis. When hedge accounting is discontinued, the amounts accumulated in the past in the hedging reserve and cost of hedging reserve remain in the reserve, until such time as they are included in the initial cost of the non-financial item (for hedged transactions whose result is a non-financial item), or until such time as they are reclassified to profit or loss in the period, or periods, in which the hedged forecasted future cash flows affect profit or loss (for other cash flows hedges).

If the hedged future cash flows are no longer expected to occur, the amounts accumulated in the past in the hedging reserve and cost of hedging reserve are immediately reclassified to profit or loss.

Economic hedges

Hedge accounting is not applied to derivative instruments that economically hedge financial assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognized in profit or loss under financing income or expenses.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 3 - Significant Accounting Policies (cont'd)**C. Financial instruments (cont'd)****Derivative financial instruments, including hedge accounting (cont'd)****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 re-measured every period in accordance with the actual increase/decrease in the CPI.

Share capital*Ordinary shares*

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

Treasury shares

When share capital recognized as equity is repurchased by the Company, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus on the transaction is carried to share premium, whereas a deficit on the transaction is deducted from retained earnings.

D. Fixed assets**1. Recognition and measurement**

Fixed assets items are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the fixed asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located (when the Company has an obligation to dismantle and remove the asset or to restore the site), and capitalized borrowing costs. Project licenses are included in the cost of photovoltaic plants.

The costs of replacing part of a fixed asset item and other subsequent expenses are capitalized if it is probable that the future economic benefits associated with them will flow to the Company and their cost can be measured reliably. The carrying amount of the replaced part of a fixed asset item is derecognized. The costs of day-to-day servicing are recognized in profit or loss as incurred.

Gains and losses on disposal of a fixed asset item are determined by comparing the net proceeds from disposal with the carrying amount of the asset, and are recognized in profit or loss.

2. Depreciation

Depreciation is a systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount is the cost of the asset, or other amount substituted for cost, less its residual value. An asset is depreciated from the date it is ready for use, meaning the date it reaches the location and condition required for it to operate in the manner intended by management. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of the fixed asset item.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 3 – Significant Accounting Policies (cont'd)

D. Fixed assets (cont'd)*Depreciation (cont'd)*

The estimated useful lives are as follows:

	%	Mainly %
Office furniture and equipment	6-33	33
Photovoltaic plants in Spain	4	4
Photovoltaic plants in Italy	5	5
Anaerobic digestion plants in the Netherlands	8	8
Leasehold improvements	Over the shorter of the lease period or the life of the asset	7

The estimated useful life of the project licenses of photovoltaic plants that are carried at cost is 20 years for the Company's Italian subsidiaries and 25 years for the Company's Spanish subsidiaries. The estimated useful life of the project licenses of anaerobic digestion plants that are carried at cost is 12 years. The fixed assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted if appropriate.

E. Capitalization of borrowing costs

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Specific and non-specific borrowing costs are capitalized to qualifying assets throughout the period required for completion and construction until they are ready for their intended use. Other borrowing costs are recognized as incurred as financing expenses in profit or loss.

F. Impairment**Non-financial assets**

The carrying amounts of the Company's non-financial 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.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted using a pre-tax discount rate that reflects the assessments of market participants regarding the time value of money and the risks specific to the asset.

The recoverable amount of an asset that does not generate independent cash flows is determined for the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets ("cash-generating unit"). 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. An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's 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.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 3 – Significant Accounting Policies (cont'd)**Investments in associates**

An investment in an associate is tested for impairment when objective evidence indicates there has been impairment such as: significant financial difficulty, probability that the associate will enter bankruptcy or other financial reorganization or losses in operation for a long period of time. Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately, and therefore is not tested for impairment separately.

If objective evidence indicates that the value of the investment may have been impaired, the Company estimates the recoverable amount of the investment, which is the greater of its value in use and its net selling price. In assessing value in use of an investment in an associate, the Company estimates its share of the present value of estimated future cash flows that are expected to be generated by the associate, including cash flows from operations of the associate and the consideration from the final disposal of the investment.

An impairment loss is recognized when the carrying amount of the investment, after applying the equity method, exceeds its recoverable amount, and it is recognized in profit or loss under other expenses. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of the investment after the impairment loss was recognized, and only to the extent that the investment's carrying amount, after the reversal of the impairment loss, does not exceed the carrying amount of the investment that would have been determined by the equity method if no impairment loss had been recognized.

G. Share-based payment transactions

The Company's directors are entitled to, and certain of the Company's employees receive, remuneration in the form of equity-settled share-based payment transactions. The cost of equity-settled transactions with directors and employees is measured at the fair value of the equity instruments at the date on which they are granted. The fair value is determined by using the Black-Scholes option-pricing model taking into account the terms and conditions upon which the instruments were granted, additional details are included in Note 17.

The cost of equity-settled transactions is recognized in profit or loss, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the director or the employee becomes fully entitled to the award (the "vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest.

H. Employee benefits**1. Short-term employee benefits:**

Short-term employee benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions. Short-term employee benefits are measured on an undiscounted basis and are expensed as the related services are rendered or upon the actual absence of the employee when the benefit is not accumulated (such as maternity leave). A liability in respect of a cash bonus is recognized when the Company has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and the obligation can be estimated reliably.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 3 - Significant Accounting Policies (cont'd)**H. Employee benefits (cont'd)****2. Post-employment benefits:**

The post-employment plans are usually financed by deposits with insurance companies and classified as a defined contribution plan or as a defined benefit plan.

The Company has defined contribution plans pursuant to Section 14 to the Israeli Severance Pay Law, 5723-1963 (the "Severance Pay Law") with the vast majority of its employees under which the Company pays fixed contributions and has no legal or constructive obligation to pay further amounts.

Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense in profit or loss in the periods during which related services are rendered by employees and no additional provision is required in the financial statements.

The Company also operates a defined benefit plan in respect of severance pay pursuant to the Severance Pay Law. According to the Severance Pay Law, employees are entitled to severance pay upon dismissal or retirement.

The Company makes current deposits in respect of severance pay obligations to pay compensation to certain of its employees in their pension funds and insurance companies (the "plan assets"). Plan assets are not available to the Company's own creditors and cannot be returned directly to the Company. The liability for employee benefits is presented in the statements of financial position at present value of the defined benefit obligation less the fair value of the plan assets.

I. Provisions

A provision is recognized if the Company has a present obligation (legal or constructive) that can be estimated reliably, as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, 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 without adjustment for the Company's credit risk. The carrying amount of the provision is adjusted each period to reflect the time that has passed and the amount of the adjustment is recognized as a financing expense.

A provision for legal claims is recognized if the Company has a present legal or constructive obligation as a result of a past event, and it is more likely than not that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 3 - Significant Accounting Policies (cont'd)

J. Leases***Policy applicable as from January 1, 2019*****Determining whether an arrangement contains a lease**

On the inception date of the lease, the Company determines whether the arrangement is a lease or contains a lease, while examining if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In its assessment of whether an arrangement conveys the right to control the use of an identified asset, the Company assesses whether it has the following two rights throughout the lease term:

- (a) The right to obtain substantially all the economic benefits from use of the identified asset;
- (b) The right to direct the identified asset's use.

Leased assets and lease liabilities

Contracts that award the Company control over the use of a leased asset for a period of time in exchange for consideration, are accounted for as leases. Upon initial recognition, the Company recognizes a liability at the present value of the balance of future lease payments (these payments do not include certain variable lease payments), and concurrently recognizes a right-of-use asset at the same amount of the lease liability, adjusted for any prepaid or accrued lease payments, plus initial direct costs incurred in respect of the lease.

Since the interest rate implicit in the Company's leases is not readily determinable, the incremental borrowing rate of the lessee is used. Subsequent to initial recognition, the right-of-use asset is accounted for using the cost model, and depreciated over the shorter of the lease term or useful life of the asset.

The Company has elected to apply the practical expedient by which short-term leases of up to one year and/or leases in which the underlying asset has a low value, are accounted for such that lease payments are recognized in profit or loss on a straight-line basis, over the lease term, without recognizing an asset and/or liability in the statement of financial position.

The lease term

The lease term is the non-cancellable period of the lease plus periods covered by an extension or termination option if it is reasonably certain that the lessee will or will not exercise the option, respectively.

Variable lease payments

Variable lease payments that depend on an index or a rate, are initially measured using the index or rate existing at the commencement of the lease and are included in the measurement of the lease liability. When the cash flows of future lease payments change as the result of a change in an index or a rate, the balance of the liability is adjusted against the right-of-use asset.

Other variable lease payments that are not included in the measurement of the lease liability are recognized in profit or loss in the period in which the event or condition that triggers payment occurs.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 3 - Significant Accounting Policies (cont'd)

J. Leases (cont'd)

*Policy applicable as from January 1, 2019 (cont'd)***Depreciation of right-of-use asset**

After lease commencement, a right-of-use asset is measured on a cost basis less accumulated depreciation and accumulated impairment losses and is adjusted for re-measurements of the lease liability. Depreciation is calculated on a straight-line basis over the useful life or contractual lease period, whichever earlier, as follows:

- Lands 20-40 years
- Machinery equipment 1-4 years

Reassessment of lease liability

Upon the occurrence of a significant event or a significant change in circumstances that is under the control of the Company and had an effect on the decision whether it is reasonably certain that the Company will exercise an option, which was not included before in the lease term, or will not exercise an option, which was previously included in the lease term, the Company re-measures the lease liability according to the revised leased payments using a new discount rate. The change in the carrying amount of the liability is recognized against the right-of-use asset, or recognized in profit or loss if the carrying amount of the right-of-use asset was reduced to zero.

The criteria for classifying leases as finance or operating leases depend on the substance of the agreements and classification is made at the inception of the lease.

Finance leases: leases where the Company assumes substantially all the risks and rewards incident to ownership of the leased asset 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. The lease payments are allocated to each period during the lease term and apportioned between finance expenses and a reduction of the lease obligation. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are classified as Operating leases: the leased assets are not recognized in the Company's statement of financial position. Payments made under operating leases are recognized in the statements of comprehensive income (loss) on a straight-line basis over the term of the lease.

Determining whether an arrangement contains a lease

At inception or upon reassessment of an arrangement, the Company determines whether such an arrangement is or contains a lease. An arrangement is a lease or contains a lease if the following two criteria are met:

- The fulfillment of the arrangement is dependent on the use of a specific asset or assets; and
- The arrangement contains rights to use the asset.

At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognized using the buyer's incremental borrowing rate.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 3 - Significant Accounting Policies (cont'd)

J. Leases (cont'd)**Leased assets and lease liabilities**

Leases, including leases of lands from the Israel Lands Administration or from other third parties, 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. Future payments for exercising an option to extend the lease from the Israel Lands Administration are not recognized as part of an asset and corresponding liability since they constitute contingent lease payments that are derived from the fair value of the land on the future dates of renewing the lease agreement.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Prepaid lease fees to the Israel Lands Administration 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.

Lease payments

Payments made under operating leases, other than conditional lease payments, are recognized in profit or loss on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the financing expense and the reduction of the outstanding liability. The financing expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

K. Revenue recognition

The Company recognizes revenue when the customer obtains control over the promised goods. The revenue is measured according to the amount of the consideration to which the Company expects to be entitled in exchange for the goods promised to the customer, other than amounts collected for third parties.

Revenues from the sale of electricity and gas are recognized when the units produced are transferred to the grid at connection points on the basis of a meter reading.

Revenues in respect of units produced and transferred to the grid in the period between the most recent meter reading and the date of the statement of financial position, are included based on an estimate.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 3 - Significant Accounting Policies (cont'd)**K. Revenue recognition (cont'd)****Identifying the contract**

The Company accounts for a contract with a customer only when the following conditions are met:

- (a) The parties to the contract have approved the contract (in writing, orally or according to other customary business practices) and they are committed to satisfying the obligations attributable to them;
- (b) The Company can identify the rights of each party in relation to the goods that will be transferred;
- (c) The Company can identify the payment terms for the goods that will be transferred;
- (d) The contract has a commercial substance (i.e. the risk, timing and amount of the entity's future cash flows are expected to change as a result of the contract); and
- (e) It is probable that the consideration, to which the Company is entitled to in exchange for the goods transferred to the customer, will be collected.

For the purpose of paragraph (e) the Company examines, inter alia, the percentage of the advance payments received and the spread of the contractual payments, past experience with the customer and the status and existence of sufficient collateral.

If a contract with a customer does not meet all of the above criteria, consideration received from the customer is recognized as a liability until the criteria are met or when one of the following events occurs: the Company has no remaining obligations to transfer goods to the customer and any consideration promised by the customer has been received and cannot be returned; or the contract has been terminated and the consideration received from the customer cannot be refunded.

Determining the transaction price

The transaction price is the amount of the consideration to which the Company expects to be entitled in exchange for the goods promised to the customer.

Contract modifications

A contract modification is a change in the scope or price (or both) of a contract that was approved by the parties to the contract. A contract modification can be approved in writing, orally or be implied by customary business practices. A contract modification can take place also when the parties to the contract have a disagreement regarding the scope or price (or both) of the modification or when the parties have approved the modification in scope of the contract but have not yet agreed on the corresponding price modification.

When a contract modification has not yet been approved by the parties, the Company continues to recognize revenues according to the existing contract, while disregarding the contract modification, until the date the contract modification is approved or the contract modification is legally enforceable.

The Company accounts for a contract modification as an adjustment of the existing contract since the remaining goods after the contract modification are not distinct and therefore constitute a part of one performance obligation that is partially satisfied on the date of the contract modification. The effect of the modification on the transaction price is recognized as an adjustment to revenues (increase or decrease) on the date of the contract modification, meaning on a catch-up basis.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 3 - Significant Accounting Policies (cont'd)**K. Revenue recognition (cont'd)****Seasonality**

Solar power production has a seasonal cycle due to its dependency on the direct and indirect sunlight and the effect the amount of sunlight has on the output of energy produced. Thus, low radiation levels during the winter months decrease power production.

Service concession arrangements

Operation revenue is recognized in the period in which the goods are provided by the Company.

Sale of goods

Revenue from the sale of goods in the ordinary course of business is measured at the fair value of the consideration received or receivable, net of returns and discounts. When the credit period is short and constitutes the accepted credit in the industry, the future consideration is not discounted.

Revenue is recognized when persuasive evidence exists (usually in the form of an executed sales agreement) that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Transfers of risks and rewards vary depending on the individual terms of the contract of sale. Transfer usually occurs when the products are received by the customer.

L. Income tax

Income tax comprises of current tax and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that the tax arises from items which are recognized directly in equity. In such cases, the tax effect is also recognized in the relevant item in equity.

Current tax is the expected tax payable (or receivable) on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date. Current taxes also include taxes in respect of prior years. Current tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and there is intent to settle current tax liabilities and assets on a net basis or the tax assets and liabilities will be realized simultaneously.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for a limited number of exceptions:

- The initial recognition of goodwill,
- The initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 3 - Significant Accounting Policies (cont'd)**L. Income tax (cont'd)**

- Differences relating to investments in subsidiaries, joint arrangements and associates, to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future, either by way of selling the investment or by way of distributing dividends in respect of the investment.

A deferred tax asset is recognized for unused tax losses, tax benefits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets that were not recognized are reevaluated at each reporting date and recognized if it has become probable that future taxable profits will be available against which they can be utilized.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to apply to temporary differences when they reverse, based on tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset deferred tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle deferred tax liabilities and assets on a net basis or their deferred tax assets and liabilities will be realized simultaneously.

A provision for uncertain tax positions, including additional tax and interest expenses, is recognized when it is more probable than not that the Company will have to use its economic resources to pay the obligation.

M. Earnings (loss) per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for treasury shares. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, after adjustment for treasury shares, for the effects of all dilutive potential ordinary shares, which comprise share options granted to directors and employees.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 3 - Significant Accounting Policies (cont'd)**N. Financing income and expenses**

Financing income comprises interest income on bank deposits and marketable securities, gains on changes in the fair value of financial assets at fair value through profit or loss, gains on hedging instruments that are recognized in profit or loss and exchange rate differences. Interest income is recognized as it accrues. Changes in the fair value of financial assets at fair value through profit or loss also include income from dividends and interest.

Financing expenses consist of bank charges, interest expenses on borrowings and debentures, changes in the fair value of financial assets at fair value through profit or loss, losses on hedging instruments that are recognized in profit or loss, and exchange rate differences.

Borrowing costs, which are not capitalized to qualifying assets, are recognized in profit or loss using the effective interest method. 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.

In the statements of cash flows, interest received and Interest paid are presented as part of cash flows from operating activities.

O. Service concession arrangements

As part of service concession arrangements with Government bodies for the construction and operation of a facility in consideration for fixed and variable payments, the Company recognizes a financial asset commencing from the start of the construction of the facility when it has an unconditional right to receive cash or some other financial asset for the construction services. The financial asset reflects the unconditional payments receivable in the future from the Government body and bears an appropriate rate of interest for risk that is determined based on the risk of the customer. The aforementioned financial assets are stated at fair value upon initial recognition and at amortized cost in subsequent periods.

As from January 1, 2018, the Company's right to receive consideration for the construction services, constitutes a contract asset until the end of the construction period.

In projects accounted for using the financial asset model, when at the end of the construction period there is an unconditional right (other than that of the passing of time) to receive consideration for the construction services, the contract asset is classified to receivables (financial asset) according to the carrying amount of the contract asset. When at the end of the construction period the right to receive consideration for the construction services is conditional on other than the passing of time (such as current operation of the facility), the contract asset is not reclassified until the right to receive consideration is unconditional, which for certain projects means classification as a contract asset until actual receipt of the consideration.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 3 - Significant Accounting Policies (cont'd)

P. New standards, amendments to standards and interpretations not yet adopted**(1) Amendment to IAS 1, *Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current* ("the Amendment")**

The Amendment replaces certain requirements for classifying liabilities as current or non-current. Thus for example, according to the Amendment, a liability will be classified as non-current when the entity has the right to defer settlement for at least 12 months after the reporting period, and it "has substance" and is in existence at the end of the reporting period, this instead of the requirement that there be an "unconditional" right. According to the Amendment, a right is in existence at the reporting date only if the entity complies with conditions for deferring settlement at that date. Furthermore, the Amendment clarifies that the conversion option of a liability will affect its classification as current or non-current, other than when the conversion option is recognized as equity. The Amendment is effective for reporting periods beginning on or after January 1, 2023 with earlier application being permitted. The Amendment is applicable retrospectively, including an amendment to comparative data.

The Company has not yet commenced examining the effects of applying the Amendment on the financial statements.

(2) Amendment to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* ("the Amendment")

According to the Amendment, when assessing whether a contract is onerous, the costs of fulfilling a contract that should be taken into consideration are costs that relate directly to the contract, which include as follows:

- Incremental costs; and
- An allocation of other costs that relate directly to fulfilling a contract (such as depreciation expenses for fixed assets used in fulfilling that contract and other contracts).

The Amendment is effective retrospectively for annual periods beginning on or after January 1, 2022, in respect of contracts where the entity has not yet fulfilled all its obligations. Early application is permitted. Upon application of the Amendment, the entity will not restate comparative data, but will adjust the opening balance of retained earnings at the date of initial application, by the amount of the cumulative effect of the Amendment.

The Company has not yet commenced examining the effects of applying the Amendment on the financial statements.

(3) Amendment to IAS 16, *Property, Plant and Equipment* ("the Amendment")

The Amendment annuls the requirement by which in the calculation of costs directly attributable to fixed assets, the net proceeds from selling certain items that were produced while the Company tested the functioning of the asset should be deducted (such as samples that were produced when testing the equipment). Instead, such proceeds shall be recognized in profit or loss according to the relevant standards and the cost of the sold items will be measured according to the measurement requirements of IAS 2, Inventories. The Amendment is effective for annual periods beginning on or after January 1, 2022. Early application is permitted. The Amendment shall be applied on a retrospective basis, including an amendment of comparative data, only with respect to fixed asset items that have been brought to the location and condition required for them to operate in the manner intended by management subsequent to the earliest reporting period presented at the date of initial application of the Amendment. The cumulative effect of the Amendment will adjust the opening balance of retained earnings for the earliest reporting period presented.

The Company commences examining the effects of applying the Amendment on the financial statements.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 3 - Significant Accounting Policies (cont'd)

P. New standards, amendments to standards and interpretations not yet adopted (cont'd)**(4) Amendment to IFRS 3, *Business Combinations* ("the Amendment")**

The Amendment replaces the requirement to recognize liabilities from business combinations in accordance with the conceptual framework, the reason being that the interaction between those instructions and the guidance provided in IAS 37 regarding recognition of liabilities was unclear in certain cases. The Amendment adds an exception to the principle for recognizing liabilities in IFRS 3. According to the exception, contingent liabilities are to be recognized according to the requirements of IAS 37 and IFRIC 21 and not according to the conceptual framework. The Amendment prevents differences in the timing of recognizing liabilities that could have led to the recognition of gains and losses immediately after the business combination (day 2 gain or loss). The Amendment also clarifies that contingent assets are not to be recognized on the date of the business combination.

The Amendment is effective for annual periods beginning on or after January 1, 2022.

The Company has not yet commenced examining the effects of applying the Amendment on the financial statements.

(5) Amendment to IFRS 9, *Financial Instruments*, IAS 39, *Financial Instruments: Recognition and Measurement*, IFRS 7, *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16, *Leases*, *Interest Rate Benchmark Reform – Phase 2* ("the Amendments")

The Amendments include practical expedients regarding the accounting treatment of modifications in contractual terms that are a result of the interest rate benchmark reform (a reform that in the future will lead to the replacement of interest rates such as the Libor and Euribor). Thus for example:

- When certain modifications are made in the terms of financial assets or financial liabilities as a result of the reform, the entity shall update the effective interest rate of the financial instrument instead of recognizing a gain or loss.
- Certain modifications in lease terms that are a result of the reform shall be accounted for as an update to lease payments that depend on an index or rate.
- Certain modifications in terms of the hedging instrument or hedged item that are a result of the reform shall not lead to the discontinuance of hedge accounting.

The Amendments are applicable retrospectively as from January 1, 2021 with early application permitted. All the amendments are applicable retrospectively by amending the opening balance of equity for the annual reporting period in which the amendment was adopted without a restatement of comparative data. Restatement of comparative data is permitted if this is possible without using "hindsight".

In the opinion of the Company, application of the Amendments is not expected to have a material effect on the financial statements. See Note 21 E regarding market risk.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 4 - Cash and Cash Equivalents

	December 31	
	2020	2019
	€ in thousands	
Cash	37,887	24,948
On call deposits	28,958	19,561
Cash and cash equivalents	66,845	44,509
Cash and cash equivalents in the statement of cash flows	66,845	44,509

The Company's exposure to credit, interest rate and currency risks, and a sensitivity analysis for financial assets, are included in Note 21 regarding financial instruments.

Note 5 - Restricted Cash, Deposits and Marketable Securities

	December 31	
	2020	2019
	€ in thousands	
Marketable securities ⁽¹⁾	1,761	2,242
Short-term restricted cash	-	22,162
Short-term deposits	8,113	6,446
Long-term restricted non-interest bearing bank deposits ⁽²⁾	2,138	3,094
Restricted cash, long-term bank deposits ⁽³⁾	7,793	7,862
Long-term restricted cash and deposits	9,931	10,956

(1) During 2020, the Company invested in a traded Corporate Bond (rated BB+ by Moody's) with a coupon rate of 5.569%.

(2) Deposits used to secure obligations towards the Israeli Electricity Authority for the license for the pumped-storage project in the Manara Cliff in Israel and to secure obligations under loan agreements (see Note 11).

(3) Bank deposits used to secure obligations under loan agreements (see Note 11).

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 6 - Investee Companies and other investments

A. Equity accounted investees

U. Dori Energy Infrastructures Ltd. ("Dori Energy") –

On November 25, 2010, the Company through its wholly owned subsidiary, Ellomay Clean Energy Ltd. ("Ellomay Energy") entered into an Investment Agreement (the "Dori Investment Agreement") with Dori Group Ltd. ("Dori Group") (currently Amos Luzon Entrepreneurship and Energy Group Ltd. – "Luzon Group"), and Dori Energy, with respect to an investment in Dori Energy. The Company holds 50% of Dori Energy that holds 18.75% of the share capital of Dorad Energy Ltd. ("Dorad"), which owns an approximate 860 MWp dual-fuel operated power plant in the vicinity of Ashkelon, Israel (the "Dorad Power Plant").

Concurrently with the execution of the Dori Investment Agreement, Ellomay Energy, Dori Energy and Dori Group have also entered into the Dori Shareholders Agreement ("Dori SHA"). The Dori SHA grants each of Dori Group and Ellomay Energy with equal rights to nominate directors in Dorad, provided that in the event Dori Energy is entitled to nominate only one director in Dorad, such director shall be nominated by Ellomay Energy for so long as Ellomay Energy holds at least 30% of Dori Energy.

On May 12, 2014, Dorad was issued production licenses for 20 years and a supply license for one year and, on May 19, 2014, Dorad began commercial operation of the power plant. In July 2015, Dorad was issued a long term supply license that will expire on May 11, 2034.

As of December 31, 2020, subordinated shareholder loans granted by the Company to Dori Energy amount to approximately NIS 35,725 thousand (approximately €9,058 thousand). The shareholder loans are linked to the Israeli CPI and bear an annual interest rate that is 3% higher than the interest Dorad is committed to pay to Dorad's financing consortium during the financial period in respect of the "senior debt" (5.1% as of December 31, 2020).

During January and November 2018, Dorad repaid interest and principal on account of shareholders loans in the aggregate amount of approximately NIS 80,000 thousand and NIS 110,000 thousand, respectively (approximately €9,265 thousand and €26,040 thousand, respectively based on the euro/NIS exchange rate at that time). During 2018, Dori Energy paid the Company an aggregate amount of approximately NIS 19,250 thousand (approximately €4,576 thousand based on the euro/NIS exchange rate at that time) as repayment of shareholders loans. In June 2019, Dorad made the final repayment of shareholders loans in the aggregate amount of NIS 19 million, of which Dori Energy received approximately NIS 3,733 thousand (approximately €896 thousand based on the euro/NIS exchange rate at that time). In connection with the June 2019 repayment by Dorad, the Company received an amount of NIS 1,500 thousand (approximately €370 thousand based on the euro/NIS exchange rate at that time). In February 2020, Dorad declared a dividend distribution of NIS 120,000 thousand (approximately €31,600 based on the euro/NIS exchange rate at that time thousand). In connection with such dividend distribution, in March 2020 Dori Energy received NIS 22,500 thousand (approximately €5,800 thousand based on the euro/NIS exchange rate at that time) and repaid an amount of NIS 10,250 thousand (approximately €2,560 thousand based on the euro/NIS exchange rate at that time) loan to the Company.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 6 - Investee Companies and other investments (cont'd)

A. Equity accounted investees (cont'd)

U. Dori Energy Infrastructures Ltd. ("Dori Energy") (cont'd)–

As of December 31, 2020, Dorad provided, through its shareholders at their proportionate holdings and as required by the financing agreements executed by Dorad, guarantees in favor of the Israeli Electricity Authority, the Israeli Electric Company ("IEC") and the Israel Natural Gas Lines Ltd. Total performance guarantees provided by Dorad amounted to approximately NIS 175,000 thousand (approximately €44,370 thousand). The Company's indirect share of guarantees provided on behalf of Dorad by Dorad's shareholders is approximately NIS 16,406 thousand (approximately €4,160 thousand).

On December 24, 2018 the Israeli Electricity Authority published a decision regarding "Electricity Rates for Customers of IEC in 2019" which in accordance the average production component will increase by about 3.3% from January 1, 2019 and will remain in effect to the end of 2019. On December 23, 2019, the Israeli Electricity Authority published a decision regarding "Annual Electricity Rate Update 2020", which, among other things, averaged a 7.9% decrease in the production component as of January 1, 2020, and will remain in effect to the end of 2020. On December 27, 2020, the Israeli Electricity Authority published a decision regarding "2021 Annual Update to the Electricity Rate," which, among other things, provided for a decrease of approximately 5.7% in the average production component commencing January 1, 2021 and effective throughout 2021.

In August 2019, the Israeli Electricity Authority published a proposed resolution that is subject to a public hearing concerning an amendment to the standards governing deviations from consumption plans. These standards regulate the accounting mechanism in the event the actual consumer consumption is different than the consumption plan submitted by the electricity manufacturers, and include a mechanism protecting the manufacturers from random deviations in actual consumption volumes. The Israeli Electricity Authority proposed revoking the protections included in the aforementioned standards, claiming that the manufacturers are misusing the protections and regularly submit plans and forecasts that deviate from the actual expected consumption, and also seeks to impose financial sanctions on the manufacturers, which may be in material amounts upon the occurrence of certain deviation events. On January 27, 2020, the Israeli Electricity Authority issued a resolution amending the standards and imposing financial sanctions in cases of certain extraordinary events that may add up to significant sums. The resolution entered into effect as of September 1, 2020.

On November 22, 2020, the IEC filed a third-party notice against Dorad in connection with a class action submitted against the IEC claiming that the IEC was negligent in overseeing the private electricity manufacturers thereby damaging the electricity consumers. The claim against the IEC alleges that the private electricity manufacturers provided false reports in the consumption plans they submitted to the system manager in the IEC, based on the standards set by the Israeli Electricity Authority. At this point, based on the advice of legal counsel, Dorad cannot estimate the outcome of this legal proceeding.

The investment in Dori Energy is accounted for under the equity method.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 6 - Investee Companies and other investments (cont'd)

A. Equity accounted investees (cont'd)

U. Dori Energy Infrastructures Ltd. ("Dori Energy") (cont'd)–

Dorad and its shareholders are involved in several legal proceedings as follows:

Petition to Approve a Derivative Claim filed by Dori Energy

On July 16, 2015, Dori Energy and Dori Energy's representative on Dorad's board of directors, Mr. Hemi Raphael, filed a petition (the "Petition"), for approval of a derivative action on behalf of Dorad with the Economic Department of the Tel Aviv-Jaffa District Court. The Petition was filed originally against Zorlu Enerji Elektrik Uretim A.S, which holds 25% of Dorad ("Zorlu"), Zorlu's current and past representatives on Dorad's board of directors and Wood Group Gas Turbines Services Ltd. ("Wood Group") and several of its affiliates, and thereafter amended to add Mr. Ori Edelsburg (a director in Dorad) and affiliated companies.

Petition to Approve a Derivative Claim filed by Dori Energy (cont'd)

The petition requested, inter alia, that the court instruct the defendants to disclose and provide to Dorad documents and information relating to the contractual relationship between Zorlu and Wood Group, which included the transfer of funds from Wood Group to Zorlu in connection with the EPC agreement of the Dorad Power Plant.

On December 27, 2016, this proceeding, as well as the two proceedings mentioned below, were moved to an arbitration proceeding. On February 23, 2017, a statement of claim was filed by Dori Energy and Mr. Hemi Raphael on behalf of Dorad against Zorlu, Mr. Edelsburg, Edelcom Ltd. ("Edelcom") and Edeltech Holdings 2006 Ltd. in which they repeated their claims included in the Petition and in which they required the arbitrator to obligate the defendants, jointly and severally, to pay an amount of \$183,367,953 plus interest and linkage to Dorad.

In April 2017, the defendants filed their statements of defense. Within the said statements of defense, Zorlu attached a third party notice against Dorad, Dori Energy and the Luzon Group, in the framework of which it repeated the claims on which its defense statement was based and claimed, among other claims, that if the plaintiffs' claim against Zorlu was accepted and would negate Zorlu's right receive compensation and profit from its agreement with Dorad and therefore Zorlu should be compensated in the amount of approximately NIS 906.4 million (approximately €18 million). Similarly, also within their statement of defense, Edelcom, Mr. Edelsburg and Edeltech (together, the "Edelsburg Group") filed a third party notice against Dori Energy claiming for breaches by Dori Energy of the duty to act in good faith in contract negotiations and that any amount ruled will constitute unlawful enrichment.

On October 1, 2017, Eilat Ashkelon Infrastructure Services Ltd. ("EAIS"), which holds 37.5% of Dorad's shares, filed a statement of claim in the arbitration proceedings. In its statement of claim, EAIS joins Dori Energy's and Mr. Raphael's request as set forth in the statement of claim filed by them in the arbitration proceeding and raises claims that are similar to the claims raised by Dori Energy and Mr. Raphael. In January 2018 the arbitrator provided its ruling that the legal validity of the actions or inactions of board members of Dorad will be attributed to the entities that are shareholders of Dorad on whose behalf the relevant board member acted and the legal determinations, if any, will be directed only towards the shareholders of Dorad.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 6 - Investee Companies and other investments (cont'd)

A. Equity accounted investees (cont'd)

U. Dori Energy Infrastructures Ltd. ("Dori Energy") (cont'd)–

Petition to Approve a Derivative Claim filed by Dori Energy (cont'd)

During January 2018, Mr. Edelsburg, Edelcom and Zorlu filed their statement of defense in connection with the claim filed by EAIS and also filed third party notices against EAIS, Dori Energy and the Luzon Group claiming that EAIS and the Luzon Group enriched themselves at Dorad's account without providing disclosure to the other shareholders and requesting that, should the position of Dori Energy and EAIS be accepted in the main proceeding, the arbitrator, among other things, obligate EAIS to refund to Dorad all of the rent paid to date and determine that Dorad is not required to pay any rent in the future or determine that the rent fees be reduced to their market value and refund Dorad the excess amounts paid by it to EAIS, determine that the board members that represent EAIS and Dori Energy breached their fiduciary duties towards Dorad and obligate EAIS and Dori Energy to pay the amount of \$140 million (approximately €123 million), plus interest in the amount of \$43 million (approximately €38 million), which is the amount Zorlu received for the sale of its rights under the Dorad EPC agreement, and rule that in connection with the engineering and construction works performed by the Luzon Group, the Luzon Group and Dori Energy are required to refund to Dorad or compensate the defendants in an amount of \$24 million (approximately €21 million), plus interest and linkage and, alternatively, determine that Mr. Edelsburg, Edelcom and Zorlu are entitled to indemnification from the third parties for the entire amount they will be required to pay.

In May 2019, a new arbitrator was appointed and dates were set for the discovery process. The evidentiary hearings were scheduled during March-June 2020 and commencing August 2020. Due to the COVID-19 crisis, several evidentiary hearings scheduled during the period commencing March 2020 were cancelled. Evidentiary hearings were held during June, August, September, October and November 2020 and during February and March 2021 and the parties filed several motions in connection with the discovery process, the evidentiary hearings and expert opinions. Additional evidentiary hearings are scheduled for April-May 2021. On February 15, 2021 the arbitrator approved replacing the late Mr. Hemi Raphael as the claimant with Mr. Ran Fridrich.

With respect to the said third party notices, the Company estimates (after consulting with legal counsel) that if the main (Derivative) claim is dismissed then the third party notices will be redundant, whereas if the main claim is accepted, it is more likely than not that the third party notices shall be rejected, as they are based on arguments similar to those raised by the defendants in their statements against of defense filed against the main claim. The Company estimates (after consulting with legal counsel), that at this stage it is not yet possible to assess the outcome of the proceeding.

Petition to Approve a Derivative Claim filed by Edelcom

On July 25, 2016, Edelcom, which holds 18.75% of Dorad, filed a petition for approval of a derivative action on behalf of Dorad (the "Edelcom Petition") against Ellomay Energy, Luzon Group, Dori Energy and Dorad following a letter delivered to Dorad on February 25, 2016. The Edelcom Petition refers to an entrepreneurship agreement that was signed on November 25, 2010 between Dorad and the Luzon Group, pursuant to which the Luzon Group received payment in the amount of approximately NIS 49.4 million (approximately €1.9 million) in consideration for management and entrepreneurship services.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 6 - Investee Companies and other investments (cont'd)

A. Equity accounted investees (cont'd)

U. Dori Energy Infrastructures Ltd. ("Dori Energy") (cont'd)–

Petition to Approve a Derivative Claim filed by Edelcom (cont'd)

Pursuant to this agreement, the Dori Group undertook to continue holding, directly or indirectly, at least 10% of Dorad's share capital for a period of 12 months from the date the Dorad Power Plant is handed over to Dorad by the construction contractor. The Edelcom Petition claims that as a consequence of the management rights and the options to acquire additional shares of Dori Energy granted to the Company pursuant to the Dori Investment Agreement, the holdings of the Dori Group in Dorad have fallen below 10% upon execution of the Dori Investment Agreement. The Edelcom Petition therefore claims that Dori Group breached its commitment according to entrepreneurship agreement and requests that a derivative action be approved to recover an amount of NIS 49.4 million, plus linkage and interest from the defendants. As noted above, on December 27, 2016, this proceeding, along with the proceeding mentioned above and below, was moved to arbitration. For more information see above.

The Company estimates (after consulting with legal counsel), that as at December 31, 2020, it is not yet possible to assess the outcome of the proceeding.

Opening Motion filed by Zorlu

On April 8, 2019, Zorlu filed an opening motion with the District Court in Tel Aviv against Dorad and the directors serving on Dorad's board on behalf of Dori Energy and EAIS. In the opening motion, Zorlu asked the court to instruct Dorad to convene a shareholders meeting and to include a discussion and a vote on the planning and construction of an additional power plant adjacent to the existing power plant (the "Dorad 2 Project"), on the agenda of this meeting. Zorlu claimed that while the articles of association of Dorad provides that the planning and construction of an additional power plant requires a unanimous consent of the Dorad shareholders, and while Zorlu and Edelcom are opposed to this project, including due to the current disagreements among Dorad's shareholders, Dorad continued taking actions to advance the project, which include spending substantial amounts out of Dorad's funds. Zorlu further claims that the representatives of Dori Energy and EAIS on the Dorad board have acted to prevent the convening of a shareholders meeting as requested by Zorlu. On April 16, 2019, Edelcom submitted a request to join the opening motion as an additional respondent as Edelcom claims that it is another shareholder in Dorad that opposes the advancement of the project at this stage. In addition, Edelcom joined Dori Energy and EAIS as additional respondents to its request, claiming that these entities are required to be part of the proceeding in order to reach a complete and efficient resolution. All parties agreed to the joining of Edelcom, Dori Energy and EAIS to the proceeding. On June 15, 2019, Edelcom filed its response to the petition, requesting that the court accept the petition. On August 13, 2019, Dorad, EAIC and the Dorad board members submitted their responses and requested that the petition be dismissed.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 6 - Investee Companies and other investments (cont'd)

A. Equity accounted investees (cont'd)

U. Dori Energy Infrastructures Ltd. ("Dori Energy") (cont'd)–

On December 8, 2019 an evidentiary hearing was held. The parties filed their summations in writing during June and July 2020. On August 27, 2020, Dorad informed the District Court that the National Infrastructure Committee resolved, inter alia, to approve the presentation of the plan submitted by Doard in connection with the additional power plant to the District Committee's and the public's comments, subject to amendments. On September 9, 2020, Eilat-Ashkelon Infrastructure Services Ltd., one of the shareholders of Dorad, and its representatives on the Dorad board of directors submitted a response to the notice, claiming that the information included in the notice supports a rejection of the opening motion. Zurlo and Edelcom each filed a response on September 13, 2020 asking to remove the notice provided by Dorad from the District Court's file. On September 17, 2020, the District Court ruled that the notice will not be removed from the file. *To the Company's knowledge, the Dorad 2 Project is currently under initial internal examination by Dorad and there can be no assurance as to if, when and under what terms it will be advanced or promoted by Dorad.*

Composition of the investments

	December 31	
	2020	2019
	€ in thousands	
Investment in shares	24,047	23,580
Long-term loans	8,745	10,595
Deferred interest	(558)	(614)
	<u>32,234</u>	<u>33,561</u>

Changes in investments

	2020	2019
	€ in thousands	
Changes in equity and loans:		
Balance as at January 1	33,561	28,161
Long term loans extended	181	-
Repayment of long term loans	(2,560)	(370)
Interest and reevaluation in connection with long term loans	758	782
Deferred interest	56	54
Elimination of interest on loan from related party	(676)	(868)
The Company's share of income	1,525	3,086
Foreign currency translation adjustments	(611)	2,716
Balance as at December 31	<u>32,234</u>	<u>33,561</u>

A. Equity accounted investees (cont'd)

Summary financial data for investees, not adjusted for the percentage ownership held by the Company

(a) Summary information on financial position

	Rate of ownership %	Current Assets	Non- current assets	Total assets	Current liabilities	Non- current liabilities	Total liabilities	Equity attributable to the owners of the Company	Company's share	Surplus Costs and goodwill	Other Adjustments	Carrying Amount of investment
	€in thousands											
2020												
Dori Energy	50	276	60,257	60,533	(256)	(16,885)	(17,141)	43,392	21,696	2,800	(449)	24,047
2019												
Dori Energy	50	55	62,500	62,555	(208)	(20,864)	(21,072)	41,483	20,742	3,269	(431)	23,580

(b) Summary information on operating results

	Rate of ownership as of December %	Income for the year	Company's share	Elimination of interest on loan from related party € in thousands	Other Adjustments	Company's share of income of investee
2020						
Dori Energy	50	2,619	1,310	676	(461)	1,525
2019						
Dori Energy	50	5,281	2,640	868	(422)	3,086

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 6 - Investee Companies and other investments (cont'd)

B. Pumped Storage Projects**Loan to PSP Gilboa and Related Receivables**

In June, 2020, following the commencement of operations of a pumped storage project in the Gilboa, Israel, we received an amount of approximately NIS 5,500 thousand (approximately €1,418 thousand) from A.R.Z. Electricity Ltd. ("A.R.Z."). The amount was due to us as part of an agreement between us and A.R.Z. related to the repayment of a loan we provided to A.R.Z. during 2013 and is the second and last installment under such agreement.

Pumped-storage project in the Manara Cliff in Israel ("Manara PSP")-

On November 3, 2014, Ellomay Manara (2014) Ltd., the Company's indirectly wholly-owned subsidiary ("Ellomay Manara"), consummated the acquisition of 75% of the rights in Agira Sheva Electra, L.P. (the "Partnership"), as well as 75% of the holdings in Chashgal Elyon Ltd., which is the general partner in the Partnership (the "GP"), from Electra Ltd. ("Electra"), Ortam Sahar Engineering Ltd. ("Ortam") and the Galilee Development Cooperative Ltd., an Israeli cooperative ("Galilee"). The remaining 25% of the holdings in the Partnership and in the GP are held by Sheva Mizrakot Ltd., an Israeli private company ("Sheva Mizrakot"). The Company and Ellomay Manara did not pay any consideration upon the acquisition, and undertook to pay certain consideration upon the fulfillment of certain conditions and milestones. On the same date, Ellomay Manara acquired Ortam's holdings (50%) in the engineering, procurement and construction contractor of the aforementioned project (the "EPC") and immediately transferred such holdings to a subsidiary of Electra, which, following such transfer, now holds 100% of the EPC. According to the various agreements executed in connection with the Manara PSP, the Company and Ellomay Manara are jointly and severally liable to all the monetary obligations under these agreements.

In December 2018, the Company executed a settlement agreement (the "A.R.Z. Settlement Agreement") with A.R.Z., an Israeli private company that at the time held 33.33% of Sheva Mizrakot. The A.R.Z. Settlement Agreement resolves a claim made by A.R.Z. and Mr. Raanan Aloni against the Company and its affiliates, in connection with the Manara PSP, and other disputes between such parties concerning the Manara PSP. In connection with the Manara PSP Project Finance that occurred on February 2021, and based on the A.R.Z. Settlement Agreement, A.R.Z. was required to provide its indirect share of equity investment and financing to the Manara PSP. Due to the failure to provide the required funds, Ellomay Water Plants Holdings (2014) Ltd., the Company's wholly-owned subsidiary that holds 75% of Ellomay PS, seized E.R.Z.'s holdings in Sheva Mizrakot (33%) and, as a result, the Company's indirect holdings in the Manara PSP increased from 75% to 83.333% in January 2021.

As of December 31, 2020, the Company paid an amount of approximately NIS 3,400 thousand (approximately €869 thousand) on account of the consideration upon the acquisition and may be required, if certain conditions and milestones are met (which conditions and milestones have not currently been met), to pay certain parties additional amounts, which in the aggregate are not expected to exceed an amount of approximately NIS 26,000 thousands (approximately €6,592 thousand).

Ellomay Pumped Storage (2014) Ltd. ("Ellomay PS"), the Company's subsidiary, initially received a conditional license for the Manara PSP from the Israeli Minister of Energy (the "Minister") for the construction of a pumped storage plant in the Manara Cliff with a capacity of 340 MW. The Conditional License includes several conditions precedent to the entitlement of the holder of the Prior Conditional License to receive an electricity production license.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 6 - Investee Companies and other investments (cont'd)

B. Pumped Storage Projects (cont'd)

On March 3, 2017, Ellomay PS filed a Petition, with the Israeli High Court of Justice against the Minister, the Electricity Authority and Kochav Pumped Storage Ltd. ("Kochav PS"). Ellomay PS has also filed concurrently with the Petition, a motion for an interim relief, which would prevent the Minister and the Israeli Electricity Authority from granting Kochav PS any approval in connection with its compliance with any milestones stipulated in its conditional license. The Petition was filed in connection with the decision of the Israeli Electricity Authority, dated February 20, 2017, to extend the following milestones deadlines stipulated in Kochav PS's conditional license: (i) financial closing milestone deadline; and (ii) construction period for Kochav PS's project. The Minister and the Israeli Electricity Authority claimed, amongst other claims, that the motion should be dismissed, as should the Petition. In May 2017, the Israeli High Court of Justice dismissed the Petition.

On December 27, 2017, Kochav PS filed a statement of claim against Ellomay PS with the Tel Aviv – Jaffa Magistrate Court claiming damages allegedly caused due to delays in connection with the Petition. Kochav PS claims damages in an aggregate amount of approximately NIS 4.2 million (approximately €1.02 million). Kochav PS claims damages in an aggregate amount of approximately NIS 4,238 thousand (approximately €1,020 thousand). On March 18, 2018 the Court ordered Kochav PS to submit a Letter of Commitment. In April 2018 Ellomay PS submitted a statement of defense and in August 2018 Kochav PS submitted a plea. In July 2020 the parties reached a settlement whereby Ellomay PS paid an amount of NIS 350 thousand (approximately €88 thousand).

On December 4, 2017, the Israeli Electricity Authority announced the reduction of the capacity stipulated in the Prior Conditional License issued to Ellomay PS from 340 MW to 156 MW. The reduced capacity is based on the remaining portion of the quota for pumped storage projects in Israel as determined by the Israeli Government and implemented by the Israeli Electricity Authority, which is currently 800 MW, after deducting the capacity already allocated to two projects that were at the time in more advanced stages than the Manara PSP.

On February 26, 2020, Ellomay PS retracted the Prior Conditional License issued to it, which was due to expire on February 28, 2020 because Ellomay PS did not reach financial closing by such date as was required under the milestones included in the Prior Conditional License. On the same date, Ellomay PS filed an application for a new similar conditional license for a pumped storage facility with a capacity of 156 MW.

On June, 2020, the Israeli Minister of Energy executed a new conditional license for the Manara Project (the "Conditional License"), following the retraction of the previous conditional license, which permits Ellomay PS to construct the Manara PSP. The Conditional License included several conditions precedent to the entitlement of Ellomay PS to receive an electricity production license. The Conditional License is valid for a period of seventy two (72) months commencing from the date of its approval by the Minister of Energy, subject to compliance by Ellomay PS with the milestones set forth therein and subject to the other provisions set forth therein (including a financial closing, the provision of guarantees and the construction of the pumped storage hydro power plant).

In December 2020 Ellomay PS received a land assessment from the Israel Land Authority ("ILA"), in connection with the Manara PSP and paid approximately NIS 66,700 thousand including VAT (approximately €16,980 thousand) in consideration for the ILA's consent to the sublease of the land on which the Manara PSP is currently planned to be constructed. The amount paid includes an amount of approximately NIS 9,900 thousand (approximately €2,520 thousand), excluding VAT, for royalties related to excess ground removal to the ILA.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 6 - Investee Companies and other investments (cont'd)

B. Pumped Storage Projects (cont'd)

On December 31, 2020 Ellomay PS received the conditional tariff approval for the project from the Israeli Electricity Authority that regulates the tariffs and formulas for purchasing energy from a pumped storage manufacturer connected to the transmission network for a period of 20 years beginning on the date of receipt of the permanent production license. The conditional tariff became effective following the financial closing of the Manara PSP in February 2021.

On February 11, 2021, the Manara PSP Project Finance reached financial closing. The Manara PSP Project Finance will be provided by a consortium of Israeli banks and institutional investors, arranged and led by Mizrahi-Tefahot Bank Ltd. The Manara PSP Project Finance is in the aggregate amount of NIS 1.18 billion (approximately €300 million based on the euro/NIS exchange rate as of December 31, 2020), and includes: (i) a Senior Secured Tranche at a fixed rate of interest for each drawdown, with base interest rate equal to the yield to maturity of Israeli treasury bonds with like duration of the loan drawdown, plus a spread of 3.25% per-annum during the Construction Period of the Project and a spread of 2.40% per-annum from the Actual Completion Date of the Project which proceeds the Commercial Operation Date of the Project. The Senior Secured Tranche is linked to the Israeli Consumer Price Index and is to be repaid over a period of 19.5 years from the commercial operation date; and (ii) a Subordinated Secured B Tranche at a floating rate of interest, with the base interest being the Bank of Israel rate, plus a spread of 4.35% per-annum during the Construction Period and a spread of 3.90% per-annum from the Actual Completion Date. The stated maturity of the Tranche B loan is one year less than the maturity of the Senior Secured Loan with a cash sweep mechanism that shortens its maturity to approximately 12 years from the Commercial Operation Date under the Base Case Financial Model.

The Manara PSP Project Finance includes customary terms in connection with early prepayment, acceleration of payments upon certain breaches and limitations on distributions. The Manara PSP Project Finance also includes ancillary facilities such as Standby, VAT, Guarantees and Debt Service Reserve facilities in an aggregate amount of approximately NIS 146 million (approximately €37 million based on the euro/NIS exchange rate as of December 31, 2020).

The Average Annual Debt Service Cover Ratio (ADSCR) is 1.35:1.00 under the base case financial model for the Senior Secured Tranche. The default ADSCR is 1.05:1.00.

Sheva Mizrakot and Ellomay Water undertook to provide aggregate financing of approximately NIS 353 million (approximately €90 million based on the euro/NIS exchange rate as of December 31, 2020), pro rata to their holdings in the Manara PSP.

The Manara PSP Project Finance includes mandatory cash sweeps upon certain cover ratio and other events with respect to the Senior Secured Tranche, Cash sweep payments in connection with the Subordinated Secured Tranche as mentioned above and other lender protection mechanisms. In addition, the Manara PSP Project Finance agreement permits the shareholders of the Manara PSP to withdraw a developers' fee at the Actual Completion Date (as such term is defined in the Manara PSP Project Finance agreement) of the Manara Project, subject to availability of funding in the Standby Facility at the time and provided certain the Average ADSCR at the time is not less than a certain ratio.

Ellomay and Ampa Investments Ltd., which indirectly owns 16.667% of Ellomay PS, provided certain sponsor support undertakings towards the lenders commensurate with the size and complexity of the project and the length of the construction period.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 6 - Investee Companies and other investments (cont'd)**B. Pumped Storage Projects (cont'd)**

In 2019 and 2020 the Company recorded approximately €3,487 thousand and €925 thousand, respectively, under project development costs. The amounts are mainly attributable to consultancy expenses for the planned construction of Manara PSP power plant. Commencing the fourth quarter of 2020, as it is probable that the Company will enjoy future economic benefits in connection with the Manara PSP, expenses in connection with the Manara PSP are capitalized as assets. As at December 31, 2020, amount of €16,607 thousand were capitalized as assets.

C. Development of PV Projects in Italy**First Framework Agreement**

In November 2019, Ellomay Luxembourg executed a Framework Agreement, or the First Framework Agreement, with an established and experienced European developer and contractor. Pursuant to the First Framework Agreement, the developer will scout and develop photovoltaic greenfield projects in Italy with the aim of reaching an aggregate authorized capacity of at least 250 MW over a three-year period. The First Framework Agreement provides that each project will be presented to Ellomay Luxembourg when it becomes "ready to build". Thereafter, if Ellomay Luxembourg accepts the project, the developer is obligated to transfer to Ellomay Luxembourg 100% of the share capital of the entity that holds the rights to the project. With respect to each project, subject to the conditions set forth in the First Framework Agreement, Ellomay Luxembourg will enter into engineering, procurement and construction, or EPC, and O&M contracts with the developer to construct and operate the projects.

The First Framework Agreement provides that when the first project under the First Framework Agreement achieves the positive environmental impact assessment, the parties will negotiate the terms of a model lump-sum, turnkey EPC contract and O&M contract that will be executed with the developer in connection with all projects acquired under the First Framework Agreement.

In connection with the execution of the First Framework Agreement, Ellomay Luxembourg paid the developer an advance payment of approximately €1,250 thousand and undertook to pay an additional advance payment per each project when the project submits its environmental impact assessment application. In September 2020 Ellomay Luxembourg paid an additional advance payment in the amount of approximately €304 thousand. In the event the target aggregate capacity is not achieved within a three-year period or in the event a project does not reach "ready to build" status, the advance payment will be proportionately refunded.

Second Framework Agreement

In December 2019, Ellomay Luxembourg executed an additional Framework Agreement, or the Second Framework Agreement, with an established and experienced European developer. Pursuant to the Second Framework Agreement, the developer will provide Ellomay Luxembourg with development services with respect to photovoltaic greenfield projects in Italy in the scope of 350 MW with the aim of reaching an aggregate "ready to build" authorized capacity of at least 265 MW over a forty-one month period. The Second Framework Agreement provides that the developer will offer all projects identified during the term of the Second Framework Agreement exclusively to Ellomay Luxembourg and that, with respect to each project acquired by Ellomay Luxembourg, the developer will be entitled to provide development services until it reaches the "ready to build" status. The parties agreed on a development budget including a monthly development service consideration, to be paid to the developer and all other payments for the tasks required to bring the projects to a ready to build. In addition, Ellomay Luxembourg undertook to pay a success fee to the developer with respect to each project that achieves a "ready to build" status. Currently development is progressing as planned.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 6 - Investee Companies and other investments (cont'd)

C. Development of PV Projects in Italy (cont'd)

In addition to the 265 MW mentioned above, Ellomay Luxembourg has the option to purchase approximately 37 MW that are already under development by the developer, 30 MW of which have already received the approval for connection to the Italian electricity grid.

The advancement and development of projects that will become part of the First and Second Framework Agreement is subject to various conditions, including receipt of regulatory approvals and authorizations and procurement of land rights. There can be no assurance as to the aggregate capacity of projects that will reach the "ready to build" status and as to the number and aggregate capacity of projects that Ellomay Luxembourg will decide to acquire or the success in completing construction of any of such projects. Any future decision of the Company with respect to the continued development of projects will be subject to the relevant circumstances existing at the time such decision will be made.

Composition of Advances on account of investments

	December 31	
	2020	2019
	€ in thousands	
On account of the Manara PSP	869	883
On account of Development of PV Projects in Italy	1,554	-
	<u>2,423</u>	<u>883</u>

Composition of short-term and long-term financial assets

	December 31	
	2020	2019
	€ in thousands	
Income receivable in connection with the A.R.Z. loan	-	1,418
	<u>-</u>	<u>1,418</u>

D. Subsidiaries -

1. Biogas Projects in the Netherlands

In July 2016, the Company, through its wholly-owned subsidiary Ellomay Luxembourg, entered into a strategic agreement ("the Ludan Agreement"), with Ludan Energy Overseas B.V. (an indirectly wholly-owned subsidiary of Ludan Engineering Co. Ltd. (TASE: LUDN)) ("Ludan") in connection with Waste-to-Energy (specifically Gasification and Bio-Gas (anaerobic digestion)) projects in the Netherlands. Pursuant to the Ludan Agreement, subject to the fulfillment of certain conditions, the Company, through Ellomay Luxembourg, was to acquire at least 51% of each project company and Ludan will own the remaining 49%.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 6 - Investee Companies and other investments (cont'd)**D. Subsidiaries - (cont'd)****1. Biogas Projects in the Netherlands (cont'd)**Groen Goor Anaerobic Digestion Project-

Pursuant to the Ludan Agreement, the Company, through Ellomay Luxembourg, acquired 51% of Groen Gas Goor B.V. ("Groen Goor"), a project company developing an anaerobic digestion plant, with a green gas production capacity of approximately 375 Nm³/h, in Goor, the Netherlands ("the Goor Plant") during 2016.

During September 2016, the Company, through Ellomay Luxembourg, entered into two separate memorandums of understanding ("MOUs"), with Ludan, setting forth Ludan's and the Company agreed material principles and understandings with respect to the Goor Project's EPC and O&M agreements. Pursuant to such MOUs, in November 2016 Groen Goor entered into an EPC agreement with Ludan. The Groen Goor Plant commenced operations in November 2017.

Groen Gas Oude-Tonge Anaerobic Digestion Project-

The Company, through Ellomay Luxembourg, acquired 51% of Groen Gas Oude-Tonge B.V. ("Groen Gas Oude-Tonge") a project company developing an anaerobic digestion plant, with a green gas production capacity of approximately 475 Nm³/h, in Oude-Tonge, the Netherlands ("the Oude-Tonge Plant") during 2017. During April 2017, Oude-Tonge, entered into an EPC agreement with Ludan. The Oude-Tonge Plant commenced operations in June 2018.

In March 2019, the Company executed an agreement with Ludan and several entities affiliated with Ludan, for the acquisition of 49% of Groen Goor and Groen Gas Oude-Tonge in consideration for approximately €3 million. The acquisition was consummated during 2019, and the Company currently indirectly wholly-owns the Goor Plant and the Oude-Tonge Plant.

During 2020, the Company assessed the value in use of two cash generating Biogas plants in the Netherlands in the Biogas segment in light of operating losses suffered by these projects in previous years and lower results than forecasted for 2020. The examination was conducted based on projected cash flows that were discounted at a rate 6%. The examination concluded that the value in use of the plants is higher than the carrying value of the plants and therefore there is no need for a provision for impairment. The assumptions on which the examination was based could be affected by the Company's inability to meet the budget in certain circumstances including, the prices of feedstock required in order to maintain the optimal mix of feedstock necessary to maximize performance of the plants, by technical malfunctions and by other circumstances that influence the operation of the plants.

Acquisition of a new subsidiary in the Netherlands

On December 1, 2020, the Company indirectly acquired all issued and outstanding shares of GG Gelderland through its wholly-owned subsidiary, Ellomay Luxembourg. GG Gelderland owns an operating anaerobic digestion plant in Gelderland, the Netherlands, with a permit that enables it to produce approximately 7.5 million Nm³ per year. The actual production capacity of the plant is approximately 9.5 million Nm³ per year. The Company paid €1,567 thousand for the shares and the repayment of shareholder loans. An additional shareholder loan of approximately €5,897 thousand was granted to GG Gelderland by Ellomay Luxembourg on December 1, 2020 for the repayment of other existing loans as at the date of the acquisition. The previous owners are entitled to receive an additional amount estimated at €493 thousand in connection with subsidy payments from the Dutch Government. This amount estimated will be determined and paid before June 2021. Ellomay Luxembourg has no liability to compensate the previous owners if the Dutch government pays less than the estimated amount.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 6 - Investee Companies and other investments (cont'd)

D. Subsidiaries - (cont'd)

1. Biogas Projects in the Netherlands (cont'd)

Identifiable assets acquired and liabilities assumed (based on provisional amounts as described hereunder):

	€thousands
Trade and other receivables	1,243
Deferred tax	488
Right of use asset	355
Fixed assets, net	13,961
Trade and other payables	(1,717)
Lease liability	(355)
Loans and borrowings	(6,511)
Net identifiable assets	7,464

Measurement of fair values

Presented hereunder is information regarding the techniques the Company used to measure the fair value of the assets and liabilities recognized as a result of the business combination:

Fixed assets

The fair value of fixed assets is based on market values. The market value of fixed assets is the estimated amount for which a fixed asset could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction wherein the parties each acted knowledgeably. The market value is based on quoted market prices for similar items, when available, and on replacement costs when such quotes are unavailable.

Acquisition-related costs

The Company incurred acquisition-related costs of €60 thousand related to legal fees and due diligence costs. These costs have been included in general and administrative expenses in the statement of income.

2. PV Projects in Spain

The Talasol Project-

In April 2017, the Company, through one of its subsidiaries, entered into a share purchase agreement (the "SPA"), pursuant to which it purchased the entire share capital of a Spanish company, Talasol Solar S.L.U ("Talasol"), which at the time was promoting the construction of a photovoltaic plant with a peak capacity of 300 MW in the municipality of Talaván, Cáceres, Spain (the "Talasol Project"). The SPA provides that the purchase price for Talasol's shares is €10 million that was paid following the occurrence of customary conditions subsequent.

In June 2018 Talasol, entered into an engineering, procurement & construction agreement (the "EPC Agreement") with METKA EGN Limited ("METKA EGN"). The EPC Agreement provides a fixed and lump-sum amount of €192.5 million for the complete execution and performance of the works defined in the EPC Agreement. The works include the engineering, procurement and construction of the Talasol Project and the ancillary facilities for injecting power into the grid, including a 400 kV step-up substation, the high voltage interconnection line to the point of connection to the grid and performance of two years of O&M services.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 6 - Investee Companies and other investments (cont'd)**D. Subsidiaries - (cont'd)****2. PV Projects in Spain (cont'd)****The Talasol Project (cont'd)-**

METKA EGN was expected to complete the works under the EPC Agreement within a period of 16 months from the commencement date. The EPC Agreement includes standard provisions, including with respect to liquidated damages in connection with delays and performance, performance guarantees, suspension and termination.

In June 2018, Talasol executed a financial power swap in respect of approximately 80% of the output of the Talasol Project for a period of 10 years (the "PPA"). The power produced by the Talasol Project is expected to be sold by Talasol in the open market for the then current market power price and the PPA is expected to hedge the risks associated with fluctuating electricity market prices by allowing Talasol to secure a certain level of income for the power production included under the PPA. The PPA hedge transaction became effective in March 2019.

In July 2018, Talasol executed a pre-hedge transaction with Goldman Sachs International in connection with the prospective project financing for the construction of a photovoltaic plant. The pre-hedge transaction is a fixed for floating interest rate swap intended to lock-in current market floating rates. The hedge transaction is contingent up on the financial closing of the Talasol Project.

In December 2018, Talasol entered into a set of agreements governing the procurement of financing in the aggregate amount of approximately €177 million (the "Project Finance"). The Project Finance consists of several facilities from Deutsche Bank AG and from the European Investment Bank ("EIB") under the Investment Plan for Europe known as the Juncker Plan. On April 30, 2019, the Talasol Project reached financial closing (see Note 11).

On April 17, 2019, the Company, through its wholly owned subsidiary Ellomay Luxembourg, executed a Credit Facilities Assignment and Sale and Purchase of Shares Agreement ("the Talasol SPA"), with GSE 3 UK Limited and Fond-ICO Infraestructuras II, FICC (together, "the Talasol Partners"), pursuant to which it agreed to sell to each of the Talasol Partners 24.5% of its holdings in Talasol. The Talasol SPA further provides that the Company will assign to the Talasol Partners, in equal parts, 49% of its rights and obligations under the agreements executed in connection with the project finance obtained for the Talasol Project. The transactions contemplated under the Talasol SPA were consummated in April 2019. The aggregate purchase price paid by the Talasol Partners, in the amount of approximately €16.1 million, represented 49% of the amounts withdrawn and interests accrued from and by Talasol Project's financing as of the closing date of the Talasol SPA (approximately €4.9 million), plus a payment for 49% of Talasol's shares (approximately €4.9 million) plus a premium of approximately €6.1 million. Of such aggregate purchase price, the payment of €1.4 million was deferred until the achievement of a preliminary acceptance certificate (PAC) under the EPC agreement of the Talasol Project. Following the achievement of PAC on January 27, 2021 the deferred payment amount of €1.4 million was received by Ellomay Luxembourg.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 6 - Investee Companies and other investments (cont'd)**D. Subsidiaries - (cont'd)****2. PV Projects in Spain (cont'd)****The Talasol Project (cont'd) -**

As the Company directs the operations of Talasol and the rights granted to the Talasol Partners are minority protective rights, these changes in the Company's ownership interest in Talasol did not result in loss of control and were accounted for as equity transactions. The Company therefore recognized in Equity an amount of approximately €6.1 million, less associated expenses in the amount of approximately €0.7 million.

On the closing date of the Talasol SPA, the Company, through its wholly owned subsidiary Ellomay Luxembourg, and the Talasol Partners entered into a Partners' Agreement ("the Talasol PA") setting forth the relationship between the prospective shareholders of Talasol, the governance and management of Talasol, the funding and financing of Talasol and the mechanism for future transfers of Talasol's shares.

The Talasol PA further provides that Ellomay Luxembourg will be entitled to receive a management fee from Talasol in consideration for the administrative, support and management services to be provided to Talasol by Ellomay Luxembourg.

The Talasol PV Plant reached mechanical completion in September 2020 and was connected to the electricity grid and electricity production commenced at the end of December 2020. PAC was achieved on January 27, 2021.

The Ellomay Solar Project -

Ellomay Solar S.L.U. ("Ellomay Solar"), wholly owned by Ellomay Luxembourg, is promoting the construction of a photovoltaic plant with an installed capacity of 28 MW in the municipality of Talaván, Cáceres, Spain (the "Ellomay Solar Project"). Ellomay Solar entered into an engineering, procurement & construction agreement in connection with the Ellomay Solar Project (the "EPC Agreement") with METKA EGN Spain S.L.U., a 100% indirect subsidiary of MYTILINEOS S.A., under the Renewables & Storage Development Business Unit. The EPC Agreement provides a fixed and lump-sum amount of €15.32 million, for the complete execution and performance of the works defined in the EPC Agreement. The works include the engineering, procurement and construction of the Ellomay Solar Project and the ancillary facilities for injecting power into the grid and performance of two years of O&M services. The EPC Agreement includes additional standard provisions, including with respect to liquidated damages in connection with delays and performance, performance guarantees, suspension and termination. METKA EGN Spain is expected to complete the works under the EPC Agreement within a period of 9 months from receipt of the Notice to Proceed. The early works commenced on March 1, 2021.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 6 - Investee Companies and other investments (cont'd)

D. Subsidiaries - (cont'd)

3. Sale of Italian indirect wholly-owned subsidiaries

On December 20, 2019, the Company sold ten Italian indirect wholly-owned subsidiaries, which own twelve photovoltaic plants with an aggregate nominal capacity of approximately 22.6 MW (the "Italian Subsidiaries"), and sold the receivables arising from shareholder loans provided to such companies. The agreed purchase price was €38.7 million (after approximately €2.3 million adjustments in connection with funds received by the Company from the Italian Subsidiaries during 2019). As a result of such sale, the Company recorded a capital gain of approximately €18.8 million.

Identifiable sold assets and liabilities:

	December 31 2019
	<u>€ in thousands</u>
Cash and cash equivalents	4,106
Trade and other receivables	4,569
Deferred tax and advance tax payment and tax provision	2,864
Fixed assets	41,431
Restricted cash	156
Right of use asset	1,356
Trade and other payables	(2,458)
Loans and borrowings	(30,725)
Lease liability	(1,377)
Total net identifiable assets	19,922
Capital gain	18,770
	<u>38,692</u>
Cash and cash equivalents	<u>(4,106)</u>
Proceeds from sale of investments	<u>34,586</u>

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 6 - Investee Companies and other investments (cont'd)**3. Sale of Italian indirect wholly-owned subsidiaries (cont'd)-**

The Sale and Purchase Agreement governing the sale of the subsidiaries and the receivables includes customary representations and warranties and indemnification mechanisms, including specific indemnification for existing risks for a limited time as follows:

- (i) Indemnification in the amount of up to €250 thousand in connection with potential tax liabilities (until December 31, 2023).
- (ii) Indemnification in the amount of up to €500 thousand in connection with potential incentive reduction under limited circumstances in one of the Italian subsidiaries sold (until December 31, 2023).
- (iii) Indemnification in the amount of up to €2.1 million in connection with the announcement received from GSE, Italy's energy regulation agency, by one of the Italian Subsidiaries, claiming alleged non-compliance of the installed modules with the required certifications under the applicable regulation and raising the need to examine incentive eligibility implications (the "GSE Claim"). The Company recorded this potential payment as other expenses. In 2020, with the cooperation of the acquirer of the Italian subsidiaries, an appeal was submitted to GSE. Following the positive outcomes of such appeal, the provision for the potential indemnification was cancelled.

4. Subsidiaries – Israeli Service Concession project

In June 2017, the Company executed an agreement (the "Talmei Yosef Agreement") to acquire 100% of the equity of an Israeli company ("Talmei Yosef") that owns (through its subsidiaries) a photovoltaic site with fixed technology and a nominal capacity of approximately 9 MWp in Talmei Yosef, Israel (the "Talmei Yosef Project"). The Talmei Yosef Project is primarily financed by an Israeli consortium led by Israel Discount Bank.

The fair value of the income receivable in connection with concession project was calculated according to the cash flows expected to be received from the Israeli Electricity Authority for a period of 16 years, discounted at a weighted interest rate of 5.9% reflecting the credit risk of the debtor.

Talmei Yosef entered into a service concession agreement with the IEC for the construction of a PV plant in Talmei Yosef. The construction of the PV plant was completed and the PV plant was connected to the grid in November 2013. Under the terms of the agreement with the IEC, Talmei Yosef will operate the PV plant for a period of 20 years as from November 15, 2013. The IEC provides the Company a guaranteed tariff for the electricity produced of NIS 0.9631 per KWp linked to the CPI as of October 2011. The service concession agreement does not contain a renewal option.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 6 - Investee Companies and other investments (cont'd)

D. Subsidiaries – Israeli Service Concession project (cont'd)

	Asset from concession project €in thousands
Balance as at December 31, 2019	28,585
Total income recognized in profit or loss	1,422
Proceeds from asset from concession project	(3,018)
Foreign Currency translation adjustments	(462)
Balance as at December 31, 2020	26,527
Less current maturities	1,491
Long-term Asset from concession project	25,036

Note 7 - Trade and Other Receivables and Assets

	December 31	
	2020	2019
	€in thousands	
Current Assets - Other receivables:		
Government authorities	3,232	781
Income receivable	3,420	1,075
Interest receivable	36	38
Current tax	32	-
Trade receivable	382	805
Inventory	306	284
Derivatives (refer to Note 21)	78	94
Prepaid expenses and other	2,339	1,805
	<u>9,825</u>	<u>4,882</u>
Non-current Assets - Long term receivables:		
Advance tax payment	-	-
Prepaid expenses associated with long term loans	2,731	12,218
Annual rent deposits	30	30
Other	1	1
	<u>2,762</u>	<u>12,249</u>

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 8 - Fixed assets

	Photovoltaic Plants	Pumped storage	Biogas installations	Office furniture and equipment	Leasehold Improvements	Total
	€in thousands					
Cost						
Balance as at January 1, 2019	98,289	-	18,656	138	52	117,135
Additions	*73,402	-	932	9	-	74,343
Disposals	*(68,908)	-	-	-	-	(68,908)
Effect of changes in exchange rates	1	-	-	-	-	1
Balance as at December 31, 2019	102,784	-	19,588	147	52	122,571
Balance as at January 1, 2020	102,784	-	19,588	147	52	122,571
Additions	120,842	16,607	558	38	-	138,045
New companies	-	-	17,233	-	-	17,233
Disposals	-	-	-	-	(52)	(52)
Effect of changes in exchange rates	-	-	-	(5)	-	(5)
Balance as at December 31, 2020	223,626	16,607	37,379	180	-	277,792
Depreciation						
Balance as at January 1, 2019	28,550	-	1,192	121	52	29,915
Depreciation for the year	4,383	-	1,353	8	-	5,744
Disposals	*(27,477)	-	-	-	-	(27,477)
Balance as at December 31, 2019	5,456	-	2,545	129	52	8,182
Balance as at January 1, 2020	5,456	-	2,545	129	52	8,182
Depreciation for the year	830	-	1,457	12	-	2,299
New companies	-	-	3,272	-	-	3,272
Disposals	-	-	-	-	(52)	(52)
Effect of changes in exchange rates	-	-	-	(4)	-	(4)
Balance as at December 31, 2020	6,286	-	7,274	137	-	13,697
Carrying amounts						
As at January 1, 2019	69,739	-	17,464	17	-	87,220
As at December 31, 2019	97,328	-	17,043	18	-	114,389
As at December 31, 2020	217,340	16,607	30,105	43	-	264,095

*See Note 6C

Investment in Photovoltaic Plants

Since March 4, 2010, the Company acquired seventeen photovoltaic plants located in Italy, Spain and Israel (for information in connection with the Israeli photovoltaic plant see Note 6D). In addition, the Company's subsidiary, Talasol, constructed the Talasol PV Plant (see Note 6C 2). On December 20, 2019, the Company sold ten Italian indirectly wholly-owned subsidiaries, which own twelve of the aforementioned seventeen photovoltaic plants with an aggregate nominal capacity of approximately 22.6 MW (see Note 6C 3).

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 8 - Fixed assets (cont'd)

Investment in Photovoltaic Plants (cont'd)

In connection with PV Plants owned by the Company as of December 31, 2020 (including the Talasol PV Plant), the Company recorded as of December 31, 2020, fixed assets at an aggregate value of approximately €223,626 thousand, in accordance with actual costs incurred. Depreciation with respect to the PV Plants in Italy (sold by the Company on December 20, 2019) was calculated using the straight-line method over 20 years commencing from the connection to the national grid that represent the estimated useful lives of the assets. Depreciation with respect to the PV Plants in Spain is calculated using the straight-line method over 25 years starting connection to the national grid that represent the estimated useful lives of the assets. During the year ended December 31, 2020, the Company recorded depreciation expenses with respect to its PV Plants in Spain of approximately €4,383 thousand.

Presented hereunder are data regarding the Company's investments in photovoltaic plants as at December 31, 2020:

PV Plant Title	Nominal Capacity	Connection to Grid	Cost included in
			the Book value as
			at
			December 31,
			2020
			€ in thousands
"Ellomay Spain – Rinconada II"	2,275 kWp	June 2010	5,509
"Rodríguez I"	1,675 kWp	November 2011	3,662
"Rodríguez II"	2,691 kWp	November 2011	6,631
"Fuente Librilla"	1,248 kWp	June 2011	3,212
"Talasol"	300 MWP	January 2021	204,196
"Ellomay Solar"	28 MWP	under construction	415

Investment in Biogas Installations

On December 1, 2020 the Company acquired GG Gelderland that owns an operating anaerobic digestion plant in Gelderland, the Netherlands, with a permit that enables it to produce approximately 7.5 million Nm³ per year. The actual production capacity of the plant is approximately 9.5 million Nm³ per year.

In connection with the Company's three Biogas Installations (see Note 6D 1), the Company recorded as of December 31, 2020, fixed assets at an aggregate value of approximately €37,379 thousand, in accordance with actual costs incurred.

Depreciation with respect to the Biogas Installations is calculated using the straight-line method over 12 years commencing from the connection to the national grid that represent the estimated useful lives of the assets. During the year ended December 31, 2020, the Company recorded depreciation expenses with respect to its Biogas Installations in the Netherlands of approximately €1,457 thousand.

Investment in Pumped storage

Commencing the fourth quarter of 2020, as it is probable that the Company will enjoy future economic benefits in connection with the Manara PSP, expenses in connection with the Manara PSP are capitalized as assets. In connection with the Company's Pumped storage (see Note 6B), the Company recorded as of December 31, 2020, fixed assets at an aggregate value of approximately €16,607 thousand, in accordance with actual costs incurred.

Capitalized borrowing costs

In the reporting period borrowing costs in the amount of €2,369 thousand were capitalized to qualifying assets for the year 2020. Those expenses are related to the construction of the Talasol PV Plant.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 9 - Other Payables

	December 31	
	2020	2019
	€ in thousands	
Employees and payroll accruals	278	224
Indemnification liability (refer to Note 18D)	-	2,100
Government authorities	213	155
Lease liability (S/T)	490	225
Forward contracts closed (1)	666	-
Derivatives (refer to Note 21)	1,378	766
Warrants Liability (refer to Note 16)	2,451	-
Accrued expenses	2,376	1,430
Current tax	60	110
	<u>7,912</u>	<u>5,010</u>

(1) The Company closed euro/USD forward contracts with an accumulated loss of approximately €666 thousand (approximately \$817 thousand) that are expected to be paid in 2021.

Note 10 - Current maturities of long term loans

Composed as follows:

	Linkage terms	Interest rate 2019 and 2020 %	December 31 2020	December 31 2019
			€ in thousands	
Current maturities of long term bank loans (refer to Note 11)	EURIBOR	2-3.55	8,470	2,469
	Consumer price index in Israel	4.65	1,762	1,669
			<u>10,232</u>	<u>4,138</u>
	Linkage terms	Interest rate 2019 and 2020 %	December 31 2020	December 31 2019
			€ in thousands	
Current maturities of other long term loans	EURIBOR	5.27	4,021	-
			<u>4,021</u>	<u>-</u>

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 11 - Loans

A. Loans details

Composed as follows:

	Linkage terms	Interest rate 2019 and 2020	December 31 2020	December 31 2019
		%	€ in thousands	
Bank loans	EURIBOR	2-3.55	127,470	25,620
	Consumer price index in Israel	4.65	17,282	19,323
			144,752	44,943
	Linkage terms	Interest rate 2019 and 2020	December 31 2020	December 31 2019
		%	€ in thousands	
Other long term loans	EURIBOR	5.27	47,563	46,622
		2-3 %	5,854	1,755
			53,417	48,377

Israel - Loans details

1. The Company's 75% owned Israeli subsidiary promoting the Manara PSP, entered into a loan agreement with the owner of the remaining 25% of its outstanding shares, Sheva Mizrakot Ltd. The unpaid balance (principal and interest) of the loan will bear interest at an annual rate in accordance with the interest rate for the purpose of Section 3(j) of the Israeli Income Tax Ordinance in accordance with the provisions of Regulation 2(a) of the Income Tax Regulations (Determination of Interest Rate for the Purpose of Section 3(j)), 1986. The maturity date of this loan is December 31, 2025. As of December 31, 2020, the amount of the loan is €5,102 thousand.
2. On May 16, 2012, Talmei Yosef entered into a loan agreement with Israeli consortium led by Israel Discount Bank (the "Israeli Consortium") in connection with the financing of its PV Plant, pursuant to which Talmei Yosef received financing amounting to NIS 80,000 thousand. During 2013, in accordance with the milestones set on the loan agreement, an aggregate amount of NIS 60,000 thousand was withdrawn on account of such loan agreement. During 2014, an additional aggregate amount of NIS 20,000 thousand was withdrawn. The loan is linked to the consumer price index and bears an annual interest of 4.65%. The interest on the loan and the principal are repaid semi-annually. The final maturity date of this loan is December 31, 2031.

On December 24, 2014, Talmei Yosef entered into an additional loan agreement with the Israeli Consortium in connection with additional financing in the amount of NIS 25,000 thousand. The loan is linked to the consumer price index and bears an annual interest of 4.52%. The final maturity date of this loan is June 30, 2028.

The interest on the loan and the principal are repaid semi-annually.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 11 - Loans (cont'd)**A. Loans details (cont'd)****Israel - Loans details (cont'd)**

In connection with these loans, the Talmei Yosef project company provided charges on its rights in the PV Plant, notes, equity, goodwill, on all assets of the PV Plant and on future receivables from the IEC and undertook customary limitations and undertakings, including maintaining the following financial ratios: (i) upon withdrawal of funds on account of the loan framework (based on milestones), maintaining an annual Historic ADSCR (Average Debt Service Coverage Ratio), a Projected ADSCR and a Projected LLCR (loan life coverage ratio) of 1.25:1.00, (ii) upon a distribution of profits from the project company, maintaining a Historic ADSCR, a Projected ADSCR and a Projected LLCR of 1.20:1.00, and (iii) throughout the term of the loan, maintaining an annual ADSCR and a Projected ADSCR of 1.05:1.00 for the following 12 months and maintaining an LLCR of 1.08:1.00.

As of December 31, 2020, the financial covenants were met.

Bio Gas - The Netherlands - Loans details

1. Groen Goor, Independent Power Plant B.V. ("IPP") (the entity that holds the permits and subsidies in connection with the Goor Project and is wholly-owned by Groen Goor), and Ellomay Luxembourg entered into a senior project finance agreement in 2017 (the "Goor Loan Agreement"), with Coöperatieve Rabobank U.A. ("Rabobank"), that includes the following tranches: (i) two loans with principal amounts of €3,510 thousand (with a fixed interest rate of 3% for the first five years) and €2,090 thousand, (with a fixed interest rate of 2.5% for the first five years), for a period of 12.25 years, repayable in equal monthly installments commencing three months following the connection of the Goor Project's facility to the grid and (ii) an on-call credit facility of €370 thousand with variable interest. The amount of €5,600 thousand was withdrawn in 2017 on account of these loans. In connection with the Goor Loan Agreement, the following securities were provided to Rabobank: (i) pledge on the present and future rights arising from the feedstock purchase agreement, the EPC agreement, the O&M agreement, the SDE subsidy, the various power and green gas purchase agreements, and the green gas certification supply agreement, (ii) pledge on all present and future (a) receivables arising from business and trade, and (b) stock and inventory including machinery and transport vehicles of Groen Goor and IPP; (iii) all rights/claims of Groen Goor and IPP against third parties existing at the time of the execution of the Loan Agreement, including rights from insurance agreements.
2. Groen Gas Oude Tonge, Groen Gas Oude-Tonge Holding B.V. (the entity that holds the permits and subsidies in connection with the Oude Tonge Project and is wholly-owned by Groen Gas Oude Tonge), and Ellomay Luxembourg entered into a senior project finance agreement (the "Oude Tonge Loan Agreement"), with Rabobank, that includes the following tranches: (i) three loans with principal amounts of €3,150 thousand (with a fixed interest rate of 3.1% for the first five years), €1,540 thousand (with a fixed interest rate of 2.9% for the first five years) and €160 thousand, (with a fixed interest rate of 3.4% for the first five years), for a period of 12.25 years, repayable in equal monthly installments commencing three months following the connection of the Oude Tonge Project's facility to the grid and (ii) an on-call credit facility of €100 thousand with variable interest. The amount of €4,850 thousand was withdrawn in 2017 and 2018 on account of these loans.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 11 - Loans (cont'd)

A. Loans details (cont'd)

Bio Gas - The Netherlands - Loans details (cont'd)

In connection with the Oude Tonge Loan Agreement, the following securities were provided to Rabobank: (i) pledge on the present and future rights arising from the feedstock purchase agreement, the EPC agreement, the O&M agreement, the SDE subsidy, the various power and green gas purchase agreements, and the green gas certification supply agreement, (ii) pledge on all present and future (a) receivables arising from business and trade, and (b) stock and inventory including machinery and transport vehicles of Groen Gas Oude Tonge and Groen Gas Oude Tonge Holding B.V.; (iii) all rights/claims of Groen Gas Oude Tonge and Groen Gas Oude Tonge Holding B.V. against third parties existing at the time of the execution of the Loan Agreement, including rights from insurance agreements.

In connection with the Loan Agreements Ellomay Luxembourg, the Company wholly-owned subsidiary: (i) provided the following undertakings to Rabobank: (a) that Groen Goor and Groen Gas Oude Tonge, as applicable, will not make distributions to its shareholders for a period of two years following the execution of the Loan Agreement, (b) that Groen Goor will not make distributions or repurchase its shares so long as the equity (including owners loans) to total assets ratio of Groen Goor is less than 40%, (c) that in the event the equity (including owners loans) to total assets ratio of Groen Goor and Groen Gas Oude Tonge will be below 40%, its shareholders will invest the equity required in order to increase this ratio to 40%, pro rata to their holdings in Groen Goor and Groen Gas Oude Tonge, as applicable, and up to a maximum of €1.2 million, and (d) that they will provide the equity required for the completion of the Goor Project (ii) provided pledges on their respective rights in connection with the shareholders loans which each provided to Groen Goor and Groen Gas Oude Tonge, which loans shall also be subordinated by Ellomay Luxembourg in the favor of Rabobank. As of December 31, 2020, the financial covenants were met.

In addition, the Company provided a guarantee to Rabobank for the fulfillment of Ellomay Luxembourg's undertakings set forth above.

3. GG Gelderland entered into a senior project finance agreement (the "Gelderland Loan Agreement"), with Rabobank, that includes the following tranches: (i) four loans with principal amounts of (a) €2,453 thousand (with a fixed interest rate of 3.6% for the first five years), (b) €1,200 thousand (with a fixed interest rate of 4.5% for the first five years), (c) €400 thousand (with a fixed interest rate of 3.55% for the first five years) and (d) €2,847 thousand, (with a fixed interest rate of 4.5% for the first five years), for a period of 12 years (144 monthly payments), repayable in equal monthly installments and (ii) an on-call credit facility of €750 thousand with variable interest. An aggregate amount of €6,900 thousand was withdrawn in 2015, 2016 and 2018 on account of these loans. On November 30, 2020 GG Gelderland replaced the loan set forth in (i)(a) above which as of that date had an outstanding principal amount of €1,890 thousand, with a another loan from Rabobank with a fixed interest rate of 3.1% per year, repayable in 56 payments monthly, with a repayment of principal in one payments on August 2025. On the same date, the interest for the other loans bearing a fixed interest rate of 4.5% per year for 5 years was reduced to 3.5% per year for the next 5 years, commencing December 2020.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 11 - Loans (cont'd)**A. Loans details (cont'd)****Bio Gas - The Netherlands - Loans details (cont'd)**

In connection with the Gelderland Loan Agreement, the following securities were provided to Rabobank: (i) pledge on the present and future rights arising from the feedstock purchase agreement, the EPC agreement, the O&M agreement, the SDE subsidy, the various power and green gas purchase agreements, and the green gas certification supply agreement, (ii) pledge on all present and future (a) receivables arising from business and trade, and (b) stock and inventory including machinery and transport vehicles of GG Gelderland, and (iii) all rights/claims of GG Gelderland against third parties existing at the time of the execution of the Gelderland Loan Agreement, including rights from insurance agreements. In connection with the Gelderland Loan Agreement, Ellomay Luxembourg, the Company wholly-owned subsidiary, provided the undertaking to Rabobank that Ellomay Luxembourg will not sell the shares of GG Gelderland without the prior written consent of Rabobank.

4. GG Gelderland, entered into a loan agreement in the end of November, 2020, with Ontwikkelingsnaatschap Oost-Nederland N.V. ("Oost"), as a benefit created following the corona period. The loan is with a principal amounts of €750 thousand with a fixed interest rate of 3 % per year for 3 years. The interest and the principle will be fully repaid in one single amount after 3 years. According to the agreement with Oost, the loan term may be prolonged up to 5 years.

Spain - Loans details

1. On March 12, 2019, four of the Company's Spanish subsidiaries (together, hereinafter – the "Subsidiaries") entered into a €18.4 million project finance Facility Agreement (the "Facility Agreement"). The €18.4 million principal amount is divided into: (i) four term loan facilities, one for each Subsidiary, in the aggregate amount of €17.6 million with terms ending in December 2037, and (ii) a revolving credit facility to attend the debt service if needed, for a maximum amount of euro 0.8 million granted to any of the Subsidiaries.

The loans provided under the Facility Agreement bear an annual interest at the rate of Euribor 6 months plus a margin of 2% (with a zero interest floor) and repaid semi-annually on June 20 and December 20. The principal is repaid on a semi-annual basis based on a pre-determined sculptured repayment schedule.

The Facility Agreement provides for mandatory prepayment upon the occurrence of certain events and includes various customary representations, warranties and covenants, including covenants to maintain a DSCR on an aggregate basis not lower than 1.05:1, and not to make distributions unless, among other things: (i) the DSCR, on an aggregate basis, is equal to or higher than 1.15:1.0, (ii) the first instalment of the Project Finance has been repaid, (iii) no amount under the revolving credit tranche has been withdrawn and not fully repaid and no drawdowns of the revolving credit tranche are expected within the next six months, and (iv) the Subsidiaries' net debt to regulatory value (as such terms are defined in the Facility Agreement) ratio is equal to or higher than 0.7:1.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 11 - Loans (cont'd)**A. Loans details (cont'd)****Spain - Loans details (cont'd)**

The regulatory value of the photovoltaic plants owned by the Subsidiaries is approximately €23.5 million, compared to their aggregate nominal purchase price, which was approximately €14.85 million and their aggregate book value, which was approximately €14.6 million as of September 30, 2018. The Facility Agreements includes a cash-sweep payment mechanism and obligation that applies in the event the Subsidiaries' net debt to regulatory value ratio is equal to or higher than 0.7:1. As of December 31, 2020, the financial covenants were met.

The Subsidiaries entered into swap agreements on March 12, 2019 with respect to approximately Euro 17.6 million (with a decreasing notional principal amount based on the amortization table) until December 2037, replacing the Euribor 6 month rate with a fixed 6 month rate of approximately 1%, resulting in a fixed annual interest rate of approximately 3%. Such swap transactions qualify for hedge accounting. See Note 21 E regarding the effect of the expected transition away from Libor and Euribor.

The documents ancillary to the Facility Agreements require that security interests be provided in connection with the following: (i) the Subsidiaries' shares (held by Ellomay Luxembourg), (ii) pledges over accounts, (iii) pledges over relevant agreements including hedging agreements; and (iv) promissory equipment mortgage.

Talasol - Loans details

1. On April 30, 2019, the Talasol Project reached financial closing in the aggregate amount of approximately €158.5 million ("the Project Finance"). The Project Finance consists of several facilities from Deutsche Bank AG and from the European Investment Bank ("EIB"). The Talasol Project Finance includes the following facilities:

(a) a term facility in the amount of approximately €65.9 million, with a term ending on September 30, 2033, repaid in unequal sculptured semi-annual installments. Loan amounts drawn from this facility will bear an annual interest of EURIBOR (with a zero floor and synchronous with the applicable interest period described below) plus a margin determined based on the stage of the Talasol Project. The applicable margins are: (i) 2.25% until technical completion, (ii) 2% from technical completion until the 5th anniversary of technical completion, (iii) 2.25% from the 5th anniversary of technical completion until the termination date of the financial power swap agreement that Talasol entered into last June (see Note 21) (the "PPA", i.e., September 30, 2030), and (iv) 2.5% from the termination date of the PPA until the end of the term of the commercial term facility. As of December 31, 2020, the Company made €54.3 million withdrawals on account of this facility;

(b) a revolving debt service reserve facility in the amount of €4.45 million, with a term ending on the earlier of: (i) September 30, 2033 or (ii) the date on which the commercial term loan set forth under (a) above has been repaid in full. Loan amounts drawn from this facility will bear an annual interest of 6 month EURIBOR (with a zero floor) plus a margin determined based on the stage of the Talasol Project. The applicable margins are: (i) 2.5% until technical completion, (ii) 2.25% from technical completion until the 5th anniversary of technical completion, (iii) 2.50% from the 5th anniversary of technical completion until the termination date of the PPA, and (iv) 2.75% from the termination date of the PPA until the termination date;

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 11 - Loans (cont'd)

A. Loans details (cont'd)

Talasol - Loans details (cont'd)

(c) VAT facility in the amount of €6.67 million, with a term ending on June 30, 2021, repaid by using balances available in the VAT reimbursement account but in no event later than June 30, 2021. Loan amounts drawn from this facility will bear an annual interest of 1 month EURIBOR (with a zero floor) plus a margin of 2%. As of December 31, 2020, the amount of the VAT facility is €58 thousand;

(d) a letter of credit facility in the initial amount of €12 million, with a term ending on September 30, 2030, to be repaid in full on its termination date and bearing an annual interest of (i) 1.25% for amounts cash covered, and (ii) 2% for any other amounts;

(e) a term facility in the amount of €65 million from EIB, granted under the Investment Plan for Europe known as the Juncker Plan, with a term ending on September 30, 2033, repaid in unequal sculptured semi-annual installments. Loan amounts drawn from this facility will bear an annual interest of EURIBOR synchronous with the applicable interest period plus a margin (expected to be 1.76%). As of December 31, 2020, the Company made €53.6 million withdrawals on account of this facility; and

(f) a revolving debt service reserve facility from the EIB in the amount of €4.45 million granted by EIB under the Investment Plan for Europe, with a term ending on the earlier of: (i) September 30, 2033 or (ii) the date on which the commercial term loan set forth under (e) above has been repaid in full. Loans drawn from this facility will bear an annual interest of 6 month EURIBOR (with a zero floor) plus a margin, which is expected to be similar to the CFL Debt Service Reserve Facility under (b) above.

During the construction period, interest payments on the term, revolving debt and VAT facilities are made on a monthly basis, and semi-annually thereafter (commencing March 31, 2021). The VAT facilities' interest period, however, remains on a monthly basis. The agreements executed in connection with the Talasol Project Finance provide for mandatory prepayment upon the occurrence of certain events and various customary representations, warranties and covenants, including covenants to maintain a Historic and Projected DSCR not lower than 1.05:1, and not to make distributions in the event that: (i) the Historic and Projected DSCR will be lower than 1.15:1.0 and (ii) the Loan Life Cover Ratio will be lower than 1.20:1.0. The facilities provided by the EIB include certain other representations and undertakings mandated by applicable EU regulation.

The Talasol Project Finance documents require that security interests be provided in connection with the following: (i) Talasol's shares (held by the Company's wholly-owned subsidiary, Ellomay Luxembourg), (ii) pledges over accounts, (iii) pledges over Talasol Project's documents, (iv) pledges over receivables under the shareholders loans, (v) security assignment of hedging claims and (vi) promissory equipment mortgage.

In connection with the Talasol Project Finance, Ellomay Luxembourg, and the parent company of Talasol, and the Company undertook separately to (indirectly) retain at least 50.1% of the shares in Talasol and not to buy any debt of, or hedging claims against, Talasol from the entities providing the financing to the Talasol Project.

On April 30, 2019, Talasol entered into a swap agreement for an amount equal to at least 95% of the maximum amount of the term facilities and replacing the Euribor 6 month rate with a fixed 6 month rate of approximately 0.9412%. See Note 21 E regarding the effect of the expected transition away from Libor and Euribor.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 11 - Loans (cont'd)

A. Loans details (cont'd)

Talasol - Loans details (cont'd)

As the financing was structured for the term of the PPA signed in connection with the Talasol Project (ten years) plus additional three years beyond the term of the PPA, the Talasol Project Finance documentation requires Talasol to prepay the term loans via cash-sweeps to ensure that the term loans are repaid in full until the termination date of the PPA. Talasol has the option to place the relevant cash sweep amounts on a reserve account instead, and, in the event it enters into a satisfactory new power purchase agreement or power hedge agreement, the amounts on the reserve account may be transferred to the operating account of Talasol, to the extent they are not required in prepayment of the term loans to ensure that during the remainder of the term loans the base case ratios are complied with.

2. On April 30, 2019, following the financial closing of Talasol Project and sale of 49% holdings of the Talasol Project, Talasol entered into a loan agreement with GSE 3 UK Limited and Fond-ICO Infraestructuras II, FICC (the minority shareholders of Talasol, each of whom owns 24.5% of Talasol). The unpaid balance (principal and interest) of the loan will bear interest of Euribor 6 month plus 5.27%. The maturity date of this loan is December 31, 2037. As of December 31, 2020, the amount of the loan is €7,563 thousand.

B. The aggregate annual maturities are as follows:

	December 31 2020	December 31 2019
	€in thousands	
Second year	12,910	7,656
Third year	13,034	5,274
Fourth year	12,539	5,342
Fifth year	13,264	5,242
Sixth year and thereafter	132,169	65,668
Long-term loans	183,916	89,182
Current maturities	14,253	4,138
	198,169	93,320

- C. In order to minimize the interest-rate risk resulting from liabilities to banks and financing institutions in Italy linked to the Euribor, the Company executed swap transactions. For more information, see Note 21.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 11 - Loans (cont'd)

D. Movement in liabilities deriving from financing activities

	Note	Liabilities		Total
		Loans and borrowings	Debentures	
		€ in thousands		
Balance as at January 1, 2020		93,320	71,584	164,904
Changes from financing cash flows				
Proceeds from issue of debentures	12	-	38,057	38,057
Repayment of Debentures	12	-	(26,923)	(26,923)
Receipt of loans	11	111,357	-	111,357
Repayment of loans	11	(3,959)	-	(3,959)
Accrued interest	11	822	-	822
Transaction costs related to borrowings		(9,538)	247	(9,291)
Purchase of the operation (see note 6D)		6,511	-	6,511
Total net financing cash flows		198,513	82,965	281,478
Effect of changes in foreign exchange rates		(344)	(241)	(585)
Balance as at December 31, 2020		198,169	82,724	280,893

Note 12 - Debentures

A. Composed as follows:

	December 31, 2020		December 31, 2019	
	Face value	Carrying amount	Face value	Carrying amount
	€ in thousands		€ in thousands	
Debentures	83,499	82,724	72,137	71,584
Less current maturities	10,849	10,600	26,928	26,773
Total long-term debentures	72,650	72,124	45,209	44,811

B. Debentures – Details

Series A Debentures

On January 13, 2014, the Company issued NIS 120,000 thousand (approximately €25,170 thousand based on the euro/NIS exchange rate at that time) principal amount of unsecured non-convertible Series A Debentures ("Series A Debentures") through a public offering that was limited to residents of Israel. The gross proceeds of the offering were approximately NIS 116,760 thousand (approximately €24,490 thousand, at the date of issuance) and the net proceeds of the offering, net of related expenses such as consultancy fee and commissions were approximately NIS 114,700 thousand (approximately €24,059 thousand).

On June 19, 2014, the Company issued additional NIS 80,341 thousand principal amount of Series A Debentures (approximately €17,115 thousand based on the euro/NIS exchange rate at that time) to Israeli classified investors in a private placement at a price of NIS 1,010 per unit.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 12 – Debentures (cont'd)

B. Debentures – Details (cont'd)**Series A Debentures (cont'd)**

The gross proceeds of the private placement were approximately NIS 81,144 thousand (approximately €17,286 thousand, at the date of issuance) and the net proceeds of the offering, net of related expenses such as consultancy fee and commissions and interest paid on these additional Series A Debentures in June 2014 were approximately NIS 78,900 thousand (approximately €16,808 thousand).

The Series A Debentures bore a fixed interest at the rate of 4.6% per year and were not linked to the Israeli CPI or otherwise.

The Series A Deed of Trust included customary provisions and also includes the following: (i) a negative pledge such that the Company may not place a floating charge on all of its assets, subject to certain exceptions, and (ii) an obligation to pay additional interest for certain security rating downgrades, up to an increase of 1% for a decrease of four rating levels compared to the rating at the time of issuance of the Series A Debentures.

The Series A Deed of Trust further included a number of customary causes for immediate repayment, including a default in connection with certain financial covenants for two consecutive financial quarters, which is not cured within the cure period set forth in the Series A Deed of Trust. The financial covenants are as follows:

1. The Company's equity, on a consolidated basis, shall not be less than \$55 million;
2. The ratio of (a) the short-term and long-term debt from banks, in addition to the debt to holders of debentures issued by us and any other interest-bearing financial obligations, net of cash and cash equivalents and short-term investments and net of project finance, including hedging transactions in connection with such project finance, of the Company's subsidiaries, or, together, the Net Financial Debt, to (b) the Company's equity, on a consolidated basis, plus the Net Financial Debt, shall not exceed a rate of 65%; and
3. The ratio of (a) the Company's equity, on a consolidated basis, to (b) the Company's balance sheet, on a consolidated basis, shall not be less than a rate of 20%.

The Series A Deed of Trust further provided that the Company may make distributions (as such term is defined in the Companies Law, e.g. dividends), to shareholders, provided that: (a) the Company's equity following such distribution will not be less than \$75 million, (b) the Company shall meet the financial covenants set forth above prior to and following the distribution, (c) the Company will not distribute more than 75% of the distributable profit and (d) the Company will not distribute dividends based on profit due to revaluation (for the removal of doubt, negative goodwill will not be considered a revaluation profit).

In December 2019, the Company announced the early repayment of the entire outstanding principal of the Company's Series A Debentures pursuant to the terms of the deed of trust governing these Debentures.

The early repayment amount was the sum of approximately NIS 80.1 million (approximately €20.8 million) in principal, the sum of approximately NIS 0.05 million (approximately €0.01 million) in accrued interest and a prepayment charge of approximately NIS 5.7 million (approximately €1.5 million), amounting to an aggregate repayment amount of approximately NIS 85.9 million (approximately €22.3 million). On December 30, 2019, the funds designated for such repayment were transferred to the nominee company.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 12 – Debentures (cont'd)

B. Debentures – Details (cont'd)**Series B Debentures**

On March 14, 2017, the Company issued Series B Nonconvertible Debentures due June 30, 2024 in a public offering in Israel in the aggregate principal amount of NIS 123,232,000 (approximately €31.7 million based on the euro/NIS exchange rate at that time). The gross proceeds of the offering were NIS 123,232,000 and the net proceeds of the offering, net of related expenses such as consultancy fee and commissions (partially paid in 2016), were approximately NIS 121.4 million (approximately €31.2 million). The Series B Debentures originally bore a fixed annual interest rate of 3.44% and are not linked to the Israeli CPI or otherwise. The Series B Debentures are traded on the TASE and have been rated Baa1.il /Stable, on a local scale, by Midroog Ltd.

The principal amount of Series B Debentures is repayable in six (6) annual installments as follows: on June 30 of each of the years 2019-2022 (inclusive) 15% of the Principal shall be paid, and on June 30 of each of 2023-2024 (inclusive) 20% of the Principal shall be paid, and is not linked to the CPI or otherwise. The Series B Debentures initially bore a fixed interest at the rate of 3.44% per year (that is not linked to the Israeli CPI or otherwise), payable semi-annually on June 30 and December 31 of each of the years 2017 through June 30, 2024 (inclusive). On November 13, 2017, following a rating downgrade of the Company's Debentures from ilA- to ilBBB+ (by the previous rating company that rated the Series B Debentures, Standard & Poor's Maalot Ltd.), the Series B Debentures fixed annual interest rate was increased by 0.25% to 3.69%.

The Series B Deed of Trust includes customary provisions and also includes the following: (i) a negative pledge such that the Company may not place a floating charge on all of the Company's assets, subject to certain exceptions, (ii) an obligation to pay additional interest for certain security rating downgrades, up to an increase of 1% for a decrease of four rating levels compared to the rating at the time of issuance of the Series B Debentures and (iii) an obligation to pay additional interest for failure to maintain certain financial covenants, with an increase of 0.5% for the period in which the Company do not meet each standard and up to an increase of 1% in the annual interest (with a cap on the combined increase in interest due to security rating downgrades and failure to meet financial covenants of 1.75%).

The Series B Deed of Trust does not restrict the Company's ability to issue any new series of debt instruments, other than in certain specific circumstances, and enables us to expand the Series B Debentures subject to maintaining the rating assigned to the Series B Debentures and to the Company's continued compliance with the financial covenants included in the Series B Deed of Trust and provided that the Company are not in default of any of the immediate repayment provisions included in the Series B Deed of Trust or in material default of the Company's obligations to the holders of the Series B Debentures pursuant to the terms of the Series B Deed of Trust.

The Series B Deed of Trust further includes a number of customary causes for immediate repayment, including a default in connection with certain financial covenants for two consecutive financial quarters and includes a mechanism for the update of the annual interest rate of the Series B Debentures in the event the Company do not meet certain financial standards. The financial covenants are as follows:

1. the Company's balance sheet equity, on a consolidated basis, shall not be less than \$55 million;

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 12 – Debentures (cont'd)

B. Debentures – Details (cont'd)**Series B Debentures (cont'd)**

2. The ratio of (a) the short-term and long-term debt from banks, in addition to the debt to holders of debentures issued by us and any other interest-bearing financial obligations, net of cash and cash equivalents and short-term investments and net of financing of projects, including hedging transactions in connection with such financing, of the Company's subsidiaries, or, together, the Net Financial Debt, to (b) the Company's equity (which the Company calculate in line with the definition of balance sheet equity in the Series B Deed of Trust), on a consolidated basis, plus the Net Financial Debt, commencing from the financial results for September 30, 2018 – shall not exceed the rate of 60% for purposes of the immediate repayment provision and shall not exceed the rate of 55% for purposes of the annual interest update provision; and
3. The ratio of (a) the Company's equity (which the Company calculate in line with the definition of balance sheet equity in the Series B Deed of Trust), on a consolidated basis, to (b) the Company's balance sheet, on a consolidated basis, commencing from the financial results for September 30, 2018 – shall not be less than a rate of 25% for purposes of the immediate repayment provision and shall not be less than a rate of 30% for purposes of the annual interest update provision.

On September 25, 2019, the Company published the Company's pro forma statement of financial position as at June 30, 2019, which indicated that the ratio of the Company's equity (which the Company calculate in line with the definition of Balance Sheet Equity in the Series B Deed of Trust) to balance sheet as at June 30, 2019 was 29.2%, triggering a right of the holders of the Company's Series B Debentures to an increase in the annual interest rate applicable to the Series B Debentures of 0.5% until such time as the Company publish financial results reflecting an increase in such ratio to a minimum of 30%.

Series B Debentures (cont'd)

On December 31, 2019, the Company published the Company's pro forma statement of financial position as at September 30, 2019, which indicated that the ratio of the Company's equity, as set forth above, to balance sheet as of September 30, 2019 was 31.6%, triggering a decrease in the annual interest rate applicable to the Series B Debentures of 0.5% to its previous rate of 3.69%.

The Series B Deed of Trust includes similar conditions to the Company's ability to make distributions (as such term is defined in the Companies Law, e.g. dividends), to the Company's shareholders as are included in the Series A Deed of Trust and set forth above.

As of December 31, 2020, the financial covenants were met.

In order to manage the currency risk resulting from the Series B Debentures, which are denominated in NIS, the Company executed currency swap transactions in April 2017. The Company exchanged Series B Debentures NIS denominated notional principal in the aggregate amount of NIS 83,232 thousand (approximately €21,452 thousand, based on the NIS/euro exchange rate as at December 31, 2019) with a euro notional principal. Such currency swap transactions qualify for hedge accounting.

Series C Debentures

On July 25, 2019, the Company issued Series C Debentures due June 30, 2025 in a public offering in Israel in the aggregate principal amount of NIS 89,065 thousand (approximately €22,690 thousand based on the Euro /NIS exchange rate at that time). The Series C Debentures bear fixed interest at the rate of 3.3% per year and are not linked to the Israeli CPI or otherwise. The gross proceeds of the offering were NIS 89,065 thousand and the net proceeds of the offering, net of related expenses such as consultancy fee and commissions, were approximately NIS 87,600 thousand (approximately €22,317 thousand). On October 26, 2020, the Company completed a public offering in Israel of additional Series C Debenture and a of Series 1 Options. The Company issued an aggregate principal amount of NIS 154 million (approximately €38.5 million) of Series C Debentures and 385,000 Series 1 Options. The gross proceeds from the offering were NIS 164.2 million (approximately €41.1 million) and the net proceeds of the offering, net of related expenses such as consultancy fee and commissions, were approximately NIS 162.4 million (approximately €40.3 million).

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 12 – Debentures (cont'd)

A. Debentures – Details (cont'd)

Series C Debentures (cont'd)

The principal amount of Series C Debentures is repayable in five (5) unequal annual installments as follows: on June 30, 2021 10% of the principal shall be paid, on June 30 of each of the years 2022 and 2023, 15% of the principal shall be paid and on June 30 of each of the years 2024 and 2025, 30% of the principal shall be paid. The Series C Debentures bear a fixed interest at the rate of 3.3% per year (that is not linked to the Israeli CPI or otherwise), payable semi-annually on June 30 and December 31 commencing December 31, 2019 through June 30, 2025 (inclusive).

The Series C Deed of Trust includes customary provisions, including (i) a negative pledge such that the Company may not place a floating charge on all of the Company's assets, subject to certain exceptions and (ii) an obligation to pay additional interest for failure to maintain certain financial covenants, with an increase of 0.25% for the period in which the Company do not meet each standard and up to an annual increase of 0.5%. The Series C Deed of Trust does not restrict the Company's ability to issue any new series of debt instruments, other than in certain specific circumstances, and enables us to expand the Series C Debentures provided that: (i) the Company are not in default of any of the immediate repayment provisions included in the Series C Deed of Trust or in breach of any of the Company's material obligations to the holders of the Series C Debentures pursuant to the terms of the Series C Deed of Trust, (ii) the expansion will not harm the Company's compliance with the financial covenants included in the distribution undertaking Series C Deed of Trust and (iii) to the extent the Series C Debentures are rated at the time of the expansion, the expansion will not harm the rating of the existing Series C Debentures.

The Series C Deed of Trust includes a number of customary causes for immediate repayment, including a default with certain financial covenants for two consecutive financial quarters, and includes a mechanism for the update of the annual interest rate of the Series C Debentures in the event the Company do not meet certain financial covenants. The financial covenants are as follows:

1. the Company's balance sheet equity, on a consolidated basis, shall not be less than €50 million for purposes of the immediate repayment provision and shall not be less than €60 for purposes of the annual interest update provision;
2. The ratio of (a) the short-term and long-term debt from banks, in addition to the debt to holders of debentures issued by us and any other interest-bearing financial obligations, net of cash and cash equivalents and short-term investments and net of financing of projects, including hedging transactions in connection with such financing, of the Company's subsidiaries, or, together, the Net Financial Debt, to (b) the Company's equity (which the Company calculate in line with the definition of Balance Sheet Equity in the Series C Deed of Trust), on a consolidated basis, plus the Net Financial Debt, or the Company's CAP, Net, to which the Company refer herein as the Ratio of Net Financial Debt to CAP, Net, shall not exceed the rate of 67.5% for purposes of the immediate repayment provision and shall not exceed a rate of 60% for purposes of the annual interest update provision; and

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 12 – Debentures (cont'd)

B. Debentures – Details (cont'd)

Series C Debentures (cont'd)

3. The ratio of (a) the Company's Net Financial Debt, to (b) the Company's earnings before financial expenses, net, taxes, depreciation and amortization, where the revenues from the Company's operations, such as the Talmei Yosef project, are calculated based on the fixed asset model and not based on the financial asset model (IFRIC 12), and before share-based payments, based on the aggregate four preceding quarters, or the Company's Adjusted EBITDA, to which the Company refer to herein as the Ratio of Net Financial Debt to Adjusted EBITDA, shall not be higher than 12 for purposes of the immediate repayment provision and shall not be higher than 10 for purposes of the annual interest update provision.

The Series C Deed of Trust further provides that the Company may make distributions (as such term is defined in the Companies Law, e.g. dividends), to its shareholders, provided that: (a) the Company will not distribute more than 75% of the distributable profit, (b) the Company will not distribute dividends based on profit due to revaluation (for the removal of doubt, negative goodwill will not be considered a revaluation profit), (c) the Company is in compliance with all of its material undertakings to the holders of the Series C Debentures and (d) on the date of distribution and after the distribution no cause for immediate repayment exists. The Company is also required to maintain the following financial ratios (which are calculated based on the same definitions applicable to the financial covenants set forth above) after the distribution: (i) balance sheet equity not lower than €70 million, (ii) Ratio of Net Financial Debt to CAP, Net not to exceed 60%, and (iii) Ratio of Net Financial Debt to Adjusted EBITDA, shall not be higher than 8, and not to make distributions if the Company do not meet all of its material obligations to the holders of the Series C Debentures and if on the date of distribution and after the distribution a cause for immediate repayment exists.

As of December 31, 2020, the financial covenants were met.

C. The aggregate annual maturities are as follows:

	December 31 2020	December 31 2019
	€ in thousands	
Second year	13,716	6,927
Third year	15,322	8,098
Fourth year	24,629	9,714
Fifth year	18,457	13,195
Sixth year and thereafter	-	6,877
Long-term loans	72,124	44,811
Current maturities	10,600	26,773
	82,724	71,584

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 13 - Other Long-term Liabilities

	December 31 2020	December 31 2019
	€in thousands	
Forward contracts closed (1)	486	1,767
Liabilities for employees benefits	27	28
	513	1,795

- (1) The Company closed euro/USD forward contracts with an accumulated loss of approximately €1,767 thousand (approximately \$1,982 thousand) in 2019 that are expected to be paid in 2021 and 2022. For the amount expected to be paid in 2021, please see note 9.

Note 14 - Leases

Leases in which the Company is the lessee

The Company applies IFRS 16, Leases, as from January 1, 2019. The Company has lease agreements with respect to lessees of lands and machinery equipment.

1. Information regarding material lease agreements entered into during the period

- a. The Company leases land in Spain from private lessors for a period of approximately 35 years, on which it sets up Ellomay Solar photovoltaic site. The contractual period of the aforesaid lease agreements ends on February, 2056. A lease liability in the amount of €1,789 thousand and right-of-use asset in the amount of €1,789 thousand have been recognized in the statement of financial position as at December 31, 2020 in respect of leases of land.
- b. The Company leases machinery equipment in Gelderland, the Netherlands for a period of approximately 1-4 years, on which the Biogas Installations plant in Gelderland is located. The contractual period of the aforesaid lease agreements ends on October 1st, 2024. A lease liability in the amount of €355 thousand and right-of-use asset in the amount of €355 thousand have been recognized in the statement of financial position as at December 31, 2020 in respect of leases of machinery equipment.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 14 - Leases (cont'd)

Leases in which the company is the lessee (cont'd)

2. Right-of-use assets

	Gelderland	Spain	Talasol	Talmei Yosef	Total
	€in thousands				
Cost					
Balance as at January 1, 2020	-	1,235	12,686	1,688	15,609
Additions	-	1,789	-	10	1,799
New companies	355	-	-	-	355
Disposals	-	-	-	-	-
Effect of changes in exchange rates	-	-	-	(26)	(26)
Balance as at December 31, 2020	355	3,024	12,686	1,672	17,737
Depreciation					
Balance as at January 1, 2020	-	75	30	103	208
Depreciation for the year	-	75	139	106	320
New companies	-	-	-	-	-
Disposals	-	-	-	-	-
Balance as at December 31, 2020	-	150	169	209	528
Carrying amounts					
As at January 1, 2019	-	-	-	-	-
As at December 31, 2019	-	1,160	12,656	1,585	15,401
As at December 31, 2020	355	2,874	12,517	1,463	17,209

3. Lease liability

Maturity analysis of the company's lease liabilities

	December 31, 2020
	€in thousands
Less than one year	489
One to five years	2,096
More than five years	15,203
Total	17,788
Current maturities of lease liability	489
Long-term lease liability	17,299

4. Additional information on leases

(a) Amounts recognized in profit or loss

	2020
	€in thousands
Interest expenses on lease liability	494
Total	494

(b) Short-term leases

As mentioned in Note 3J regarding significant accounting policies, the Company accounts for short-term leases and leases of low-value assets as expense on a straight-line basis over the lease term, instead of a right-of-use asset and lease liability. These leases include office space.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 15 - Transactions and Balances with Related Parties

- A. On December 30, 2008, the Company's shareholders approved the terms of a management services agreement entered into among the Company, Kanir Joint Investments (2005) Limited Partnership ("Kanir") and Meisaf Blue & White Holdings Ltd. ("Meisaf"), a company controlled by the Company's chairman of the board and controlling shareholder, effective as of March 31, 2008 (the "Management Agreement"). According to the Management Agreement, Kanir and Meisaf, through their employees, officers and directors, provide assistance to the Company in all aspects of the new operations process, including but not limited to, any activities to be conducted in connection with identification and evaluation of the business opportunities, the negotiations and the integration and management of any new operations and including discussions with the Company's management to assist and advise them on such matters and on any matters concerning the Company's affairs and business and provide board services and chief executive officer services. In consideration of the performance of the management services and the board services pursuant to the Management Agreement, the Company initially agreed to pay Kanir and Meisaf an aggregate annual management services fee in the amount of \$250 thousand.

This annual management fee was increased to \$400 thousand in June 2013 (approximately €326 thousand, based on the NIS/euro exchange rate as at December 31, 2020 following approval by the Audit Committee, Compensation Committee, Board of Directors and by the Company's shareholders at the shareholders' meeting held in June 2013. The current term of the Management Agreement is until June 17, 2022.

The Company sub-leases a small part of its office space to a company controlled by Mr. Shlomo Nehama, the Company's chairman of the Board and a controlling shareholder, at a price per square meter based on the price that it pays under its lease agreements. This sub-lease agreement was approved by the Company's Board of Directors.

B. Compensation to key management personnel and interested parties (including directors)

Directors and officers participate in the Company's share option programs. For further information see Note 17 regarding share-based payments.

Compensation to key management personnel and interested parties that are employed by the Company:

	Year ended December 31					
	2020		2019		2018	
	Number of	Amount	Number of	Amount	Number of	Amount
	People	€ thousands	People	€ thousands	People (*)	€ thousands
Short-term employee						
Benefits	3	880	3	689	2	371
Post-employment						
Benefits	2	62	2	56	2	48
Share-based payments	1	-	1	29	2	-

* Including retired employees that were not employed throughout the entire year.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 15 - Transactions and Balances with Related Parties (cont'd)

B. Compensation to key management personnel and interested parties (including directors) (cont'd)

Compensation to key management personnel (including directors but excluding compensation paid under the Management Agreement) that are not employed by the Company:

	Year ended December 31					
	2020		2019		2018	
	Number of people	Amount € thousands	Number of people	Amount € thousands	Number of People (*)	Amount € thousands
Total compensation to directors not employed by the Company	3	63	3	72	3	49
share-based payments	3	34	3	9	3	5

C. Debts and loans to related and interested parties

	The terms of the loan		Balance as at December 31		Interest income recognized instatement of income for the year ended December 31		
	Interest rate	Linkage base	2020	2019	2020	2019	2018
	%		€ thousands				
Dori Energy	8.1 (*)	NIS+CPI	8,745	10,595	620	814	1,130

(*) See Note 6A

Note 16 - Equity

A. Composition of share capital

	December 31, 2020		December 31, 2019		December 31, 2018	
	Authorized	Issued and Outstanding(1)	Authorized	Issued and outstanding(1)	Authorized	Issued and Outstanding
	Number of shares					
Ordinary shares						
Of NIS 10.00 par value each	17,000,000	12,652,094(1)	17,000,000	11,479,094(1)	17,000,000	10,675,508(1)

(1) Net of treasury shares as follows: 258,046 Ordinary shares as of December 31, 2019, 2018 and 2017, all of which have been purchased according to share buyback programs that were authorized by the Company's Board of Directors.

On July 17, 2019, the Company issued 800,000 ordinary shares to several Israeli qualified investors in a private placement undertaken in accordance with Regulation S of the Securities Act. The price per share was set at NIS 39.20 and net proceeds were approximately NIS 31,100 thousand (approximately €7,807 thousand based on the Euro /NIS exchange rate at that time) (net of related expenses such as consultancy fee and commissions of approximately NIS 200 thousand (approximately €50 thousand based on the Euro /NIS exchange rate at that time)).

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 16 - Equity (cont'd)

A. Composition of share capital (cont'd)

In February 2020, the Company issued 715,000 ordinary shares and warrants to purchase an additional 178,750 ordinary shares to several Israeli institutional investors in a private placement undertaken in accordance with Regulation S of the Securities Act of 1933, as amended. The price per share was set at NIS 70 (approximately €18.9 based on the Euro /NIS exchange rate at that time). The warrants are exercisable for a period of one year, with an exercise price of NIS 80 (approximately €21.6) per ordinary share. The gross proceeds to the Company in connection with the private placement were NIS 50.05 million (approximately €13.5 million based on the Euro /NIS exchange rate at that time).

Of the total proceeds, an amount of approximately NIS 1,182 million (approximately €320 thousand based on the Euro/NIS exchange rate at that time) was recognized in other liabilities in connection with these warrants. As of December 31, 2020, the amount of the liability was €127 thousand.

During January and February 2021, Israeli institutional investors who purchased the Company's ordinary shares and warrants convertible into ordinary shares in a private placement consummated in February 2020, exercised all of the warrants issued to them in such private placement. As a result of the exercises, the Company issued an aggregate of 178,750 ordinary shares, at a price per ordinary share of NIS 80 (approximately €20.3 based on the Euro/NIS exchange rate as of December 31, 2020), and received gross proceeds of NIS 14,300 thousand (approximately €3,626 thousand based on the Euro /NIS exchange rate as of December 31, 2020).

On July 20, 2020, the Company issued 450,000 ordinary shares to several Israeli qualified investors in a private placement undertaken in accordance with Regulation S. The price per share was NIS 70.5 (approximately €18 based on the Euro/NIS exchange rate at that time) and received gross proceeds of approximately NIS 31,725 thousand (approximately €8,097 thousand based on the Euro/NIS exchange rate at that time).

On October 26, 2020, the Company completed a public offering in Israel of additional Series C Debenture and a of the Series 1 Options, tradable on the Tel Aviv Stock Exchange, to purchase the Company's ordinary shares at an exercise price per share of NIS 150 (approximately €37.5 based on the Euro/NIS exchange rate at that time) (subject to adjustments upon customary terms). The Company issued an aggregate principal amount of NIS 154,000 thousand (approximately €38,520 thousand based on the Euro/NIS exchange rate at that time) of Series C Debentures and 385,000 Series 1 Options. The gross proceeds from the offering were NIS 164,200 thousand and the net proceeds of the offering, net of related expenses such as consultancy fee and commissions, were approximately NIS 162,400 thousand (approximately €40,281 thousand based on the Euro/NIS exchange rate at that time). Of the total proceeds, an amount NIS 8,891 thousand (approximately €2,224 thousand based on the Euro/NIS exchange rate at that time) was recognized in long term liabilities in connection with these options.

B. Rights attached to shares:

1. Voting rights at the general meeting, right to dividend and rights upon liquidation of the Company.
2. Commencing August 22, 2011, the Company's ordinary shares have been listed on the NYSE American (formerly the NYSE MKT and the NYSE Amex). On October 27, 2013, the Company's ordinary shares were also listed for trading on the Tel Aviv Stock Exchange in Israel.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 16 - Equity (cont'd)**C. Translation reserve from foreign operation**

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

D. Capital management in the Company

The Company's capital management objectives are:

1. To preserve the Company's ability to ensure business continuity thereby creating a return for the shareholders, investors and other interested parties.
2. To ensure adequate return for the shareholders by making reasonable investment decisions based on the level of internal rate of return that is in line with the Company's business activity.
3. To maintain healthy capital ratios in order to support business activity and maximize shareholders value.

E. Dividend distribution and buyback program

On March 18, 2015, the Company's Board of Directors adopted a dividend distribution policy (the "Policy"), pursuant to which the Company intends to distribute a dividend of up to 33% of the annual distributable profits each year, either by way of a cash dividend, a share buyback program or a combination of both. The distribution of the dividends and the dividend amounts pursuant to the Policy are not guaranteed and are subject to the specific approval of the Company's Board of Directors, based on various factors they deem appropriate including, among others, the Company's financial position, the Company's outstanding liabilities and contractual obligations, prospective acquisitions, the Company's business plan and the market conditions.

In May 2015, the Company's Board of Directors approved the repurchase of up to \$3,000 thousand (approximately €2,700 thousand) of the Company's ordinary shares. The authorized repurchases were to be made from time to time in the open market on the NYSE American and Tel Aviv Stock Exchange or in privately negotiated transactions. The timing, volume and nature of share repurchases were at the sole discretion of management and will be dependent on regulatory restrictions, market conditions, the price and availability of the Company's ordinary shares, applicable securities laws and other factors, including compliance with the terms of the Series A and Series B Debentures, which were then outstanding. The buyback program did not obligate the Company to acquire a specific number of shares in any period. As of December 31, 2020, the Company repurchased 172,391 ordinary shares at an aggregate purchase price of \$1,477 thousand (approximately €1,204 thousand based on the Euro/NIS exchange rate as of December 31, 2020) in the NYSE American under this buyback program.

On March 23, 2016, the Company announced the decision to distribute a cash dividend in the amount of \$0.225 per share (an aggregate distribution of approximately \$2.4 million). The Company distributed this dividend in April 2016.

The Company did not declare or pay a cash dividend during 2017 - 2020 and did not repurchase any of its ordinary shares during 2018 - 2020.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 17 - Share-Based Payment

A. Expenses recognized in the financial statements

The expenses recognized in the financial statements for services received from directors and employees is shown in the following table:

	Year ended December 31		
	2020	2019	2018
	€ thousand		
Expenses arising from share-based payment			
Transactions	50	8	5

The share-based payments that the Company granted to its employees and directors are described below. The share option plans were extended for an additional ten-year period in 2018. Other than the extension, there have been no modifications or cancellations to any of the share options plans during 2020, 2019 or 2018. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

A. Expenses recognized in the financial statements (cont'd)

The fair value of the options is estimated using a Black-Scholes options pricing model with the following weighted average assumptions:

	Year ended December 31		
	2020	2019	2018
Dividend yield	0%	0%	0%
Expected volatility	0.427	0.428	0.384
Risk-free interest	0.11%	1.73%	2.67%
Expected life (in years)	2-3	2-3	2-3

All options granted during 2020, 2019 and 2018 were granted with exercise price equal to or higher than the market price on the date of grant. Weighted average fair values and exercise price of options on dates of grant are as follows:

	Equal market price	
	2020	2019
	US\$	
Weighted average exercise prices	28.91	11.41
Weighted average fair value on grant date	9.63	3.4

B. Stock Option Plans

In December 1998, the Company's shareholders approved the non-employee director stock option plan (the "1998 Plan"). Each option granted under the 1998 Plan originally vested immediately and expires after 10 years. Generally, the Company grants options under the plan with an exercise price equal to the market price of the underlying shares on the date of grant. An aggregate amount of not more than 75,000 ordinary shares was reserved for grants under the 1998 Plan. The original expiration date of the 1998 Plan pursuant to its terms was December 8, 2008 (10 years after its adoption). In January 2008 and June 2018, the term of the 1998 Plan was extended and as a result it will expire on December 8, 2028, unless earlier terminated by the Board. In connection with the adoption of the Company's compensation policy in 2013, the 1998 Plan was amended to provide that options granted under the 1998 Plan will become exercisable based on the vesting schedule determined in the approvals of the option grant. During each of the years 2020, 2019 and 2018, the Company granted to independent directors options to purchase an aggregate amount of 3,000 ordinary shares under the 1998 Plan.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 17 - Share-Based Payment (cont'd)

As of December 31, 2020, 16,332 options are outstanding and 29,667 ordinary shares are available for future grants under the 1998 Plan.

In August 2000, the Company's board of directors adopted the 2000 Stock Option Plan (the "2000 Plan"). The initial reserve to the 2000 Plan was 200,000 ordinary shares underlying options that may be granted to officers, directors, employees and consultants of the Company and its subsidiaries and this initial reserve was increased several times. The options usually vest over a three year period. The exercise price of the options under the 2000 Plan is determined to be not less than 80% of the fair market value of the Company's ordinary shares at the time of grant, and they usually expire after 10 years from the date of grant. In June 2008 and June 2018 the term of the 2000 Plan was extended by additional 10 year periods and the current expiration date of the 2000 Plan is August 31, 2028.

As of December 31, 2020, options to purchase 14,803 ordinary shares are outstanding and 580,206 ordinary shares are available for future grants under the 2000 Plan. Options that are cancelled or forfeited become available for future grant.

C. Changes during the year:

The following table lists the number of share options, the weighted average exercise prices of share options during the current year:

	2020		2019		2018	
	Number of options	Weighted Average Exercise Price US\$	Number of options	Weighted average exercise price US\$	Number of options	Weighted Average Exercise Price US\$
Outstanding at beginning of year	34,886	8.09	27,169	7.82	25,502	7.54
Granted during the year	4,249	28.91	18,303	11.41	3,000	8.95
Exercised during the year	(8,000)	7.87	(3,586)	6.27	-	-
Expired during the year	-	-	(7,000)	8.25	(1,333)	5
Outstanding at end of year	31,135	12.94	34,886	9.83	27,169	7.82
Exercisable at end of year	17,018	6.3	16,583	8.09	24,169	7.68

- D. The weighted average remaining contractual life for the share options outstanding as of December 31, 2020 was 7.62 years (as of December 31, 2019 was 7.33 years and as of December 31, 2018 was 5.51 years).
- E. The range of exercise prices for share options outstanding as of December 31, 2020: \$5.55- \$34.44 (as of December 31, 2019 the range was \$5.55- \$13 and as of December 31, 2018 the range was \$4.7- \$9.37).

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 18 - Details of the Statements of Profit or Loss and Other Comprehensive Income (Loss)

A. Financing income and expenses:

1. Financing income

	For the year ended December 31		
	2020	2019	2018
	€in thousands		
Interest income and consumer price index in Israel in connection to concession project	1,423	1,757	1,948
Interest income	553	70	291
Change in fair value of derivatives, net	1,094	897	494
Consumer price index in Israel for loan	103	-	-
Swap interest	55	-	-
Gain from exchange rate differences, net	-	-	697
Total financing income	3,228	2,724	3,430

2. Financing expenses

	For the year ended December 31		
	2020	2019	2018
	€in thousands		
Swap interest	-	270	206
Debentures interest and related expenses	2,155	4,696	2,604
Interest on loans	1,518	(*) 2,325	2,330
Consumer price index in Israel for loan	-	102	171
Bank charges and other commissions	576	585	210
Forward loss	-	513	-
Interest on lease liability	494	(*) 341	-
Loss from exchange rate differences, net	2,119	2,045	-
Total financing expenses	6,862	10,877	5,521

(*) Reclassification

B. Operating Costs, Depreciation and Amortization

	For the year ended December 31		
	2020	2019	2018
	€in thousands		
Depreciation from fixed assets	2,299	5,744	5,500
Depreciation from Right-of-use assets	320	321	-
Amortization	356	351	316
Professional services	466	663	375
Annual rent	16	9	390
Operating and maintenance services	4,025	5,322	4,942
Insurance	178	344	245
Other	266	300	390
Total operating costs	7,926	13,054	12,158

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 18 - Details of the Statements of Profit or Loss and Other Comprehensive Income (Loss) (Cont'd)

C. General and administrative expenses

	For the year ended December 31		
	2020	2019	2018
	€in thousands		
Salaries and related compensation	1,442	1,324	1,016
Professional services	2,057	1,978	2,185
Other	1,013	525	399
Total general and administrative expenses	4,512	3,827	3,600

D. Other income (expense), net

	For the year ended December 31		
	2020	2019	2018
	€in thousands		
Other income in connection with the A.R.Z. electricity pumped storage project (see Note 6B)	-	-	73
Compensation from contractor (*)	-	-	811
Other (**)	2,100	(2,100)	-
Total other income (expenses), net	2,100	(2,100)	884

(*) Compensation from EPC and O&M contractor of the Company's Biogas projects in Netherlands due to deficiencies in the operation of these projects.

(**) Indemnification in the amount of up to €2.1 million in connection with the announcement received from GSE, Italy's energy regulation agency, by one of the Italian Subsidiaries, claiming alleged non-compliance of the installed modules with the required certifications under the applicable regulation and raising the need to examine incentive eligibility implications (the "GSE Claim"). The Company recorded this potential payment as other expenses. In 2020, with the cooperation of the acquirer of the Italian subsidiaries, an appeal was submitted to GSE. Following the positive outcomes of such appeal, the provision for the potential indemnification was cancelled.

E. Revenues

	For the year ended December 31		
	2020	2019	2018
	€in thousands		
Revenues from the sale of solar electricity	2,577	13,069	12,593
Revenues from the sale of gas and power produced by anaerobic digestion plants	6,002	4,786	4,483
Revenues from concessions project	1,066	1,133	1,041
Total Revenues	9,645	18,988	18,117

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 19 - Taxes on Income**A. Regional Taxation****Israeli taxation**

Presented hereunder are the tax rates relevant to the Company in the years 2018-2020:

2018 – 23%, 2019 – 23% and 2020 – 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.

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, the deferred tax balances as at December 31, 2019 and 2020 were calculated according to the new tax rates 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.

Luxembourg taxation

Corporate Income Tax rate is 29.22%. Minimum tax payments are made based on the entity's total assets and are considered as a conditional advance tax payment on corporate income tax due in future tax periods.

Italian taxation

As a rule, corporate income tax (named IRES from 2004) is payable by all resident companies on income from any source, whether earned in Italy or abroad, at the rate of 24%.

Both resident and non-resident companies are subject to regional income tax (IRAP), but only on income arising in Italy at the rate from 0% (for a short period of couple of years) to 4.82%, depending on the Region.

Spanish taxation

As a rule, corporate income tax is payable by all resident companies on income from any source, whether earned in Spain or abroad at the rate of 25%.

The Netherlands taxation

The Dutch corporate income tax rate was 20% on the first EUR 200,000 of taxable profits, and 25% on taxable profits exceeding that amount. The tax authorities announced at the end of 2020 the following: In 2020, the Dutch corporate income tax rate will be 16.5% on the first EUR 200,000 of taxable profits, and 25% on taxable profits exceeding that amount. In 2021, the Dutch corporate income tax rate will be 15% on the first EUR 245,000 of taxable profits, and 25% on taxable profits exceeding that amount. In 2022, the Dutch corporate income tax rate will be 15% on the first EUR 395,000 of taxable profits, and 25% on taxable profits exceeding that amount.

Dutch tax laws provide for an Energy Investment Allowance ("EIA") – a tax advantage for companies in the Netherlands that invest in energy-efficient technology that meet the Energy List requirements, allowing a deduction of 58% in 2017 and 45.5% from 2021 of the investment costs from the corporate income, on top of the usual depreciation. The right to the EIA is declared with the tax return, provided the investment is timely reported to the Dutch Enterprise Agency.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 19 - Taxes on Income (cont'd)

B. Composition of income tax benefit (taxes on income):

	For the year ended December 31		
	2020	2019	2018
	€in thousands		
Current tax income (expense)			
Current year	(119)	(741)	(438)
Adjustments for prior years, net	(4)	(14)	26
	(123)	(755)	(412)
Deferred tax income			
Creation and reversal of temporary differences	248	1,042	197
Tax benefit (taxes on income)	125	287	(215)

C. Reconciliation between the theoretical tax on the pre-tax profit and the tax expense:

	2020	2019	2018
	€in thousands		
Profit (loss) before taxes on income	(6,293)	9,497	819
Primary tax rate of the Company	23%	23%	23%
Tax calculated according to the Company's primary tax rate	1,447	(2,184)	(188)
Additional tax (tax saving) in respect of:			
Different tax rate of foreign subsidiaries	(576)	(11)	45
Neutralization of tax calculated in respect of the Company's share in profits of equity accounted investees	351	710	585
Changes in deferred taxes for tax losses and benefits from previous years for which deferred taxes were not created in the past	483	3,681	-
Change in temporary differences for which deferred tax were not recognized	325	(166)	(576)
Current year tax losses and benefits for which deferred taxes were not created	(1,910)	(1,740)	(136)
Tax benefit (taxes) in respect to previous years and others	5	(3)	55
Actual Tax benefit (tax on income)	125	287	(215)

D. Carry forward tax losses:

As of December 31, 2020, Ellomay Capital Ltd had available carry forward tax losses, carry forward capital tax losses and deductions aggregating to approximately €900 thousand, which have no expiration date.

Deferred taxes of Ellomay Capital LTD have not been recognized as the Company's management currently believes that as the Company has a history of losses it is more likely than not that the deferred tax regarding losses carry forward will not be utilized in the foreseeable future.

Deferred taxes are recognized by operating subsidiaries for unused tax losses, tax benefits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 19 - Taxes on Income (cont'd)

E. Deferred taxes:

	Financial assets	Fixed assets	Swap contract	Carry- forward tax losses	Total
	€ in thousands				
Balance of deferred tax asset (liability) as at January 1, 2020	(6,972)	(1,294)	678	3,406	(4,182)
Changes recognized in profit or loss	(219)	704	-	(237)	248
Changes recognized due to business combination	-	(919)	-	1,407	488
Changes recognized in other comprehensive income	127	-	(846)	(36)	(755)
Balance of deferred tax asset (liability) as at December 31, 2020	(7,064)	(1,509)	(168)	4,540	(4,201)

	Financial assets	Fixed assets	Long term loans	Swap contract	Carry- forward tax losses	Total
	€ in thousands					
Balance of deferred tax asset (liability) as at January 1, 2019	(6,935)	(1,916)	710	198	4,147	(3,796)
Changes recognized in profit or loss	719	865	(97)	(27)	(418)	1,042
Changes recognized due to sale of operation	-	(243)	(613)	(261)	(555)	(1,672)
Changes recognized in other comprehensive income	(756)	-	-	768	232	244
Balance of deferred tax asset (liability) as at December 31, 2019	(6,972)	(1,294)	-	678	3,406	(4,182)

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 20 - Earnings Per Share

The calculation of basic earnings per share as at December 31, 2020, 2019 and 2018 was based on the profit attributable to the Company's shareholders divided by a weighted average number of ordinary shares outstanding, calculated as follows:

	For the year ended December 31		
	2020	2019	2018
	€ in thousands (other than share and per share data)		
Net income (loss) attributed to owners of the Company	(4,627)	12,060	1,057
Weighted average ordinary shares outstanding ⁽¹⁾	12,304,269	11,064,847	10,675,508
Dilutive effect:			
Stock options and warrants	23,549	5,589	3,349
Diluted weighted average ordinary shares Outstanding	12,327,818 ⁽²⁾	11,070,436	10,678,857
Basic profit (loss) per share from continuing operations	(0.38)	1.09	0.10
Diluted profit (loss) per share from continuing operations	(0.38)	1.09	0.10

(1) Net of treasury shares.

(2) In 2020 Stock options and warrants did not have a dilutive effect.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 21 - 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:

	For the year ended December	
	2020	2019
	€ in thousands	
Derivatives presented under current assets		
Currency swap	12	94
Forward contracts	66	-
	<u>78</u>	<u>94</u>
Derivatives presented under non-current assets		
Financial power swap	10,238	4,967
Currency swap	-	103
Forward contracts	-	92
	<u>10,238</u>	<u>5,162</u>
Derivatives presented under current liabilities		
Swap contracts	(1,378)	(766)
Derivatives presented under non-current liabilities		
Forward contracts	-	(344)
Currency swap	(144)	-
Swap contracts	(8,192)	(6,919)
	<u>(8,336)</u>	<u>(7,263)</u>

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 21 - Financial Instruments (cont'd)

The following table sets forth the details of the Company's Forward and SWAP contracts with banking institutions:

	December 31, 2020			
	Currency/ linkage/interest rate receivable	Currency/ Linkage/interest rate Payable	Date of expiration	Fair value - € in thousand
Euro 17.6 million interest swap transaction for a period of 18 years, semi-annually.	Euribor 6 months	Fixed 1%	December 20, 2037	(1,199)
The principal of the interest rate swap transaction is based on a pre-determined sculptured repayment schedule in the maximum amount of Euro 131 million for a period of 12 years, semi-annually.	Euribor 6 months	Fixed 0.9412%	September 30, 2031	(8,371)
Forward Euro/NIS contracts with an aggregate Euro denominated principal of Euro 8 million.	weighted average rate of approximately 4.03		January 2021	66
NIS 83.2 million currency swap transaction Euro/NIS for a period of 7 years, semi-annually.	NIS	Euro	June 2024	(132)
Financial power swap- Electricity price swap fixed for float	Electricity price in Spain	Fixed price	September 30, 2030	10,238

B. Risk management framework

The Company's management and board of directors have overall responsibility for the establishment and oversight of the Company's risk management framework.

C. Credit Risk

As at December 31, 2020, the Company does not have any significant concentration of credit risk.

Cash and short-term deposits

As at December 31, 2020 and 2019, the Company had cash and cash equivalents in the amount of €66,845 thousand and €44,509 thousand, respectively. The Company's cash and cash equivalents are deposited with financial institutions that received a credit rating (international rating scale). See also Note 4.

Marketable securities

As at December 31, 2020 and 2019, the Company invested in a traded Bond in an amount of €1,761 thousand and €2,242 thousand, respectively, with the intention to maintain the value of its liquid resources. See also Note 5.

Restricted cash

As at December 31, 2020 and 2019, the Company had a balance of current restricted cash in an amount of €0 thousand and €22,162 thousand, respectively, and a balance of non-current restricted cash of €9,931 thousand and €10,956 thousand, respectively. See also Note 5.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 21 - Financial Instruments (cont'd)**C. Credit Risk (cont'd)**Trade and other receivables

As at December 31, 2020 and 2019, the Company had a balance of trade receivables of €82 thousand and €805 thousand, respectively. This balance mainly refers to the balance from the IEC for the PV Plant located in Israel and is due in 30 days. It is also referring to NEXUS or GNERA that represent the PV Plants located in Spain in their dealings with the Spanish National Energy Commission, and are due within 60 days from issuance.

As at December 31, 2020 and 2019, the Company had a balance of revenue receivables of €3,420 thousand and €1,075 thousand, respectively. This balance refers to amounts to be paid from several entities. In Spain, the amounts to be paid are from NEXUS or GNERA that represent the PV Plants located in Spain in its dealings with the Spanish National Energy Commission. To the extent the facility is eligible to receive incentives (such as the Company's existing four Spanish PV facilities), the incentives (consisting of an investment retribution and operational retribution) are paid on a monthly basis (commencing January) based on varying percentages of the accumulated incentives from the beginning of the fiscal year, provided that the entire amount of the incentives is required to be paid to the eligible entity by the end of June of the following fiscal year. In the Netherlands, the amounts to be paid are from Enterprise Agency that is responsible to pay the amount of subsidy for the Biogas installations in the Netherlands. The incentives are paid through equal monthly installments based on the effective production of the previous year for each plant, or if not available, on the basis of the regional forecast. The balance is paid within June 30th of the subsequent year.

The Company's management closely monitors the economic and political environment in which it operates. As per the Company's management estimations there are no significant credit risks assigned to the trade receivables and income receivables as these amounts are due by governmental agencies.

As at December 31, 2020 and 2019, the Company had a balance of government authorities' receivables of €78 thousand and €781 thousand, respectively. This balance refers to VAT and withholding tax receivables in Spain, Israel and the Netherlands.

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 debentures issued, financing agreements and EPC and O&M agreements of its subsidiaries in Spain and in Israel. See also Note 6, Note 11 and Note 12.

The following are the contractual maturities of financial liabilities at undiscounted amounts and based on the spot rates at the reporting date, including estimated interest payments. This disclosure excludes the impact of netting agreements:

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 21 - Financial Instruments (cont'd)

D. Liquidity risk (cont'd)

	December 31, 2020					
	Carrying amount	Contractual cash flows	Less than	2 years	3-5 years	More than
			1 year			5 years
			€in thousands			
Non-derivative financial liabilities						
Long term loans, including current maturities	198,169	263,112	20,896	34,645	32,594	174,977
Debentures	82,724	91,431	13,502	33,368	44,561	-
Lease liabilities	17,789	28,910	1,051	1,941	1,799	24,119
Trade payables and other accounts payable	13,706	13,706	13,706	-	-	-
	312,388	397,159	49,155	69,954	78,954	199,096
Derivative finance liabilities						
Currency swap	132	132	(12)	63	81	-
Swap contracts	9,570	9,570	1,378	2,490	2,109	3,593
	9,702	9,702	1,366	2,553	2,190	3,593
	December 31, 2019					
	Carrying amount	Contractual cash flows	Less than	2 years	3-5 years	More than
			1 year			5 years
	€in thousands					
Non-derivative financial liabilities						
Long term loans, including current maturities	93,320	100,415	5,075	9,041	19,154	67,145
Debentures	71,584	78,235	28,718	8,615	33,899	7,003
Lease liabilities	15,627	25,859	462	806	2,417	22,174
Trade payables and other accounts payable	2,928	2,928	2,928	-	-	-
	183,459	207,437	37,183	18,462	55,470	96,322
Derivative finance liabilities						
Forward contracts	252	252	-	252	-	-
Swap contracts	7,685	7,685	766	2,682	2,172	2,065
	7,937	7,937	766	2,934	2,172	2,065

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 21 - Financial Instruments (cont'd)**E. Market risk**

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

The principal risks that the Company faces, as assessed by management, are as follows: a change in the regulation applicable to the area of activity, a change in the tariffs as approved by the relevant electricity authorities in the countries in which the Company operates, changes in the situation of the electricity and gas market, political and security events.

The Company uses hedging instruments in an attempt to manage interest rate, currency and other market-related risks. The majority of the Company's derivative contracts are OTC derivatives, i.e., derivative contracts that are not transacted on an exchange. These derivatives are entered into under ISDA Master Agreements. If counterparty defaults on these contracts, the underlying exposure would no longer be effectively hedged, which could result in losses. Disruptions such as market crises and economic recessions may put a strain on the availability and effectiveness of hedging instruments. For example, although the Company estimates the expected transition away from Libor and Euribor, as addressed by the Amendments to IAS 39, Financial Instruments, Interest Rate Benchmark Reform – Phase 2, not to have a material effect on the Company's financial statements, similar benchmark rates may have a different impact on the hedged item and the hedging instrument, which could cause some of our hedge to become ineffective, resulting in potential losses.

(1) Foreign currency risk

As a result of the Company's operations and presentation currency, the Company is exposed to the impact of exchange rate fluctuations of the Euro/USD and NIS/Euro on the Company's balance sheet.

In order to manage the currency risk resulting from the Series B Debentures, which are denominated in NIS, the Company executed currency swap transactions in April 2017. The Company exchanged Series B Debentures NIS denominated notional principal in the aggregate amount of NIS 83.232 million with a euro notional principal (currency swap transactions). Such currency swap transactions qualify for hedge accounting.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 21 - Financial Instruments (cont'd)

E. Market risk (cont'd)

(1) Foreign currency risk (cont'd)

(a) The exposure to linkage and foreign currency risk

The Company's exposure to linkage and foreign currency risk was as follow:

	December 31, 2020				
	Non-monetary/ Non finance	NIS(*)	Unlinked	EURO	Total
			€ in thousands		
Current assets:					
Cash and cash equivalents	-	50,195	952	15,698	66,845
Marketable securities	-	-	1,761	-	1,761
Short term deposits	-	8,113	-	-	8,113
Asset from concession project	-	1,491	-	-	1,491
Trade and other receivables	380	3,155	384	5,906	9,825
Non-current assets:					
Investments in equity accounted investees	23,489	8,745	-	-	32,234
Advances on account of investments in process	2,423	-	-	-	2,423
Asset from concession project	-	25,036	-	-	25,036
Fixed assets	264,095	-	-	-	264,095
Right of use asset	-	1,463	-	15,746	17,209
Concession intangible asset	4,604	-	-	-	4,604
Restricted cash long-term	-	5,882	-	4,049	9,931
Deferred tax	3,605	-	-	-	3,605
Other assets	2,593	30	-	139	2,762
Derivatives	-	-	-	10,238	10,238
Current liabilities:					
Current maturities of long term bank loans	-	(1,762)	-	(8,470)	(10,232)
Current maturities of long term loans	-	-	-	(4,021)	(4,021)
Short-term debentures	-	(10,600)	-	-	(10,600)
Trade payables	-	(221)	-	(12,166)	(12,387)
Accrued expenses and other payables	-	(3,502)	(666)	(3,744)	(7,912)
Non-current liabilities:					
Lease liability	-	(1,436)	-	(15,863)	(17,299)
Liabilities to banks	-	(15,520)	-	(119,000)	(134,520)
Other long-term loans	-	(5,102)	-	(44,294)	(49,396)
Long-term debentures	-	(72,124)	-	-	(72,124)
Deferred tax	(7,806)	-	-	-	(7,806)
Derivatives	-	-	-	(8,336)	(8,336)
Other long-term liabilities	-	(27)	(486)	-	(513)
Total exposure in statement of financial position in respect of financial assets and financial liabilities	293,383	(6,184)	1,945	(164,118)	125,026

(*) including items linked to CPI

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 21 - Financial Instruments (cont'd)

E. Market risk (cont'd)

(1) Foreign currency risk (cont'd)

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

	December 31, 2019				
	Non-monetary/ Non finance	NIS(*)	Unlinked €in thousands	EURO	Total
Current assets:					
Cash and cash equivalents	-	23,385	1,517	19,607	44,509
Marketable securities	-	-	2,242	-	2,242
Short term deposits	-	6,446	-	-	6,446
Restricted cash	-	22,162	-	-	22,162
Asset from concession project	-	1,463	-	-	1,463
Financial asset short-term	-	1,418	-	-	1,418
Trade and other receivables	304	1,199	396	2,983	4,882
Non-current assets:					
Investments in equity accounted investees	26,131	7,430	-	-	33,561
Advances on account of investments in process	883	-	-	-	883
Asset from concession project	-	27,122	-	-	27,122
Fixed assets	114,389	-	-	-	114,389
Right of use asset	-	1,585	-	13,816	15,401
Concession intangible asset	5,042	-	-	-	5,042
Restricted cash long-term	-	5,639	-	5,317	10,956
Deferred tax	2,285	-	-	-	2,285
Other assets	12,218	31	-	-	12,249
Derivatives	-	-	-	5,162	5,162
Current liabilities:					
Loans and borrowings	-	(1,669)	-	(2,469)	(4,138)
Short-term debentures	-	(26,773)	-	-	(26,773)
Trade payables	-	(266)	-	(1,499)	(1,765)
Accrued expenses and other payables	-	(3,519)	-	(1,491)	(5,010)
Non-current liabilities:					
Lease liability	-	(1,529)	-	(13,873)	(15,402)
Long-term loans	-	(19,409)	-	(69,773)	(89,182)
Long-term debentures	-	(44,811)	-	-	(44,811)
Deferred tax	(6,467)	-	-	-	(6,467)
Derivatives	-	-	-	(7,263)	(7,263)
Other long-term liabilities	-	(28)	-	(1,767)	(1,795)
Total exposure in statement of financial position in respect of financial assets and financial liabilities	154,785	(124)	4,155	(51,250)	107,566

(*) Including items linked to CPI

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 21 - Financial Instruments (cont'd)

E. Market risk (cont'd)

(1) Foreign currency risk (cont'd)

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

Information regarding significant exchange rates:

	For the year ended December 31			
	Rate of Change		Rate of Change	
	%	Dollar	%	NIS
1 Euro in 2020	9.3	1.227	1.7	3,944
1 Euro in 2019	(2)	1.122	(9.6)	3,878

(b) Sensitivity analysis

A change as at December 31 in the exchange rates of the following euro against the USD and euro against the NIS, as indicated below would have increased (decreased) equity by the amounts shown below (after tax). This analysis is based on foreign currency exchange rate 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.

	December 31, 2020	
	Increase	Decrease
	Equity	Equity
	€thousands	
Change in the exchange rate of:		
5% in the USD	79	(79)
5% in NIS	308	(308)

	December 31, 2019	
	Increase	Increase
	Equity	Equity
	€thousands	
Change in the exchange rate of:		
5% in the USD	185	(185)
5% in NIS	412	(412)

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 21 - Financial Instruments (cont'd)

E. Market risk (cont'd)

(2) Interest rate risk

The Company is exposed to changes in fair value, as a result of changes in interest rate in connection with its loans and borrowings. The debt instruments of the Company bear interest at variable rates.

The Company entered into various project finance agreements that are based on EURIBOR rate and therefore it may be affected by adverse movements in interest rates. The Company utilizes interest rate swap derivatives to convert certain floating-rate debt to fixed-rate debt. The Company's interest rate swap derivatives involve an agreement to pay a fixed-rate interest and receive a floating-rate interest, at specified intervals, calculated on an agreed notional amount that matches the amount of the original loan and paid on the same installments and maturity dates.

Sensitivity analysis

A change in interest rate would have increased (decreased) profit or loss by the amounts shown below:

	December 31,	
	2020	2019
	Profit or loss	Profit or loss
	€ in thousands	
Increase of 1%	803	580
Increase of 3%	2,444	1,701
Decrease of 1%	(836)	(542)
Decrease of 3%	(2,477)	(1,663)

(3) Electricity market prices risk

As a result of the Company's operations in the electricity market, the Company is exposed to the impact of changes in the electricity prices.

In June 2018, Talasol executed a financial power swap in respect of approximately 80% of the output of the Talasol Project for a period of 10 years (the "PPA"). The power produced by the Talasol Project is expected to be sold by Talasol in the open market for the then current market power price and the PPA is expected to hedge the risks associated with fluctuating electricity market prices by allowing Talasol to secure a certain level of income for the power production included under the PPA. The hedge transaction becomes effective on Talasol requesting that the counter party will fix the fixed price pursuant to the price adjustment mechanism. The PPA became effective in March 2019.

The fair value of the PPA is measured by discounting the future fixed and assessed cash flows, over the period of the contract and using market interest rates appropriate for similar instruments. The value is adjusted for the parties' credit risks. The future prices are assessed the electricity field.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 21 - 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 receivables, pledged deposits, financial derivatives credit from banks and trade payables and other accounts payables are the same or proximate to their fair value.

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

	December 31, 2020					
	Carrying amount	Fair value			Valuation techniques for determining fair value	Inputs used to determine fair value
		Level 1	Level 2	Level 3		
	€in thousands					
Non-current liabilities:						
Debentures	82,724	84,814	-	-		
Loans from banks and others (including current maturities)					Discounting future cash flows by the market interest rate on the date of measurement.	Discount rate of Euribor+ 1.76%- 2.75% with a zero floor, Euribor+ 5.27%, fix rate for 5 years 2.9%-3.55% and 4.65% Linkage to Consumer price index in Israel
	198,169	-	209,005	-		
	280,893	84,814	209,005	-		
	December 31, 2019					
	Carrying amount	Fair value			Valuation techniques for determining fair value	Inputs used to determine fair value
		Level 1	Level 2	Level 3		
	€in thousands					
Non-current liabilities:						
Debentures	71,584	73,211	-	-		
Loans from banks and others (including current maturities)					Discounting future cash flows by the market interest rate on the date of measurement.	Discount rate of Euribor+ 2.53%, fix rate for 5 years 2.9%- 3.1% and 4.65% Linkage to Consumer price index in Israel
	93,320	-	94,677	-		
	164,904	73,211	94,677	-		

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 21 - Financial Instruments (cont'd)

F. Fair value (cont'd)

(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 plus an adequate credit spread, and were as follows:

	December 31	
	2020	2019
	%	
Non-current liabilities:		
Loans from banks	Euribor+ 1.76%- 2.75% with a zero floor	Euribor+ 2.53%
Loans from banks	4.65% Linkage to Consumer price index in Israel	4.65% Linkage to Consumer price index in Israel
Loans from banks	fix rate for 5 years 2.9% - 3.55%	fix rate for 5 years 2.9% - 3.1%
Loans from others	Euribor+ 5.27%	Euribor+ 5.27%
Loans from others	3%	-

(3) Fair values hierarchy

The financial instruments presented at fair value are grouped into classes with similar characteristics using the following fair value hierarchy which is determined based on the source of data used in the measurement:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- 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).

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 21 - Financial Instruments (cont'd)

F. Fair value (cont'd)

(3) Fair values hierarchy (Cont'd)

	December 31, 2020				
	Level 1	Level 2	Level 3	Total	Valuation techniques for determining fair value
	€in thousands				
Marketable securities	-	1,761	-	1,761	Market price
Forward contracts	-	66	-	66	Fair value measured on the basis of discounting the difference between the forward price in the contract and the current forward price for the residual period until redemption using market interest rates appropriate for similar instruments, including the adjustment required for the parties' credit risks.
Swap contracts	-	(9,570)	-	(9,570)	Fair value is measured by discounting the future cash flows, over the period of the contract and using market interest rates appropriate for similar instruments, including the adjustment required for the parties' credit risks.
Currency swap	-	(132)	-	(132)	Fair value is measured by discounting the future cash flows, over the period of the contract and using market interest rates appropriate for similar instruments, including the adjustment required for the parties' credit risks.
Dori Energy loan	-	-	8,745	8,745	The fair value is measured by discounting the expected future loan repayments and using market interest rates appropriate for similar instruments, including the adjustment required for the parties' credit risks. The discounting rate was estimated at approximately 10% and the expected yearly change of Israeli Consumer Price Index, during the expected lifetime of the loan, was estimated at approximately 1%.
Financial power swap	-	-	10,238	10,238	Fair value is measured by discounting the future fixed and assessed cash flows, over the period of the contract and using market interest rates appropriate for similar instruments. The value is adjusted for the parties' credit risks.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 21 - Financial Instruments (cont'd)

F. Fair value (cont'd)

(3) Fair values hierarchy (Cont'd)

	December 31, 2019				Valuation techniques for determining fair value
	Level 1	Level 2	Level 3	Total	
	€ in thousands				
Income receivable in connection with the A.R.Z. electricity pumped storage project (see Note 6B)	-	-	1,418	1,418	The fair value of the income receivable in connection with the A.R.Z. electricity pumped storage project was calculated according to the cash flows expected to be received in 4.5 years following the financial closing of the project, discounted at a weighted interest rate of 2.36% reflecting the credit risk of the debtor.
Marketable securities	-	2,242	-	2,242	Market price
Forward contracts	-	(252)	-	(252)	Fair value measured on the basis of discounting the difference between the forward price in the contract and the current forward price for the residual period until redemption using market interest rates appropriate for similar instruments, including the adjustment required for the parties' credit risks.
Swap contracts	-	(7,685)	-	(7,685)	Fair value is measured by discounting the future cash flows, over the period of the contract and using market interest rates appropriate for similar instruments, including the adjustment required for the parties' credit risks.
Currency swap	-	197	-	197	Fair value is measured by discounting the future cash flows, over the period of the contract and using market interest rates appropriate for similar instruments, including the adjustment required for the parties' credit risks.
Dori Energy loan	-	-	10,595	10,595	The fair value is measured by discounting the expected future loan repayments and using market interest rates appropriate for similar instruments, including the adjustment required for the parties' credit risks. The discounting rate was estimated at approximately 10% and the expected yearly change of Israeli Consumer Price Index, during the expected lifetime of the loan, was estimated at approximately 1%.
Financial power swap	-	-	4,967	4,967	Fair value is measured by discounting the future fixed and assessed cash flows, over the period of the contract and using market interest rates appropriate for similar instruments. The value is adjusted for the parties' credit risks.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 21 - Financial Instruments (cont'd)

F. Fair value (cont'd)

(4) Level 3 financial instruments carried at fair value

The table hereunder presents reconciliation from the beginning balance to the ending balance of financial instruments carried at fair value in level 3 of the fair value hierarchy:

	<u>Financial assets</u> <u>Income receivable</u> <u>in connection</u> <u>with the A.R.Z.</u> <u>electricity</u> <u>pumped storage</u> <u>project</u> <u>€in thousands</u>
Balance as at December 31, 2019	1,418
Total amount paid	1,418
Balance as at December 31, 2020	-
	<u>Financial assets</u> <u>Dori Energy loan</u> <u>€in thousands</u>
Balance as at December 31, 2019	10,595
Total income recognized in profit or loss	758
Repayment	(2,378)
Foreign Currency translation adjustments	(230)
Balance as at December 31, 2020	8,745
	<u>Financial assets</u> <u>Financial power</u> <u>swap</u> <u>€in thousands</u>
Balance as at December 31, 2019	4,967
Total income is recognized in other comprehensive income	5,271
Balance as at December 31, 2020	10,238

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 22 - Operating Segments

The Company's reportable segments, which form the Company's strategic business units, are described below:

- Photovoltaic power plants (PV Plants) – Operation of installations that convert the energy in sunlight into electrical energy as follows: (i) approximately 22.6MWp aggregate installed capacity of photovoltaic power plants in Italy, that the Company sold on December 20, 2019, (ii) approximately 7.9MWp aggregate installed capacity of photovoltaic power plants in Spain, (iii) a photovoltaic power plant of approximately 9 MWp installed capacity in Israel, (iv) Ellomay Solar S.L.U that is constructing a photovoltaic plant with a peak capacity of 28 MW in the municipality of Talaván, Cáceres, Spain and (v) 51% of Talasol, which during the majority of the reporting period was constructing a photovoltaic plant with a peak capacity of 300 MW in the municipality of Talaván, Cáceres, Spain.
- Dorad Energy Ltd. (Dorad) – 9.375% indirect interest in Dorad, which owns and operates a combined cycle power plant based on natural gas, with production capacity of approximately 860 MW, located south of Ashkelon, Israel.
- Groen Gas Goor B.V., Groen Gas Oude-Tonge B.V. and Groen Gas Gelderland B.V., project companies operating anaerobic digestion plants in the Netherlands, with a green gas production capacity of approximately 3 million, 3.8 million and 9.5 million (with a license to produce 7.5 million) Nm³ per year, respectively.
- Pumped storage hydro power plant (Manara) – 75% of a project to construct a 156 MW pumped storage hydro power plant in the Manara Cliff, Israel.

Factors that management used to identify the Company's reportable segments

The Company's strategic business units offer different products and the allocation of resources and evaluation of performance is managed separately because they require different technology.

For each of the strategic business units, the Company's chief operating decision maker (CODM) reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Company's operating segments.

The Company presented the photovoltaic power plants per geographical areas, as the information collected and analyzed by the CODM in connection with the PV Plants is presented based on the physical location of the PV Plant. The CODM reviews the New Israeli Shekel denominated information on Dorad and the PV Plant located in Israel and the information presented in the tables below is translated into euro. The CODM reviews the Company's share in the results of Dorad. In the reports analyzed by the CODM, the PV Plant located in Israel is presented under the fixed asset model and not under the financial asset model as per IFRIC 12.

Performance is measured based on segment gross profit as included in reports that are regularly reviewed by the chief operating decision maker. Segment gross profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 22 - Operating Segments (cont'd)

Segment assets consist of current assets and fixed assets, as included in reports provided regularly to the chief operating decision maker.

	PV							Total reportable segments	Reconciliations	Total consolidated
	Italy	Spain	Israel	Talasol	Biogas	Dorad	Manara			
	For the year ended December 31, 2020									
	€ in thousands									
Revenues	-	2,577	4,089	-	6,002	57,495	-	70,163	(60,518)	9,645
Operating expenses	-	(463)	(379)	-	(4,109)	(44,489)	-	(49,440)	44,489	(4,951)
Depreciation and amortization expenses	-	(905)	(2,310)	-	(1,457)	(5,674)	-	(10,346)	7,371	(2,975)
Gross profit (loss)	-	1,209	1,400	-	436	7,332	-	10,377	(8,658)	1,719
Project development costs										(3,491)
General and administrative expenses										(4,512)
Share of profits (loss) of equity accounted investee										1,525
Other income, net										2,100
Capital gain (loss)										-
Operating profit (loss)										(2,659)
Financing income										2,134
Financing income (expenses) in connection with derivatives, net										1,094
Financing expenses, net										(6,862)
Profit (loss) before taxes on Income										(6,293)
Segment assets as at December 31, 2020	503	17,574	36,521	232,955	36,253	109,983	21,925	455,714	4,458	460,172

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 22 - Operating Segments (cont'd)

	PV							Total reportable segments	Reconciliations	Total consolidated
	Italy	Spain	Israel	Talasol	Biogas	Dorad	Manara			
	For the year ended December 31, 2019									
€in thousands										
Revenues	10,082	2,987	4,114	-	4,786	63,416	-	85,385	(66,397)	18,988
Operating expenses	(1,422)	(504)	(325)	-	(4,387)	(48,558)	-	(55,196)	48,558	(6,638)
Depreciation and amortization expenses	(3,668)	(903)	(2,271)	(30)	(1,353)	(5,031)	-	(13,256)	6,840	(6,416)
Gross profit (loss)	4,992	1,580	1,518	(30)	(954)	9,827	-	16,933	(10,999)	5,934
Project development costs										(4,213)
General and administrative expenses										(3,827)
Share of profits (loss) of equity accounted investee										3,086
Other income, net										(2,100)
Capital gain (loss)										18,770
Operating profit								17,650		
Financing income										1,827
Financing income (expenses) in connection with derivatives, net										897
Financing expenses, net										(10,877)
Profit before taxes on Income										9,497
Segment assets as at December 31, 2019	-	16,324	38,942	118,848	18,463	116,561	2,473	311,611	(1,439)	310,172

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 22 - Operating Segments (cont'd)

	PV							Total reportable segments	Reconciliations	Total consolidated
	Italy	Spain	Israel	Talasol	Biogas	Dorad	Manara			
	For the year ended December 31, 2018									
	€in thousands									
Revenues	9,560	3,033	4,011	-	4,483	58,063	-	79,150	(61,033)	18,117
Operating expenses	(1,579)	(574)	(507)	-	(3,682)	(44,600)	-	(50,942)	44,600	(6,342)
Depreciation and amortization expenses	(3,569)	(828)	(2,042)	-	(1,081)	(4,811)	-	(12,331)	6,515	(5,816)
Gross profit (loss)	4,412	1,631	1,462	-	(280)	8,652	-	15,877	(9,918)	5,959
Project development costs										(2,878)
General and administrative expenses										(3,600)
Share of profits (loss) of equity accounted investee										2,545
Other income, net										884
Operating profit										2,910
Financing income										2,936
Financing income (expenses) in connection with derivatives, net										494
Financing expenses, net										(5,521)
Profit before taxes on Income										819
Segment assets as at December 31, 2018	54,539	16,799	34,258	15,169	18,879	105,246	2,318	247,208	(36,048)	211,160

Geographical information

The Company is domiciled in Israel and it operates in Israel, Italy (until the sale of the Italian Subsidiaries) and in Spain through its subsidiaries that own PV Plants, in the Netherlands through its subsidiaries that own anaerobic digestion plants and also in Israel through Dori Energy. On December 20, 2019, the Company sold ten Italian Subsidiaries, which own twelve photovoltaic plants with an aggregate nominal capacity of approximately 22.6 MW.

The following table lists the revenues from the Company's operations in Israel, the Netherlands, Italy and Spain:

	For the year ended December 31		
	2020	2019	2018
	€in thousands		
Israel	1,066	1,133	1,041
The Netherlands	6,002	4,786	4,483
Italy	-	10,082	9,560
Spain	2,577	2,987	3,033
Total revenues	9,645	18,988	18,117

Notes to the Consolidated Financial Statements as at December 31, 2020

Note 22 - Operating Segments (cont'd)

Geographical information (cont'd)

The following table lists the fixed assets, net from the Company's operation:

	As at December 31	
	2020	2019
	€ in thousands	
Israel	16,651	19
Italy	-	-
Spain	217,339	97,327
The Netherlands	30,105	17,043
Total fixed assets, net	264,095	114,389

Note 23 - Subsequent Events

- a. On February 23, 2021, the Company issued additional Series C Debentures in a public offering in Israel in an aggregate principal amount of NIS 100,939 thousand (approximately €25,592 thousand based on the Euro /NIS exchange rate as of December 31, 2020). The gross proceeds from the offering were NIS 102,400 thousand and the net proceeds of the offering, net of related expenses such as consultancy fee and commissions, were approximately NIS 101,500 thousand (approximately €25,735 thousand based on the Euro /NIS exchange rate as of December 31, 2020).
- b. On February 23, 2021, the Company issued our new Series D Convertible Debentures in a public offering in Israel in the aggregate principal amount of NIS 62,000 thousand (approximately €15,720 thousand based on the Euro /NIS exchange rate as of December 31, 2020). The principal amount of the Series D Debentures is repayable in one installment on December 31, 2026. The Series D Debentures bear a fixed interest at the rate of 1.2% per year (that is not linked to the Israeli CPI or otherwise), payable semi-annually on June 30 and December 31 commencing June 30, 2021 through December 31, 2026 (inclusive). The Series D Debentures are convertible into the Company's ordinary shares, NIS 10.00 par value per share, at a conversion price of NIS 165 (approximately €41.8 based on the Euro /NIS exchange rate as of December 31, 2020), subject to adjustments upon customary terms. The Series D Debentures are not rated. The gross proceeds from the offering were approximately NIS 62,600 thousand and the net proceeds of the offering, net of related expenses such as consultancy fee and commissions, were approximately NIS 61,800 thousand (approximately €15,669 thousand based on the Euro /NIS exchange rate as of December 31, 2020).
- c. On February 28, 2021, the Company announced that it will fully repay the Series B Debentures and on March 18, 2021, the Series B Debentures were repaid in full. Pursuant to the terms of the deed of trust governing the Series B Debentures, the early repayment amount consisted of a principal payment in the amount of approximately NIS 86,300 million (approximately €21,500 million), accrued interest in the amount of approximately NIS 700 thousand (approximately €160 thousand) and a prepayment charge of approximately NIS 3,400 thousand (approximately €860 thousand), amounting to an aggregate repayment amount of approximately NIS 90,400 thousand (approximately €22,500 thousand).
- d. On February 11, 2021, the Manara PSP Project Finance reached financial closing. The Manara PSP Project Finance will be provided by a consortium of Israeli banks and institutional investors, arranged and led by Mizrahi-Tefahot Bank Ltd. The Manara PSP Project Finance is in the aggregate amount of NIS 1.18 billion (approximately €300 million based on the euro/NIS exchange rate as of December 31, 2020), and includes: (i) a Senior Secured Tranche at a fixed rate of interest for each drawdown, with base interest rate equal to the yield to maturity of Israeli treasury bonds with like duration of the loan drawdown, plus a spread of 3.25% per annum during the Construction Period of the Project and a spread of 2.40% per annum from the Actual Completion Date of the Project which proceeds the Commercial Operation Date of the Project. The Senior Secured Tranche is linked to the Israeli Consumer Price Index and is to be repaid over a period of 19.5 years from the commercial operation date; and (ii) a Subordinated Secured B Tranche at a floating rate of interest, with the base interest being the Bank of Israel rate, plus a spread of 4.35% per annum during the Construction Period and a spread of 3.90% per annum from the Actual Completion Date. The stated maturity of the Tranche B loan is one year less than the maturity of the Senior Secured Loan with a cash sweep mechanism that shortens its maturity to approximately 12 years from the Commercial Operation Date under the Base Case Financial Model.
- e. In connection with the Manara PSP Project Finance that occurred on February 2021, and based on the A.R.Z. Settlement Agreement, A.R.Z. was required to provide its indirect share of equity investment and financing to the Manara PSP. Due to the failure to provide the required funds, Ellomay Water Plants Holdings (2014) Ltd., the Company's wholly-owned subsidiary that holds 75% of Ellomay PS, seized E.R.Z.'s holdings in Sheva Mizrakot (33%) and, as a result, the Company's indirect holdings in the Manara PSP increased from 75% to 83.333% in January 2021.

Dorad Energy Ltd.

Financial Statements

As at December 31, 2020

Financial Statements as at December 31, 2020

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Independent Auditors' Report

The Board of Directors
Dorad Energy Ltd.

We have audited the accompanying financial statements of Dorad Energy Ltd., which comprise the statements of financial position as of December 31, 2020 and 2019, 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, 2020, 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 audit 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, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Change in Accounting Principle

As discussed in Note 3L to the financial statements in 2019, the Company adopted International Financial Reporting Standard 16, Leases. Our opinion is not modified with respect to this matter.

/s/ Somekh Chaikin

Somekh Chaikin
Member Firm of KPMG International

Tel Aviv
February 18, 2021

Statements of Financial Position

		December 31 2020	December 31 2019
	Note	NIS thousands	NIS thousands
Current assets			
Cash and cash equivalents	4	247,079	266,021
Trade receivables	5	297,719	292,759
Other receivables	6	21,401	22,685
Total current assets		566,199	581,465
Non-current assets			
Restricted deposit	12A1B	433,265	438,032
Prepaid expenses	12A2, 12A5	35,230	37,225
Fixed assets	7	3,526,839	3,698,716
Intangible assets		5,402	2,247
Right of use assets	17	60,113	64,161
Total non-current assets		4,060,849	4,240,381
Total assets		4,627,048	4,821,846
Current liabilities			
Current maturities of loans from banks	8	242,098	231,380
Current maturities of lease liabilities	17	4,535	4,551
Trade payables	9	309,380	288,127
Other payables	10	3,808	10,509
Financial derivatives	16	2,993	-
Total current liabilities		562,814	534,567
Non-current liabilities			
Loans from banks	8	2,561,302	2,803,975
Long-term lease liabilities	17	50,858	54,052
Provision for dismantling and restoration	7	50,000	36,102
Deferred tax liabilities, net	11	200,298	170,676
Liabilities for employee benefits, net		160	160
Total non-current liabilities		2,862,618	3,064,965
Equity			
Share capital	13	11	11
Share premium		642,199	642,199
Capital reserve for activities with controlling shareholders		3,748	3,748
Retained earnings		555,658	576,356
Total equity		1,201,616	1,222,314
Total liabilities and equity		4,627,048	4,821,846

/s/ Shouky Oren

Shouky Oren
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 18, 2021.

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

Statements of Profit or Loss

		2020	2019	2018
	Note	NIS thousands	NIS thousands	NIS thousands
Revenues		2,407,221	2,700,766	2,628,607
Operating costs of the power plant				
Energy costs		522,110	708,662	687,431
Electricity purchase and infrastructure services		1,185,225	1,208,223	1,194,948
Depreciation and amortization		237,575	214,248	217,795
Other operating costs		155,368	151,116	136,705
Total cost of power plant		2,100,278	2,282,249	2,236,879
Profit from operating the power plant		306,943	418,517	391,728
General and administrative expenses	14	24,926	20,676	20,740
Other incomes	12.A.15	1,279	-	-
Operating profit		283,296	397,841	370,988
Financing income		3,056	4,237	24,650
Financing expenses		157,428	192,881	227,988
Financing expenses, net	15	154,372	188,644	203,338
Profit before taxes on income		128,924	209,197	167,650
Taxes on income	11	29,622	47,873	33,505
Profit for the year		99,302	161,324	134,145

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

Statements of Changes in Equity

	Share capital	Share premium	Capital reserve for activities with controlling shareholders	Retained earnings	Total equity
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
For the year ended December 31, 2020					
Balance as at January 1, 2020	11	642,199	3,748	576,356	1,222,314
Dividend to the Company's shareholders	-	-	-	(120,000)	(120,000)
Profit for the year	-	-	-	99,302	99,302
Balance as at December 31, 2020	11	642,199	3,748	555,658	1,201,616
For the year ended December 31, 2019					
Balance as at January 1, 2019	11	642,199	3,748	415,032	1,060,990
Profit for the year	-	-	-	161,324	161,324
Balance as at December 31, 2019	11	642,199	3,748	576,356	1,222,314
For the year ended December 31, 2018					
Balance as at January 1, 2018	11	642,199	3,748	280,887	926,845
Profit for the year	-	-	-	134,145	134,145
Balance as at December 31, 2018	11	642,199	3,748	415,032	1,060,990

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

Statements of Cash Flows

	2020	2019	2018
	NIS thousands	NIS thousands	NIS thousands
Cash flows from operating activities:			
Profit for the year	99,302	161,324	134,145
Adjustments:			
Depreciation, amortization and fuel consumption	241,288	239,323	223,028
Taxes on income	29,622	47,873	33,505
Financing expenses, net	154,372	188,644	203,338
	425,282	475,840	459,871
Change in trade receivables	(4,959)	5,238	32,536
Change in other receivables	1,284	25,394	6,119
Change in trade payables	16,627	(57,719)	(81,273)
Change in other payables	(6,700)	4,543	304
	6,252	(22,544)	(42,314)
Net cash provided by operating activities	530,836	614,620	551,702
Cash flows from investing activities:			
Proceeds from (payment for) settlement of financial derivatives	(4,318)	(4,551)	9,957
Insurance proceeds in respect of damage to fixed asset	-	8,336	20,619
Investment in long-term restricted deposits	(6,000)	(14,000)	(12,158)
Investment in fixed assets	(48,309)	(60,476)	(79,855)
Investment in intangible assets	(4,738)	(939)	(222)
Interest received	3,046	4,213	3,497
Net cash used in investing activities	(60,319)	(67,417)	(58,162)
Cash flows from financing activities:			
Repayment of lease liability principal	(4,523)	(8,513)	-
Repayment of loans from related parties	-	(17,704)	(160,326)
Repayment of loans from banks	(195,359)	(189,893)	(181,970)
Dividends and exchange rate paid	(123,739)	-	-
Interest paid	(170,003)	(182,435)	(220,765)
Net cash used in financing activities	(493,624)	(398,545)	(563,061)
Net increase (decrease) in cash and cash equivalents	(23,107)	148,658	(69,521)
Effect of exchange rate fluctuations on cash and cash equivalents	4,165	143	2,559
Cash and cash equivalents at beginning of year	266,021	117,220	184,182
Cash and cash equivalents at end of year	247,079	266,021	117,220

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

Notes to the Financial Statements as at December 31, 2020

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 Within their meaning in Paragraph (1) of the definition of an "interested party" in Section 1 of the Securities Law - 1968.
- All references to laws, regulations, court proceedings refer to the State of Israel, unless otherwise indicated.

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.

Notes to the Financial Statements as at December 31, 2020

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

2. On December 24, 2018 the PUA published a decision regarding "Electricity Rates for Customers of IEC in 2019" which in accordance the average production component will increase by about 3.3% from January 1, 2019 and will remain in effect to the end of 2019. On December 23, 2019, the PUA published a decision regarding "Annual Electricity Rate Update 2020", which, among other things, averaged a 7.9% decrease in the production component as of January 1, 2020, and will remain in effect to the end of 2020. On December 27, 2020, the PUA published a decision regarding "Annual Electricity Rate Update 2020", which, among other things, averaged a 5.7% decrease in the production component as of January 1, 2020, and will remain in effect to the end of 2021.

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

These 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 have also been prepared in accordance with the Securities Regulations (Annual Financial Statements) - 2010. These financial statements were authorized for issue by the Company's Board of Directors on February 18, 2021.

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. Impact of the Corona Virus

Following the outbreak of the Corona Virus (COVID-19) in China in December 2019, and spreading to many other countries in early 2020, there has been a decline in economic activity in many regions of the world and in Israel as well. The spread of the virus has, among other things, disrupted the supply chain, decreased in global transport volume, traffic and employment restrictions declared by the Israeli government and other governments around the world, as well as financial and commodity market declines in Israel and around the world. The company is complying and acting accordingly to the guidelines of the Ministry of Energy and Ministry of Health on dealing with the Corona epidemic crisis, including on preparations for the operation and maintenance of the power plant and shift work as required. In light of the crisis events, there is a certain decrease in the electricity consumption of various customers, and there is also a certain decrease in the demand of the IEC, the reduction is not materially impaired at this time. The company continuously examines the options for dealing with material damage to its income as a result of the spread of the virus.

Notes to the Financial Statements as at December 31, 2020

Note 2 - Basis of Preparation (cont'd)**E. 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. 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 are included in the following notes:

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, at least once per reporting year and adjusted when necessary.

Impairment of assets

The Company examines at the end of each reporting year whether there have been any events or changes in circumstances that indicate impairment of fixed assets. When indication of impairment revealed the company checks 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. See note 7 regarding fix assets.

Assessment of the probability of contingent liabilities

The Company creates provisions or reverses provisions in respect of contingent liabilities Among other things, based on the premise whether it is more likely than not that an outflow of economic resources will be required in respect of legal claims pending against the Company and its investees. See note 12.

Determination of the lease period

For the purpose of determining the lease period, the Company takes into consideration the period in which the lease cannot be canceled, including extension options which is reasonably certain to be exercised and / or cancellation options that are reasonably certain to be exercised. See note 17 regarding lease.

Determining the discount rate of a lease liability

The Company discounts the lease payments using its incremental borrowing rate. An increase or decrease in the lease liability, right-of-use asset and depreciation and financing expenses recognized. See note 17 regarding lease.

F. Operating cycle period

The Company 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.

Notes to the Financial Statements as at December 31, 2020

Note 3 - Significant Accounting Policies

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

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****Classification and measurement of financial assets and financial liabilities initial Recognition and measurement**

The Company first recognizes customers at the time of their creation. The rest of the financial assets and financial liabilities are initially recognized on the date that the Company becomes a party to the contractual terms of the instrument. In general, a financial asset or financial liability is initially measured at fair value plus, in the case of a financial asset or a financial liability not presented at fair value through profit and loss, transaction costs directly attributable to the acquisition or issue of the financial asset or financial liability. A customer that does not include a significant financing component is initially measured at the transaction price.

Financial assets - classification and subsequent measurement

The Company has balances of trade receivables and other receivables held within the framework of a business model whose objective is the collection of contractual cash flows. The contractual cash flows in respect of these financial assets include only principal and interest payments reflecting consideration for the time value of the money and the credit risk. Accordingly, these financial assets are measured at amortized cost.

Notes to the Financial Statements as at December 31, 2020

Note 3 - Significant Accounting Policies (cont'd)**B. Financial instruments (cont'd)****2. Non-derivative financial liabilities**

Non-derivative financial liabilities include bank overdrafts, loans and borrowings from banks and others, marketable debt instruments, finance lease liabilities, and trade and other payables.

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.

Subsequent measurement of financial liabilities

Financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities are designated at fair value through profit or loss if the Company manages such liabilities and their performance is assessed based on their fair value in accordance with the Company's documented risk management strategy, providing that the designation is intended to prevent an accounting mismatch, or the liability is a combined instrument including an embedded derivative.

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 Deducting the effect of the tax, are recognized as a deduction from equity.

Notes to the Financial Statements as at December 31, 2020

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 Items, 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 book value of part of a fixed asset item that has been replaced has been deducted. 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. 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, 2020

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:

	Depreciation rate (percentage)
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
Leasehold improvements	10

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, 2020

Note 3 - Significant Accounting Policies (cont'd)

E. Impairment1) Non derivative financial assetsTreatment of impairment losses on financial assets measured at amortized cost

An impairment loss on a financial asset measured at amortized cost is calculated as the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the original effective interest rate of the asset. Losses are recognized to the statement of profit and loss and presented as a provision for loss against the balance of the financial asset measured at amortized cost. Interest income on impaired assets is recognized by using the interest rate 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, 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, before tax, to their present value that reflects current market assessments of the value of money and the risks specific to the asset or from the cash-generating unit, 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.

Notes to the Financial Statements as at December 31, 2020

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

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 recognizes indemnification assets for damages and faults caused to turbines at the power plant and for loss of profits if it is virtually certain that the indemnity will be received.

I. Revenues

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

The Company recognizes revenues when the customer obtains control over the goods or services, when the electricity reaches the customers and when the availability guarantee to the system manager. The income is measured according to the amount of consideration to which the Company expects to be entitled in exchange for the transfer of goods or services promised to the customer, other than amounts collected for third parties.

Identifying the contract

The company accounts for a contract with a customer only when the following conditions are met:

- (a) The parties to the contract have approved the contract (in writing, orally or according to other customary business practices) and they are committed to satisfying the obligations attributable to them.
- (b) The company can identify the rights of each party in relation to the goods or services that will be transferred.
- (c) The company can identify the payment terms for the goods or services that will be transferred.
- (d) The contract has a commercial substance (i.e. the risk, timing and amount of the entity's future cash flows are expected to change as a result of the contract); and

Notes to the Financial Statements as at December 31, 2020

Note 3 - Significant Accounting Policies (cont'd)**Identifying the contract (cont'd)**

- (e) It is probable that the consideration, to which the Company is entitled to in exchange for the goods or services transferred to the customer, will be collected.

For the purpose of paragraph (e) the Company examines, inter alia, the percentage of the advance payments received and the spread of the contractual payments, past experience with the customer and the status and existence of sufficient collateral.

Identifying performance obligations

On the contract's inception date, the Company assesses the goods or services promised in the contract with the customer and identifies as a performance obligation any promise to transfer to the customer one of the following:

- (a) Goods or services (or a bundle of goods or services) that are distinct; or
- (b) A series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer.

The Company identifies goods or services promised to the customer as being distinct when the customer can benefit from the goods or services on their own or in conjunction with other readily available resources and the Company's promise to transfer the goods or services to the customer is separately identifiable from other promises in the contract. In order to examine whether a promise to transfer goods or services is separately identifiable, the Company examines whether it is providing a significant service of integrating the goods or services with other goods or services promised in the contract into one integrated outcome that is the purpose of the contract.

As part of contracts with customers for the sale of electricity, the company identified a single performance obligation in each contract.

Variable consideration

The transaction price includes fixed amounts and amounts that may change as a result of discounts, refunds, credits, price concessions, incentives, performance bonuses, penalties, claims and disputes and contract modifications that the consideration in their respect has not yet been agreed by the parties.

The Company includes variable consideration, or part of it, in the transaction price only when it is highly probable that its inclusion will not result in a significant revenue reversal in the future when the uncertainty has been subsequently resolved. At the end of each reporting period and if necessary, the Company revises the amount of the variable consideration included in the transaction price.

Satisfaction of performance obligations

Revenue is recognized when the company satisfies a performance obligation by transferring control over promised goods or services to the customer.

Determination of transaction price

The price of the transaction is the amount of consideration to which the Company expects to be entitled in return for the transfer of goods or services promised to the customer, other than amounts collected in favor of third parties. The company takes into account the effects of all the following elements when determining the transaction price: variable consideration, the existence of a significant financing component, non-cash consideration, and consideration payable to the customer.

Notes to the Financial Statements as at December 31, 2020

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

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. Lease**Policy applicable as from January 1, 2019****(1) Determining whether an arrangement contains a lease**

On the inception date of the lease, the Company determines whether the arrangement is a lease or contains a lease, while examining if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In its assessment of whether an arrangement conveys the right to control the use of an identified asset, the Company assesses whether it has the following two rights throughout the lease term:

- (a) The right to obtain substantially all the economic benefits from use of the identified asset; and
- (b) The right to direct the identified asset's use.

For lease contracts that contain non-lease components, such as management fees, that are related to a lease component, the Company elected to account for the contract as a separate component from the lease.

Notes to the Financial Statements as at December 31, 2020

Note 3 - Significant Accounting Policies (cont'd)**L. Lease (cont'd)****(2) Leased assets and lease liabilities**

Contracts that award the Company control over the use of a leased asset for a period of time in exchange for consideration, are accounted for as leases. Upon initial recognition, the Company recognizes a liability at the present value of the balance of future lease payments (these payments do not include certain variable lease payments that do not depend on the index or the rate), and concurrently recognizes a right-of-use asset at the same amount of the lease liability, adjusted for any prepaid or accrued lease payments, plus initial direct costs incurred in respect of the lease.

Since the interest rate implicit in the Company's leases is not readily determinable, the incremental borrowing rate of the lessee is used. Subsequent to initial recognition, the right-of-use asset is accounted for using the cost model and depreciated over the shorter of the lease term or useful life of the asset. The Company has elected to apply the practical expedient by which short-term leases of up to one year and/or leases in which the underlying asset has a low value, are accounted for such that lease payments are recognized in profit or loss on a straight-line basis, over the lease term, without recognizing an asset and/or liability in the statement of financial position.

(3) The lease term

The lease term is the non-cancellable period of the lease plus periods covered by an extension or termination option if it is reasonably certain that the lessee will or will not exercise the option, respectively.

(4) Variable lease payments

Variable lease payments that depend on an index or a rate, are initially measured using the index or rate existing at the commencement of the lease and are included in the measurement of the lease liability. When the cash flows of future lease payments change as the result of a change in an index or a rate, the balance of the liability is adjusted against the right-of-use asset. Other variable lease payments that are not included in the measurement of the lease liability are recognized in profit or loss in the period in which the event or condition that triggers payment occurs.

(5) Depreciation of right-of-use asset

After lease commencement, a right-of-use asset is measured on a cost basis less accumulated depreciation and accumulated impairment losses and is adjusted for re-measurements of the lease liability. Depreciation is calculated on a straight-line basis over the useful life or contractual lease period, whichever earlier, as follows: land 20.4 years, and offices 4 years.

(6) Reassessment of lease liability

Upon the occurrence of a significant event or a significant change in circumstances that is under the control of the Company and had an effect on the decision whether it is reasonably certain that the Company will exercise an option, which was not included before in the lease term, or will not exercise an option, which was previously included in the lease term, the Company re-measures the lease liability according to the revised leased payments using a new discount rate. The change in the carrying amount of the liability is recognized against the right-of-use asset or recognized in profit or loss if the carrying amount of the right-of-use asset was reduced to zero.

Notes to the Financial Statements as at December 31, 2020

Note 3 - Significant Accounting Policies (cont'd)**L. Lease (cont'd)****(7) Finance leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. At initial recognition, assets held under a finance lease are presented as receivables at an amount equal to the net investment in the lease. The present value of the lease payments is calculated using the discount rate implicit in the lease. When the Company leases out assets in a sublease, if the discount rate implicit in the sublease cannot be readily determined, the Company uses the discount rate of the head lease, adjusted for initial direct costs related to the sublease. Initial direct costs are included in the initial measurement of the receivables and reduce the amount of revenue recognized over the lease term. On the initial date of the lease, the lease payments included in the measurement of the net investment in the lease include fixed payments less any lease incentives payable, variable lease payments that depend on an index or rate, any residual value guarantees provided to the lessor, the exercise price of a purchase option if it is reasonably certain that the lessee will exercise the option and lease termination penalties. In subsequent periods, the Company recognizes financing income over the lease term. Furthermore, the Company allocates the lease payments against the balance of finance lease receivables and against financing income for the period.

(8) Operating leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an underlying asset are classified as operating leases. The Company recognizes operating lease payments as revenue on a straight-line basis over the lease term.

Initial direct costs incurred to obtain operating leases are added to the carrying amount of the underlying asset and recognized as an expense over the lease term on the same basis as the revenue from the lease.

Policy applicable before January 1, 2019

Determining whether an arrangement contains a lease

At inception or upon reassessment of an arrangement, the Company determines whether such an arrangement is or contains a lease. An arrangement is a lease or contains a lease if the following two criteria are met:

- The fulfillment of the arrangement is dependent on the use of a specific asset or assets; and
- The arrangement contains rights to use the asset.

At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. 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 statement of financial position.

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. (see note 12.A.14 regarding dividend distribution)

Notes to the Financial Statements as at December 31, 2020

Note 3 - Significant Accounting Policies (cont'd)

M. Financing income and expenses (cont'd)

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.

Note 4 - Cash and Cash Equivalents

	December 31	
	2020	2019
	NIS thousands	NIS thousands
Balance in banks	6	5
Deposits on demand	247,073	266,016
	<u>247,079</u>	<u>266,021</u>

Note 5 – Trade Receivables

	December 31	
	2020	2019
	NIS thousands	NIS thousands
Trade receivables	59,729	360
Income receivable	238,091	292,602
	<u>297,820</u>	<u>292,962</u>
Provision for doubtful debt	(101)	(203)
	<u>297,719</u>	<u>292,759</u>

Note 6 - Other Receivables

	December 31	
	2020	2019
	NIS thousands	NIS thousands
Government institutions	3,095	311
Receivables for insurance	-	3,555
Advances to suppliers	254	272
Prepaid expenses	18,052	18,547
	<u>21,401</u>	<u>22,685</u>

Notes to the Financial Statements as at December 31, 2020

Note 7 - Fixed Assets

A. Composition

	Power plant	Furniture and equipment	Leasehold improvements	Total
	NIS thousands			
Cost				
Balance as at January 1, 2019	4,878,045	2,722	744	4,881,511
Additions	60,016	397	63	60,476
Balance as at December 31, 2019	4,938,061	3,119	807	4,941,987
Additions	61,852	150	18	62,020
Disposals	(44,629)	-	-	(44,629)
Balance as at December 31, 2020	4,955,284	3,269	825	4,959,378
Depreciation and impairment losses				
Balance as at January 1, 2019	1,009,201	2,171	339	1,011,711
Depreciation for the year	231,349	132	79	231,560
Balance as at December 31, 2019	1,240,550	2,303	418	1,243,271
Depreciation for the year	209,999	252	83	210,334
Impairment loss	23,563	-	-	23,563
Disposals	(44,629)	-	-	(44,629)
Balance as at December 31, 2020	1,429,483	2,555	501	1,432,539
Carrying amounts				
As at January 1, 2019	3,868,844	551	405	3,869,800
As at December 31, 2019	3,697,511	816	389	3,698,716
As at December 31, 2020	3,525,801	714	324	3,526,839

B. Security

See Note 12C regarding a lien on the Company's assets that serves as security for the liabilities of the Company and the shareholders to the funding groups.

C. Provision for restoration and dismantling

Increase in the time value of the provision in the amount of about NIS 187 Thousand was recognized within profit and loss as financing expenses. During 2020, a revaluation of the liability against fixed assets in the amount of approximately NIS 14 million was carried out.

Notes to the Financial Statements as at December 31, 2020

Note 8 - 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 16 – financial instruments and note 12.A.1.

Details regarding interest rates and linkage

	Currency and linkage base	Effective interest	Carrying amount as at December 31	
			2020	2019
			NIS thousands	NIS thousands
Loans from banks	CPI-linked	5.1%	2,803,400	3,035,355
Less current maturities (including interest as at December 31)	NIS		242,098	231,380
			2,561,302	2,803,975

Note 9 - Trade Payables

	December 31	
	2020	2019
	NIS thousands	NIS thousands
Open debts	102,642	24,744
Accrued expenses	206,738	263,383
	309,380	288,127

Note 10 - Other Payables

	December 31	
	2020	2019
	NIS thousands	NIS thousands
Accrued expenses (*)	2,898	2,801
Other payables	910	1,031
Institutions	-	6,677
	3,808	10,509
(*) Including other payables due to related and interested parties (see note 18)	1,461	1,151

Notes to the Financial Statements as at December 31, 2020

Note 11 - 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 2018-2020:

2018 – 23%, 2019 – 23%, 2020 – 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. 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, the deferred tax balances as at December 31, 2019 and 2020 were calculated according to the new tax rates 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. Current taxes for the reported periods are calculated according to the tax rates presented above.

- (2) 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

	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
	NIS thousands	NIS thousands	NIS thousands
Deferred tax expense	29,622	47,873	33,505

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			
Balance of deferred tax asset (liability) as at January 1, 2019	(612,526)	8,544	481,179	(122,803)
Changes recognized in the profit and loss statements	(35,797)	(746)	(12,330)	(47,873)
Balance of deferred tax asset (liability) as at December 31, 2019	(648,323)	7,798	469,849	(170,676)
Changes recognized in the profit and loss statements	28,059	4,309	(61,990)	(29,622)
Balance of deferred tax asset (liability) as at December 31, 2020	(620,264)	12,107	407,859	(200,298)

Notes to the Financial Statements as at December 31, 2020

Note 11 - Income Tax (cont'd)

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

	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
	NIS thousands	NIS thousands	NIS thousands
Profit before taxes on income	128,924	209,197	167,650
Statutory tax rate of the company	23%	23%	23%
Tax calculated according to the Company's statutory tax rate	29,652	48,115	38,559
Creation of deferred taxes in respect of losses from previous years for which no deferred taxes were recorded in the past	(36)	(286)	(5,092)
Impact of decrease in tax rate	-	-	-
Non-deductible expenses and others	6	44	38
Income tax expense	29,622	47,873	33,505

E. Tax losses carried forward

The total amount of forward losses from business as at December 31, 2020 is about NIS 1,773 million (as of December 31, 2019 – NIS 2,042 million). The Company has recorded deferred taxes in respect of these losses, since the Company expects to utilize them against taxable income for tax purposes that will be created for the Company in the foreseeable future.

F. Tax assessments

The company has final tax assessments up to and including the year ended December 31, 2014 (subject to the limitations prescribed by law).

The Company is in assessment proceedings with the Tax Authority in respect of the tax assessments submitted by the Company for the years 2015-2018. On December 29, 2020, the Company received an assessment based on judgment for the year 2015 from the Tax Authority. According to the assessment, the company has a taxable income in 2015 in the amount of NIS 9 million instead of transferred losses in the amount of approximately NIS 674 million. In the assessment reasons, the Tax Authority claim arose that the company does not entitled to accelerated depreciation rates in respect of certain components of the power plant and that the company is not entitled to claim depreciation expenses in the amount of USD 140 million paid by the company to the construction contractor and for which a derivative claim was filed against the construction contractor and Zurlo, as stated in Note 12.A (9) Below. Similar claims were raised by the Tax Authority also with the respect to the other tax years 2016-2018 assessment hearings. The company denies the allegations raised by the Tax Authority and is currently working to submit an objection to the assessment issued to the company. In addition, the company position error was made in its assessment according to the best judgment issued to the company in 2015, which also according to the reasons of the Tax Authority should not have created a tax liability this year. In the Company estimation, it is not expected to have a material effect, among other things, on the financial statements that these claims are mostly timing differences and accordingly no provision was included in the financial statements.

Notes to the Financial Statements as at December 31, 2020

Note 12 - 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. Company 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, 2020, In accordance with the expected Company cash flow, the Company is in compliance with the above coverage ratios.

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, 2020

Note 12 - 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. 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 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 fund reserves are a debt service fund, a heavy maintenance fund, a fund for regulation fines guarantees and a distribution fund. As at December 31, 2020, the deposits for the fund reserves sums to: NIS 201 million debt service reserve, NIS 141 million in the major maintenance fund, NIS 82 million in the distribution fund and NIS 9 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. According to IFRS 16 instructions the depreciated cost of 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 18 Related and Interested Parties. The land lease treated according to IFRS 16 (see note 17 lease).

Notes to the Financial Statements as at December 31, 2020

Note 12 - Contingent Liabilities, Commitments and Guarantees (cont'd)**A. Commitments (cont'd)****3. 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.

On 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.

4. 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. The company 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, the company is obligated to pay INGL Commencing from the date of end of the connection in November 2013, a monthly payment for the capacity in the pipeline and a variable payment for gas flowing through the pipeline.

5. Diesel Storage agreement

On June 17, 2013, the company entered into an agreement with Eilat Ashkelon 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 for the Company's current needs, estimating at 14,000 square meters.

EAPC are the controlling shareholder - of Eilat Ashkelon Infrastructure Services Ltd. who are an interested party and related party, see note 18. On March 25, 2019, assignment of debt and right was made for a diesel storage agreement to the Europe Asia Pipeline Company Ltd. (hereinafter "the Operational operator") according to the assignment all duties and rights of the company will now be with the Operator. Except for the assignment, there were no changes to the agreement.

Notes to the Financial Statements as at December 31, 2020

Note 12 - Contingent Liabilities, Commitments and Guarantees (cont'd)

A. Commitments (cont'd)

6. 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.

As of December 31, 2014, the financial scope of the Company commitment to purchase gas from the date of its flow, as defined in the agreement, to the actual consumption of gas is estimated at NIS 100,800 thousand, this commitment was not recognized in the Company books. However, in accordance with the agreement, if the Company does not actually consume the minimum quantity it has undertaken, it will be required to consume this quantity, in addition to the minimum gas quantity to which the Company is obligated each year during the following three years.

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 on September 30, 2020. On April 2, 2019, the Company entered into an addendum to the agreement with the partners in the Tamar license ("Tamar") according to which the gas quantities specified in the addendum to the agreement that the Company purchase from Tamar will not be included for the purpose of calculating the quantities of gas at the time of the reduction of the purchases from Tamar, in accordance with the instructions of the agreement with Tamar and in accordance with the layout instructions for increasing the quantity of natural gas produced from the Tamar natural gas field And rapid development of natural gas fields Leviathan, Karish and Tanin and additional fields from August 16, 2015 ("Gas layout"). The addendum to the agreement was subject to certain suspending conditions which been fulfilled in July 2019. On January 22, 2020, the Company received notification from the partners in the Tamar license ("Tamar") that the "Interim Period" will end, as defined in the agreement, on March 1, 2020. According to the notification and the terms of the agreement, Tamar will consider the Company as a permanent customer commencing from the end of the "Interim Period".

Notes to the Financial Statements as at December 31, 2020

Note 12 - Contingent Liabilities, Commitments and Guarantees (cont'd)**A. Commitments (cont'd)****7. 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.

8. Property tax assessments in respect of the station

In 2014 The Company sign a settlement agreement with Ashkelon Municipality according to which the annual municipal tax rate Until the year 2025 including was determined.

9. Claims by Dori Energy, Zorlu, Edelcom and EAIS*a) Petition to Approve a Derivative Claim filed by Dori Energy and Hemi Raphael within the arbitration*

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 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 Edelsborg (a director in the company) 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 Edelsborg 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 the company with respect to the company financial damages, after they receive all the documents and information they are requesting.

Notes to the Financial Statements as at December 31, 2020

Note 12 - Contingent Liabilities, Commitments and Guarantees (cont'd)

A. Commitments (cont'd)

9. Claims by Dori Energy, Zorlu, Edelcom and EAIS (cont'd)

a) *Petition to Approve a Derivative Claim filed by Dori Energy and Hemi Raphael within the arbitration (cont'd)*

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. Following the nomination of the new arbitrator (see note: 12.A.9.e). On April 30, 2019, a preliminary meeting was scheduled with the new elected arbitrator. During the year of the report and in 2021, several hearings and evidentiary hearings were held that included the summoning of witnesses and determined. After the reporting date, on February 15, 2021, the arbitrator approved the plaintiff request for a change of litigant, so that in place of the late Hani Rafael, Rani Friedrich will come as a litigant in the legal proceedings. In the Company estimation, based on the opinion of its legal counsel, at this stage cannot intelligently assess the results of the arbitration proceedings.

b) *Third party notice from Zorlu within the arbitration*

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 would owe Zorlu. See Section 12.A.9.a regarding the Company assessment of the results of the arbitration process.

c) *Petition to Approve a Derivative Claim filed by Edelcom within the arbitration (cont'd)*

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").

Notes to the Financial Statements as at December 31, 2020

Note 12 - Contingent Liabilities, Commitments and Guarantees (cont'd)

A. Commitments (cont'd)

9. Claims by Dori Energy, Zorlu, Edelcom and EAIS (cont'd)

c) *Petition to Approve a Derivative Claim filed by Edelcom within the arbitration (cont'd)*

According to Edelcom, Dori Group 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. See Section 12.A.9.a regarding the Company assessment of the results of the arbitration process.

d) *Statement of Claim filed by Edelcom within the arbitration*

On July 27, 2017, Edelcom submitted a lawsuit against Amos Luzon Group, Dori Energy and Ellomey ("Defendants"), in respect of the transfer of company shares in contrary to the provisions of the shareholders agreement signed between the Company and its shareholders on November 25, 2010 (hereinafter: "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. On October 22, 2019, the arbitrator ruled to delete the claim regarding Edelcom claim regarding the right of refusal.

e) *Statement of Claim filed by Edelcom*

On March 28, 2018, Zorlu and Edelcom filed a motion to remove the arbitrator from its position. On October 22, 2018, the District Court rejected the demand that the arbitrator be removed from its position. On February 12, 2019, the Supreme Court accepted the appeal of Zorlu and Edelcom and the arbitrator was removed from its position.

Notes to the Financial Statements as at December 31, 2020

Note 12 - Contingent Liabilities, Commitments and Guarantees (cont'd)**A. Commitments (cont'd)****9. Claims by Dori Energy, Zorlu, Edelcom and EAIS (cont'd)***f) Zorlu motion*

On April 8, 2019, Zorlu filed a motion against the Company and directors in the Company. The motion revolves around the issue of convening a shareholder meeting whose agenda is the planning and construction of the "Dorad 2" project. Zorlu claim that the court must issue an order instructing the Company to convene a special meeting of its shareholders, the agenda of which will be the planning and construction of the "Dorad 2" project. On April 16, 2019, Edelcom made an application to be joined as an additional respondent in the motion. On August 13, 2019, the Company response to the motion. On December 8, 2019, an evidence hearing was held in which the witnesses on behalf of Zorlu and Edelcom were questioned. On January 12, 2020, the court ruled that Zorlu and Edelcom must file written summaries within 45 days and that the respondents must file summaries 45 days thereafter. On June 7, 2020, the sides submitted written summaries. On August 27, 2020, the Company submitted an update notice. On September 8, 2020, Zorlu and Edelcom submitted a response to the update announcement.

The Company estimation, based on the opinion of its legal advisor, at this stage cannot assess the result of the motion. In any case, the requested order is only declarative relief, which does not carry any monetary liability to the company.

10. Faults in production units

On November 21, 2018, a malfunction was discovered in the generator of one of the two steam turbines of the power station as a result that turbine was temporarily out of use until its repair in February 2019. This failure did not have materially effect on the Company operations. In 2019, the company recognized indemnification property in the amount of NIS 5.3 million (USD 1.5 million) for this failure which paid partially during 2019. The balance of the indemnification property for December 31, 2019 is NIS 3.8 million. The Company received the balance of the indemnification properties during 2020.

In August 2020, a fault was discovered in one of the gas turbines of the company power plant in such a way that this turbine went out of use. On September 29, 2020, the Company signed an agreement with GE to purchase a gas turbine in the amount of approximately USD 6.2 million, replacing the damage turbine and selling the damage turbine in the amount of approximately NIS 1.4 million. In accordance with the above, the company register impairment by approximately NIS 18 million from the value of fixed assets in respect of the sell price of the damage turbine. Also, due to faults discovered at the end of the accounting year in certain components in several gas turbines of the power plant, the company reduced some of the components and recognized the maintenance costs of some of the components. The effect on the profit and loss amounted to approximately NIS 31 million.

Notes to the Financial Statements as at December 31, 2020

Note 12 - Contingent Liabilities, Commitments and Guarantees (cont'd)

A. Commitments (cont'd)

11. Memorandum of understanding with Alon Energy Centers

On March 6, 2019, the Company signed a memorandum of understanding with Alon Energy Centers Limited partnership. ("Alon Gat"), which constructs a private power plant for the production of electricity in Kiryat Gat with a capacity of approximately 73 megawatts.

On November 11, 2019, the Company signed an addition to the memorandum of understanding (the memorandum and Additions Document will be referred to as "Detailed Agreement") under the Detailed Agreement Alon Gat will serve as a producer who will provide the Company with the full availability of the power station and will sell the electricity produced at the power plant to the Company, which will serve as supplier. In exchange for availability and energy payments to be paid to Alon Gat for a period of 5 years and extension options cumulative to 6 years with each party the option of early termination of the detailed agreement subject to certain conditions with prior notice. In accordance with the detailed agreement, Alon Gat, who holds the production license, will be responsible for operating the power plant and generating electricity at the station and will bear all costs related to operating the power plant, availability, and power generation. The company will be responsible for all activities related to the power supply and power plant sales to the customers and the electricity company. The Detailed Agreement is subject to suspending conditions which, as at the date of approval of the financial statements, have not yet been fully fulfilled. On November 12, 2019, commercial operation of the power plant began and the implementation of the detailed agreement. The implementation of the Detailed Agreement is subject to the approval of the Company lenders (which was received on December 5, 2019) and to the approval of Alon Gat lenders, that has not yet been received has been extended until March 15, 2020. The Company expects this approval is reasonably likely to be obtained until June 2021. In addition, conditions have been set in the agreement which at the time of their existence, each of the parties may cancel in advance notice, including for any case of regulatory change which materially affects the implementation of the contract between the parties. Following the August 2019 hearing Before implementing the detailed agreement and the PUA resolution as of January 2020, regarding the standards on consumption plan anomalies amendment, which constitutes a regulatory change as defined in the agreement and may affect the financial feasibility of the agreement. the Company, in collaboration with Alon Gat, is still examine the feasibility of the agreement and the need for its amendment, therefore, as of the date of the report the conditions for recognition of a right of use asset and lease liability have not been fulfilled accordance with IFRS 16.

12. Acquisition of natural gas

On October 30, 2017, the Company signed an agreement with Energian Israel ("Energian") regarding the 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 company will purchase about half of the gas required to operate the company power plant, the rest of the demand will continue to be supplied by Tamar. According to the agreement, if the Company does not actually consume the minimum quantity it has undertaken, it will be forced to consume this quantity. On November 2018, all the suspending conditions included in the agreement were fulfilled. on February 5, 2020, Energian announced to the company that following the Corona virus, the Chinese government has issued restrictions on travel and transportation including an area where some of Energian gas production facilities are manufactured. Due to these limitations, Energian contractor announced an expected delay. Following the date of the report, on January 21, 2021, Energian updated the forecast date for the initial gas flow to the end of 2021 or the first quarter of 2022.

Notes to the Financial Statements as at December 31, 2020

Note 12 - Contingent Liabilities, Commitments and Guarantees (cont'd)**A. Commitments (cont'd)****12. Acquisition of natural gas (cont'd)**

As a result, Energian warned of an expected delay in the gas supply to the Company due to Force majeure. As the delay will occur as stated, the Company may continue purchase gas from Tamar at a higher price than the price set in the agreement with Energian. On April 22, 2020, Energian reported to the company that it had taken several steps to overcome the plague effect on the work performance in a way that would reduce the anticipated delay in completing the work towards gas supply to the company. On September 10, 2020, Energian updated the company that initial gas flow expected to begin in the second half of 2021. Previous estimates predicted initial gas flow in the first half of 2021.

13. PUA resolution

On January 27, 2020, the PUA issued a resolution regarding the amendment of the standard on Consumption plan anomalies published at the August 2019 hearing. These standards regulate the mechanism in cases where consumer consumption differs from the supply plan submitted by suppliers (electricity producers) and includes a mechanism that protects suppliers from random deviations in actual consumption volumes. According to the resolution, the PUA amends the standards and impose financial sanctions, in cases of certain exceptional events that may add up to significant sums. The Company is reviewing the aforesaid resolution and its implications on the Company, on its engagements and financial results, at the same time is preparing to reduce the implications of the proposed resolution. The resolution comes into effect as of September 1, 2020, the implementation of the resolution has no material effect on the Company financial results.

14. Dividend distribution

On February 27, 2020, the Company Board of Directors decided to distribute a dividend of NIS 120 million. On March 4, 2020, the Company paid a dividend of NIS 90 million to its Israeli shareholders and even purchased approximately USD 8.7 million (approximately NIS 30 million). On the same date for the payment of the dividend to a shareholder that is a foreign company subject to the receipt of withholding tax deduction. On March 17, 2020, upon receipt of a withholding tax certificate, the Company transferred to the foreign company the dividend of USD 8.7 million (approximately NIS 34 million at the date of payment).

15. Settlement agreement with the Egyptian gas supplier

On December 28, 2020, the Company signed a settlement agreement with East Mediterranean Gas company (hereinafter: "EMG"), in the agreement the Company will remove any claim against EMG for the amounts paid by the Company to EMG in respect of the canceled gas agreement and in return will receive an amount of approximately NIS 13 million, an amount of approximately NIS 1.3 million was received on December 29, 2020. The balance of the amount is expected to be received during 2021. The company recognized the amount received in other income, the balance of the amount will be recognized as received, considering the uncertainty in receiving the balance of the compensation.

Notes to the Financial Statements as at December 31, 2020

Note 12 - Contingent Liabilities, Commitments and Guarantees (cont'd)

A. Commitments (cont'd)

16. Third party notice from IEC

On November 22, 2020, the Electric Company announced to the company that a class action lawsuit had been filed against it, claiming that the IEC had been negligent in supervising the conduct of private electricity suppliers and thus causing damage to electricity consumers. It is alleged that the private electricity suppliers gave false reports in the consumption plans submitted to the system manager at the IEC while utilizing the rules set by the PUA in the standards. See note 12.A.13. On November 22, 2020, the IEC filed a third-party notice against the company. In the Company opinion, based on the opinions of its legal counsel, at this stage cannot intelligently assess the results of the legal proceedings in an informed manner.

17. Possibility of constructing another power plant

The company is considering the possibility of constructing another power plant in the existing station. On July 13, 2020, the Company submitted to the National Infrastructure Committee (hereinafter: "NIC") plans for public objections. Subsequent to the date of the report, on January 11, 2021, regarding the company request, the NIC decided to postpone the final decision.

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. On January 2020, there was an update to the amount of the guarantee provided to system manager whereas the total updated amount is NIS 175 million.

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.
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.

Notes to the Financial Statements as at December 31, 2020

Note 13 - Share Capital

Composition of the share capital in nominal values:

	Number of shares December 31		
	Authorized	Issued and paid-in	Issued and paid-in
		2020	2019
Ordinary shares of NIS 1 par value	500,000	10,640	10,640

See Note 12A(1)(a) regarding an issuance of shares against a conversion of loans into equity.

Note 14 - General and Administrative Expenses

	For the year ended December 31		
	2020	2019	2018
	NIS thousands		
Wages and related expenses	13,191	10,835	11,141
Rental and office maintenance	2,310	2,546	2,971
Profession services	8,583	6,145	6,268
Depreciation	913	793	196
Other	30	155	164
Expenses (income) doubtful debt	(101)	202	-
	24,926	20,676	20,740

Note 15 - Financing Income and Expenses, Net

	Year ended December 31		
	2020	2019	2018
	NIS thousands		
Financing income			
Revaluation of derivatives	-	-	11,536
Net foreign exchange gain	-	-	9,753
Other	3,056	4,237	3,361
	3,056	4,237	24,650
Financing expenses			
Revaluation of derivatives	11,050	4,939	-
Interest expense on bank loans	132,763	171,962	212,367
Interest expense on loans from related parties	-	838	12,577
Net foreign exchange loss	11,228	11,935	-
Bank commissions	645	972	2,581
Lease financing expenses	1,546	1,631	-
Other financing expenses	196	604	463
	157,428	192,881	227,988
Net financing expenses	154,372	188,644	203,338

Notes to the Financial Statements as at December 31, 2020

Note 16 - 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 (see note 16.E.1), the Company executes transactions in derivative financial instruments. Presented hereunder is the composition of the derivatives:

	December 31	
	2020	2019
	NIS thousands	
Derivatives presented under current liability		
Forward exchange contracts used for economic hedge	(2,993)	-

B. Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company 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, 2020, the Company has cash and cash equivalents in the amount of NIS 247,079 thousand (December 31, 2019 - NIS 266,021 thousand). The Company's cash and cash equivalents are deposited with a financial institution having a high credit rating (international rating scale).

Pledge deposits

The company does not hold pledge deposits.

Restricted deposits

As at December 31, 2020 the Company has deposits in the amount of NIS 433,265 thousand that are restricted according to the financing agreements (December 31, 2019 – NIS 438,032 thousand). The Company's restricted deposits are held with a financial institution having a high credit rating (international rating scale).

Note 16 - 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. If necessary, the customer will be examined individually again. The Company review includes external ratings, when available. The collection from the company customers is carried out on a regular basis.

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 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 12.

Notes to the Financial Statements as at December 31, 2020

Note 16 - 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, 2020						
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
				NIS thousands			
Non-derivative financial liabilities							
Trade payables	309,380	309,380	309,380	-	-	-	-
Other payables	2,933	2,933	2,933	-	-	-	-
Loans from banks	2,803,401	3,519,668	184,907	172,080	381,190	1,058,904	1,722,587
	3,115,714	3,831,981	497,220	172,080	381,190	1,058,904	1,722,587

Notes to the Financial Statements as at December 31, 2020

Note 16 - Financial Instruments (cont'd)

D. Liquidity risk (cont'd)

	December 31, 2019						
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
	NIS thousands						
Non-derivative financial liabilities							
Trade payables	288,127	288,127	288,127	-	-	-	-
Other payables	9,478	9,478	9,478	-	-	-	-
Loans from banks	3,035,355	3,874,688	184,207	170,813	356,987	1,089,365	2,073,316
	<u>3,332,960</u>	<u>4,172,293</u>	<u>481,812</u>	<u>170,813</u>	<u>356,987</u>	<u>1,089,365</u>	<u>2,073,316</u>

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 12A(1). These bodies have a high credit rating.

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, 2020, 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 and changes in load, system, and time ("TAOZ"), a change in the gas purchase costs and other changes in the electricity and gas market, COVID-19 effect, political and security events.

Notes to the Financial Statements as at December 31, 2020

Note 16 - Financial Instruments (cont'd)

E. Market risk (Cont'd)

(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 12, 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. As a result of loans from banks and shareholders that are linked to the CPI, the Company is exposed to changes in the CPI.

(a) The exposure to linkage and foreign currency risk

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

	December 31, 2020				
	Non-financial	Unlinked	CPI-linked NIS thousand	US Dollar linked	Total
Financial assets and financial liabilities:					
Current assets:					
Cash and cash equivalents	-	177,937	-	69,142	247,079
Trade receivables	-	297,719	-	-	297,719
Other receivables	21,401	-	-	-	21,401
Non-current assets:					
Restricted deposits	-	230,956	-	202,309	433,265
Prepaid expenses	35,230	-	-	-	35,230
Fixed assets	3,526,839	-	-	-	3,526,839
Intangible assets	5,402	-	-	-	5,402
Right of use assets	60,113	-	-	-	60,113
Current liabilities:					
Current maturities of loans from banks	-	-	242,098	-	242,098
Current maturities of lease liabilities	-	-	4,535	-	4,535
Trade payables	-	285,065	-	24,315	309,380
Other accounts payable	876	2,932	-	-	3,808
Financial derivatives	-	-	-	2,993	2,993
Non-current liabilities:					
Loans from banks	-	-	2,561,302	-	2,561,302
Long-term lease liabilities	-	-	50,858	-	50,858
Provisions for dismantling and restoration	50,000	-	-	-	50,000
Deferred tax liabilities	200,298	-	-	-	200,298
Liabilities for employee benefits, net	160	-	-	-	160
Total exposure in statement of financial position in respect of financial assets and financial liabilities	3,397,651	418,615	(2,858,793)	244,143	1,201,616

Notes to the Financial Statements as at December 31, 2020

Note 16 - 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, 2019					Total
	Non-financial	Unlinked	CPI-linked NIS thousand	US Dollar linked	EURO	
Financial assets and financial liabilities:						
Current assets:						
Cash and cash equivalents	-	195,082	-	70,931	8	266,021
Trade receivables	-	292,759	-	-	-	292,759
Other receivables	22,685	-	-	-	-	22,685
Non-current assets:						
Restricted deposits	-	303,263	-	134,769	-	438,032
Prepaid expenses	37,225	-	-	-	-	37,225
Fixed assets	3,698,716	-	-	-	-	3,698,716
Intangible assets	2,247	-	-	-	-	2,247
Right of use assets	64,161	-	-	-	-	64,161
Current liabilities:						
Current maturities of loans from banks	-	-	231,380	-	-	231,380
Current maturities of lease liabilities	-	-	4,551	-	-	4,551
Trade payables	-	247,464	-	40,663	-	288,127
Other accounts payable	1,031	9,478	-	-	-	10,509
Non-current liabilities:						
Loans from banks	-	-	2,803,975	-	-	2,803,975
Long-term lease liabilities	-	-	54,052	-	-	54,052
Provisions for dismantling and restoration	36,102	-	-	-	-	36,102
Deferred tax liabilities	170,676	-	-	-	-	170,676
Liabilities for employee benefits, net	160	-	-	-	-	160
Total exposure in statement of financial position in respect of financial assets and financial liabilities	3,617,065	534,162	(3,093,958)	165,037	8	1,222,314

Notes to the Financial Statements as at December 31, 2020

Note 16 - 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, 2020					
	Currency/ linkage receivable	Currency/ linkage payable	Principal amount in \$ millions	Dates range of expiration	Fair value NIS thousands
Instruments used					
Economic Hedge:					
Forward foreign currency contracts	US dollars	NIS	63	29.01.2021 31.12.2021	(2,993)
December 31, 2019					
	Currency/ linkage receivable	Currency/ linkage payable	Principal amount in \$ millions	Dates range of expiration	Fair value NIS thousands
Instruments used					
Economic Hedge:					
Forward foreign currency contracts	-	-	-	-	-

(b) Sensitivity analysis

A change as at December 31 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.

	December 31, 2020		December 31, 2019	
	Increase	Decrease	Increase	Decrease
	Profit or loss	Profit or loss	Profit or loss	Profit or loss
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Change in the exchange rate of:				
5% in the US dollar (1)	23,200	(23,200)	8,252	(8,252)
10% in the U.S. dollar (1)	45,684	(45,684)	16,504	(16,504)
1% change in CPI (2)	(28,034)	28,034	(30,354)	30,354
2% change in CPI (2)	(56,068)	56,068	(60,707)	60,707

- (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.

Notes to the Financial Statements as at December 31, 2020

Note 16 - 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			
	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Long-term loans from banks (*)	2,803,400	2,970,255	3,035,355	3,165,760

(*) 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	
	2020	2019
	%	%
Long-term loans from banks	3.3%	3.9%

(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, 2020			
	Level 1	Level 2	Level 3	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Derivatives used for hedging:				
Forward foreign currency contracts	-	(2,993)	-	(2,993)
	December 31, 2019			
	Level 1	Level 2	Level 3	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Derivatives used for hedging:				
Forward foreign currency contracts	-	-	-	-

Notes to the Financial Statements as at December 31, 2020

Note 17 – Lease

The Company applies IFRS 16, *Leases*, as from January 1, 2019. The Company has lease agreements with respect to the following items:

- (1) Land
- (2) Offices

(1) Information regarding material lease agreements

- (a) The Company leases land from EAIS for a period of 25 years during which the Company established a power station. The contractual period ends on May 20, 2039. The total liability for the lease and the right of use assets recognized in the statement of financial position as of December 31, 2020 for the lease was approximately NIS 54,237 thousand and NIS 56,751 thousand respectively.

Following an agreement signed with the EAIS, regarding the land lease, the Company paid NIS 3,047 thousand for its share of the lease payments paid by the EAIS to the ILA. This amount was capitalized to the right of use assets and amortized during the lease period, see Note 12A (2).

- (b) The Company leases offices from Africa Israel for a period of 5 years with extension options for another 6 years, the ending date for the extension periods is December 8, 2022. The Company is in an option period to extend the agreement, under the same conditions as the original agreement. The total liability for the lease and the right of use assets recognized in the statement of financial position as of December 31, 2020 for the lease of the offices is approximately NIS 1,157 thousand and approximately NIS 1,122 thousand respectively.

(2) Right-of-use assets

(a) Composition and changes

	Land *	offices	Total
	NIS thousands	NIS thousands	NIS thousands
Balance as at January 1, 2019	65,675	2,289	67,964
Depreciation on right-of-use assets	3,222	581	3,803
Balance as at January 1, 2020	62,453	1,708	64,161
Depreciation on right-of- use assets	3,462	586	4,048
Balance as at December 31, 2020	58,991	1,122	60,113

* The balance of land includes the classification of prepayment of lease payments, see above in Note 17 (1) a.

Notes to the Financial Statements as at December 31, 2020

Note 17 – Lease (cont'd)

(3) Lease liability

Maturity analysis of the Company lease liabilities

	December 31, 2020 NIS thousands
Less than one year	4,535
One to five years	20,322
More than five years	30,536
Total	55,393
Current maturities of lease liability	4,535
Long-term lease liability	50,858
	55,393

(4) Additional information on leases

	December 31, 2020 NIS thousands	December 31, 2019 NIS thousands
(a) Amounts recognized in profit or loss		
Interest expenses on lease liability	1,546	1,631
(b) Amounts recognized in the statement of cash flows		
Cash outflow for leases	4,523	8,513

Notes to the Financial Statements as at December 31, 2020

Note 18 - Related and Interested Parties

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	
		2020	2019	2018	2020	2019
		Transactions amounts			Outstanding balance	
Parties having significant influence	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	170,765	163,152	203,050	5,805	5,798
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 12A(10). The payments will be made on a monthly basis throughout the period of the agreement. See Note 12A(3)) regarding a subcontracting agreement between EAPSS and Ezom Ltd. As of December 2017, the agreement is directly with Ezom.	3,310	3,326	3,291	-	-
Parties having significant influence	The Company entered into an agreement with Eilat Ashkelon Pipeline Company Ltd. (EAPC) regarding Diesel storage services and use of emergency pumps as of July 2013. The payments will be paid on a quarterly basis (see Note 12A(5)).	-	918	4,312	-	-
Parties having significant influence	The Company entered into a lease agreement of the land for the power plant (see Note 12A(2)).	4,056	3,951	3,892	-	-
Related Companies	The Company has several agreements with related companies for the sale of electricity.	-	4,697	16,278	-	-
Related Party	The Company engage with Ramat Negev Energy for purchase electricity and gas.	1,594	1,877	127	-	-
Key management personnel	Salary and benefits for the company Key management personnel	5,621	4,865	4,611	1,815	1,498

Notes to the Financial Statements as at December 31, 2020

Note 19 - Subsequent Events

On February 7, 2021, a fault was discovered in the company steam turbine, the company is examining the nature of the fault.

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Exhibit Index

<u>Number</u>	<u>Description</u>
<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 21, 2018⁽²⁾</u>
<u>2.1</u>	<u>Specimen Certificate for ordinary shares⁽³⁾</u>
<u>2.2</u>	<u>Description of Rights of Securities Registered Under Section 12 of the Exchange Act⁽⁴⁾</u>
<u>4.1</u>	<u>1998 Share Option Plan for Non-Employee Directors⁽⁴⁾</u>
<u>4.2</u>	<u>2000 Stock Option Plan⁽⁴⁾</u>
<u>4.3</u>	<u>Form of Indemnification Undertaking between the Registrant and its officers and directors, granted until June 21, 2018⁽¹⁾</u>
<u>4.4</u>	<u>Form of Indemnification Undertaking and Exemption between the Registrant and its officers and directors, granted following June 21, 2018⁽²⁾</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⁽⁶⁾</u>
<u>4.6</u>	<u>Management Services Agreement, by and among the Registrant, Kanir Joint Investments (2005) Limited Partnership and Meisaf Blue & White Holdings Ltd., effective as of March 31, 2008⁽²⁾</u>
<u>4.7</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)^{(8)*}</u>
<u>4.8</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)^{(8)*}</u>
<u>4.9</u>	<u>Rinconada II Building Right Agreement (summary of Spanish version)^{(3)*}</u>
<u>4.10</u>	<u>Amendment No. 1 to Management Services Agreement, by and among the Registrant, Kanir Joint Investments (2005) Limited Partnership and Meisaf Blue & White Holdings Ltd., dated June 18, 2013⁽²⁾</u>
<u>4.11</u>	<u>Rodríguez I Lease Agreements (summary of Spanish version)^{(10)*}</u>
<u>4.12</u>	<u>Rodríguez II Lease Agreements (summary of Spanish version)^{(10)*}</u>
<u>4.13</u>	<u>Fuente Librilla Lease Agreement (summary of Spanish version)^{(10)*}</u>
<u>4.14</u>	<u>Updated Directors and Officers Compensation Policy, adopted July 5, 2016⁽¹¹⁾</u>
<u>4.15</u>	<u>Talmei Yosef Lease Agreement (summary of Hebrew version)^{*(11)}</u>

Number	Description
4.16	Talasol Lease Agreements (summary of Spanish versions)*⁽⁴⁾
4.17	Amendment No. 3 to Management Services Agreement, by and among the Registrant, Kanir Joint Investments (2005) Limited Partnership and Meisaf Blue & White Holdings Ltd., dated June 19, 2019⁽⁴⁾
4.18	Deed of Trust between the Registrant and Hermetic Trust (1975) Ltd., governing the Company's Series C Debentures, dated July 15, 2019 (translation of Hebrew version)*⁽¹²⁾
4.19	Sale and Purchase Agreement between Ellomay Luxembourg Holdings S.a.r.l and Sonnedix San Davide S.r.l, executed on December 20, 2020⁽⁴⁾
4.20	Ellomay Solar Lease Agreement (summary of Spanish version)*
4.21	Deed of Trust between the Registrant and Hermetic Trust (1975) Ltd., governing the Company's Series D Convertible Debentures, dated February 21, 2021 (translation of Hebrew version)*
8	List of Subsidiaries of the Registrant
12.1	Certification of Principal Executive Officer required by Rule 13a-14(a) and Rule 15d-14(a) (Section 302 Certification)
12.2	Certification of Principal Financial Officer required by Rule 13a-14(a) and Rule 15d-14(a) (Section 302 Certification)
13	Certification of Principal Executive Officer and Principal Financial Officer required by Rule 13a-14(b) and Rule 15d-14(b) (Section 906 Certification)
15.1	Consent of Somekh Chaikin, Member Firm of KPMG International, Independent Registered Public Accounting Firm with respect to our financial statements
15.2	Consent of Somekh Chaikin, Member Firm of KPMG International, Independent Registered Public Accounting Firm with respect to the financial statements of Dorad Energy Ltd.
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Label Linkbase Document
101.PRE**	XBRL Taxonomy Presentation Linkbase Document

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

** Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for the purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

- (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, 2018 and incorporated by reference herein.
- (3) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2011 and incorporated by reference herein.
- (4) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2019 and incorporated by reference herein.
- (5) Included in the Registrant's Form 6-K dated May 17, 2018 and incorporated by reference herein.
- (6) Included in the Registrant's Form 6-K dated October 14, 2005 and incorporated by reference herein.
- (7) Included in the Registrant's Form 6-K dated December 1, 2008 and incorporated by reference herein.
- (8) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2010 and incorporated by reference herein.
- (9) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2013 and incorporated by reference herein.
- (10) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2014 and incorporated by reference herein.
- (11) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2017 and incorporated by reference herein.
- (12) Included in the Registrant's Form 6-K dated September 25, 2019 and incorporated by reference herein.

SOLAR PHOTOVOLTAIC PLANT ELLOMAY SOLAR (TALAVAN, CACERES, SPAIN)**LEASE AGREEMENT****ENGLISH SUMMARY OF THE SPANISH VERSION¹****1. PRELIMINARY NOTE**

The Plant is located on a plot with a size of 70.64 Hectares, included in Plots 59 and 1,921, registered in the Land Registry number 2 of Cáceres in the volume 2,771, book 40 and page 26 for Plot 59 and volume 2,771, book 40 and page 29 for Plot 1,921.

2. MAIN CONTENT OF THE LEASE AGREEMENT FOR PLOT 14

1. Execution date	18 February 2021.
2. Parties	<ul style="list-style-type: none">- Mr. Rafael Guerra Pérez, Mr. José Manuel Guerra Pérez, Mr. Miguel Ángel Guerra Pérez, Mr. Juan Carlos Guerra Pérez and Ms. María del Carmen Naverán Eiriz, Ms. Isabel María Guerra Pérez.- “Barroso de Arriba, Comunidad de Bienes” (it’s a community of goods incorporated by the brothers and sisters José Manuel, Miguel Ángel, Juan Carlos, Rafael and Isabel María Guerra Pérez)- Ellomay Solar, S.L.U.
3. Term	Thirty five (35) years, as from occupation (which took place on 23 February 2021).
4. Annual Rent	EUR 1,200 per Hectare per annum (paid annually) + taxes.
5. Extension and Renewal	The term may be extended annually by Ellomay Solar for up to an aggregate of fifteen (15) years.

¹ The original language version is on file with the Registrant and is available upon request.

UNOFFICIAL TRANSLATION FROM HEBREW
THE BINDING VERSION IS THE HEBREW VERSION

Deed of Trust for Convertible Debentures (Series D)

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Deed of Trust

Of the 21st day of February, 2021

Between: **Ellomay Capital Ltd.**
52-003986-8
of 18 Rothschild Blvd., Tel Aviv
(hereinafter: the “**Company**”)

Of the first part:

And between: **Hermetic Trust (1975) Ltd.**
51-070519-7
of 113 HaYarkon Street, Tel-Aviv
(hereinafter: the “**Trustee**”)

Of the second part:

Whereas: on February 21, 2021 the Board of Directors of the Company resolved to approve the issue of convertible debentures (Series D) whose conditions are as stated in this Deed of Trust and that will be offered to the public according to a shelf offering report, by virtue of the Shelf Prospectus (as hereinafter defined);

And whereas: the Trustee is a company limited by shares that was incorporated in Israel in 1975 in accordance with the Companies Ordinance, whose main purpose is to engage in trusts, and it meets the eligibility requirements established by law, and in particular the requirements of the Securities Law (as hereinafter defined) to serve as a trustee of the debentures which are the subject of this deed;

And whereas: the Trustee declared that there is no hindrance in accordance with the Securities Law or any other law barring it from entering into this Deed of Trust with the Company, including pertaining to conflicts of interests preventing him from engaging with the Company as stated, and that it meets all of the demands and eligibility requirements set forth in the Securities Law to serve as Trustee for the issuance of the Debentures;

And whereas: the Trustee has no material interest in the Company, and the Company has no personal interest in the Trustee, except for the fact that the Trustee is trustee for additional debentures of the Company;

And whereas: the Company requested the Trustee, subject to the issuance of the Debentures (Series D), the Trustee will serve as a Trustee for the Holders of the Debentures (Series D) and the Trustee agreed to the said and all subject to and in accordance with the provisions set forth in this Deed of Trust;

- And whereas:** the Trustee has agreed to sign this Deed of Trust and to act as Trustee for the Debenture Holders ;
- And whereas:** the Company declares that as of the date of signing this Deed of Trust, all approvals required for the purpose of performing the issuance have been obtained, and there is no hindrance by law and/or agreement to perform the issuance of the Debentures (Series D) and/or to engage with the Trustee in accordance with the Deed of Trust;
- And whereas:** the parties wish to arrange the terms of the Debentures (Series D) in this Deed of Trust, in light of the Company's intention to make a first public offering of the Debentures (Series D) in accordance with the Shelf Offering Report by virtue of the Shelf Prospectus, in a way that the Deed of Trust will apply solely to the Debentures (Series D);

Therefore, it was agreed, declared and stipulated by and between the parties as follows:

1. Preamble: Interpretation: Definitions and Entry into Force

- 1.1. The preamble of this Deed of Trust and the appendixes attached to it constitute a material and inseparable part hereof.
- 1.2. The division of this Deed of Trust into clauses and providing titles to the clauses was made for convenience and as reference only and they should not be used for the purpose of interpretation.
- 1.3. Anything mentioned in this Deed of Trust in plural shall also refer to singular and vice versa, anything mentioned in the masculine shall also refer to the feminine and vice versa, and anything mentioned regarding a person shall also refer to a body corporate, provided that this Deed does not contain any express provision otherwise.
- 1.4. In the event of discrepancy between the Deed of Trust and the accompanying documents thereto and the said in the Shelf Offering Report and/or in the Shelf Prospectus, the provisions set forth in the Deed of Trust shall take precedence, subject to the Stock Exchange regulations and guidelines. As of the signing date of the Deed of Trust, there is no contradiction between the provisions relating to the Debentures (Series D) in the Shelf Prospectus and/or the Shelf Offering Report and the provisions set forth in this Deed. This Deed including all provisions hereof shall enter into force together with and subject to the issuance of the Debentures (Series D). It is clarified that in the event the Debentures (Series D) are not issued for any reason, this Deed shall automatically expire and the trust contemplated hereunder shall not enter into force.
- 1.5. In this Deed of Trust the following expressions shall have the meaning set beside them, unless determined otherwise expressly:
 - 1.5.1 “**Debentures (Series D)**” or the “**Debentures**” or “**Debentures in Circulation**” or “**Certificates of Undertaking**” or “**the Debentures Series**” or “**Series D**”: Debentures (Series D) of the Company convertible into ordinary shares registered by name nominal value NIS 10.00 each of the Company, registered by name, which will be issued according to the shelf offering reports by virtue of the Shelf Prospectus and/or by any other means by the Company, including via private issuance, from time to time, and that have not been fully paid or expired or cancelled. For the avoidance of doubt, it is clarified that the Debentures also include debentures which shall be issued by way of expanding the series of Debentures (Series D), and the Debentures stemming from the exercise of options exercisable into the Debentures (Series D) to the extent that such options will be issued and exercised.

- 1.5.2 Deleted.
- 1.5.3 **"Meeting"** or **"Debenture Holders Meeting"**: a meeting of Debenture Holders, including a class meeting.
- 1.5.4 **"Deferred Debenture Holders Meeting"**: a Debenture Holders Meeting that was deferred to another time than the one scheduled for opening the Meeting, as a legal quorum was not present at the end of half an hour after the time that was scheduled for the beginning of the Meeting.
- 1.5.5 **"Stock Exchange"**: the Tel-Aviv Stock Exchange Ltd.
- 1.5.6 **"Collaterals"**: Any pledge on assets, guarantee or any other undertakings that secure the undertakings of the Company towards the Debenture Holders whether given by the Company and/or any third party.
- 1.5.7 **"Immediate Report"**: A report of the Company that is submitted in accordance with the provisions of section 35EE of the Securities Law, including the Securities Regulations (Periodical Reports and Immediate Reports of a Foreign Corporation), 5761-2001.
- 1.5.8 The **"Shelf Offering Report"** or the **"Offering Report"**: the shelf offering reports in accordance with the provisions set forth in section 23A(f) of the Law according to which, *inter alia*, the offering of the Debentures (Series D) shall be performed from time to time, and that will complete the entire specific details for that offering, including the composition of the offered units, in accordance with the provisions set forth in any law and in accordance with the bylaws and the Stock Exchange regulations that are in effect from time to time.
- 1.5.9 **"Ordinary Resolution"**: a resolution adopted at a meeting of holders of debentures of the relevant series, convened in accordance with Sections 35L13 and 35L14(a) of the Law (whether in the original meeting or the adjourned meeting) by a majority of at least fifty percent (50%) of all votes of participants in the vote, without taking into account abstaining votes.
- 1.5.10 **"Special Resolution"**: a resolution adopted at a meeting of holders of the Debentures, in which were present, by themselves or by proxies, the holders of Debentures who own at least fifty percent (50%) of the remaining nominal value of the Debentures (Series D) in Circulation, or at an adjourned meeting of such a meeting, who were present in it by themselves or by proxies, and who hold twenty percent (20%) at least of the stated remainder, and which was adopted (whether in the original meeting or the adjourned meeting) by a majority of those who hold at least two thirds of the remaining nominal value of the Debentures represented in the vote, apart from abstainers who shall not be counted in the count of votes.
- 1.5.11 **"Nominee Company"**: Mizrahi Tefahot Nominee Company Ltd. or any other nominee company in its place, at the Company's sole discretion, provided that all of the Company's debentures are registered in the name of the same Nominee Company.
- 1.5.12 The **"Companies Law"**: the Companies Law, 5759-1999 and the regulations promulgated under it.

- 1.5.13 The **"Insolvency Law"**: the Insolvency and Economic Rehabilitation Law 5778-2018 and the regulations promulgated thereunder.
- 1.5.14 The **"Law"** or the **"Securities Law"**: The Securities Law, 5728-1968 and the regulations according to it, as they shall be from time to time. It is clarified that as of the date of this Deed of Trust the Company reports according and is subject to the provisions of Chapter E.3 of the Law.
- 1.5.15 **"Trading Day"**: any day on which transactions are performed at the Stock Exchange.
- 1.5.16 **"Business Day"**: any day in which the majority of the banks in Israel are open for the purpose of performing transactions with the public.
- 1.5.17 **"Magna"** - the Electronic Proper Disclosure System of the Israel Securities Authority.
- 1.5.18 **"Holder"** or **"Debenture Holder"**: within the meaning of the term 'holder' in the Securities Law.
- 1.5.19 **"Ordinary Shares"**: ordinary shares, registered by name, of the Company NIS 10.00 par value each.
- 1.5.20 **"Registry"**: Registry of Debenture Holders as mentioned in clause 30 of this Deed.
- 1.5.21 **"Trustee"**: The First Trustee (as hereinafter defined) and/or anyone that shall serve from time to time as Trustee of the Debenture Holders according to this Deed.
- 1.5.22 The **"First Trustee"** Hermetic Trust (1975) Ltd. that shall serve as Trustee up to the date set forth in clause 2.3 hereafter.
- 1.5.23 **"Office Holder"**: as defined in the Companies Law.
- 1.5.24 **"Principal"**: the total nominal value of the Debentures in Circulation.
- 1.5.25 **"Control"** as this term is defined in the Law.
- 1.5.26 The **"Deed"** or **"This Deed"** or **"This Deed of Trust"**: This Deed of Trust and the amendments thereof, inasmuch as there shall be any, including the addendums and appendixes attached to it and that constitute a material and integral part hereof.
- 1.5.27 **"Debenture Certificate"**: The Debenture certificate the version of which is attached as the first addendum of this Deed of Trust.
- 1.5.28 The **"Shelf Prospectus"**: a shelf prospectus of the Company that was published in October 2020 as amended from time to time.

- 1.6 Anywhere in this Deed that uses the phrase "subject to any law" (or any other similar expression) the meaning is subject to any law that cannot be conditioned, in accordance with the provisions of the Israeli law applicable to the Company that, on the date of making this Deed of Trust, is a reporting company in accordance with, and subject to, the provisions of chapter E'3 of the Law.

2. Issuing the Debentures; the Terms of Issuance; Equal Ranking

- 2.1. The Company shall issue a series of Debentures (Series D) under the terms written on the other side of the page of the first addendum.
- 2.2. On any trading day, commencing on the listing date of the Debentures (Series D) for trade in the Stock Exchange and until December 21, 2026 (including) and with the exception of the record date for a Company Event (as defined in clause 20.1.2 of the conditions set out on the back of the page in the First Addendum of this Deed) the balance of the outstanding principal of the Debentures listed in the Register at the time may be converted into Ordinary Shares, in such manner that any NIS 165 par value of the Debentures (Series D) may be converted into one Ordinary Share of the Company; subject to the adjustments as stated in clause 20.3 of the conditions set out on the back of the page.

- 2.3. If after the date of the first issuance of the Debentures (Series D) this same series of Debentures shall be expanded by the Company, the Holders of the Debenture (Series D) that shall be issued in the framework of the expansion of that series shall not be entitled to receive payment on account of the Principal and/or interest for these Debentures that the record date for payment thereof shall be before the date of their issuance as mentioned.
- 2.4. The Company shall be obligated to perform an early redemption of the Debentures in the event the terms set forth in clause 8 of the Deed of Trust have been fulfilled.
- 2.5. The Debentures shall all be set at an equal security ranking pari passu between them with respect with the Company's undertakings according to this Deed of Trust, and without a preferred right or right of priority over one another.
- 2.6. The provisions of this Deed shall apply to the Debentures issued in accordance therewith, and which shall be held, from time to time, to each purchaser of Debentures, including the public, unless expressly stated otherwise.
- 2.7. This Deed of Trust shall enter into effect upon the Company's issuance of the Debentures. It is agreed that in case the issuance of Debentures is revoked for any reason whatsoever, this Deed of Trust shall be null and void.

3. Appointment of the Trustee; Commencement of Term; Term of Office of the Trustee; Expiration of the Office of the Trustee; Resignation; Dismissal; the Duties of the Trustee; the Powers of the Trustee

Appointment of Trustee

- 3.1. The Company hereby appoints the Trustee as the First Trustee for the Debenture Holders (Series D) pursuant to the provisions of Chapter E.1 of the Securities Law including for those entitled to payments pursuant to the Debentures that were not paid after the date for their payment arrived.
- 3.2. If the Trustee shall be replaced by another Trustee, the other Trustee shall be Trustee for the Debenture Holders pursuant to Chapter E.1 of the Securities Law including for those entitled to payments pursuant to the Debentures which were not paid after the date for their payment arrived.

Commencement of Term

- 3.3. The Trust for the Debenture Holders and the duties of the Trustee according to this Deed of Trust shall come into force upon the issuance of the Debentures pursuant to the Deed by the Company.

Term of Office of the Trustee; Expiration of Term of Office of the Trustee; Resignation; Dismissal

- 3.4. The First Trustee shall serve commencing on the date mentioned in clause 3.3 above and his office shall end at the time on which the Debenture Holders Meeting is convened (the "First Appointment Meeting"), that the Trustee shall convene no later than 14 days after submitting the annual report regarding Trusteeship matters in accordance with Section 35H1(a) of the Law. Insofar as the First Appointment Meeting (by ordinary majority) approved the continuation of the term of office of the First Trustee, it shall continue to serve as Trustee until the end of the additional appointment period that was determined in a resolution of the First Appointment Meeting (which could be until the final repayment date of the Debentures). Insofar as the First Appointment Meeting and/or any later Meeting determined the term of office of the Trustee, its term of office shall end with the adoption of a resolution of the Debenture Holders regarding the termination of his term of office and the appointment of another Trustee in his place.

- 3.5. Notwithstanding everything stipulated in clause 3, the provisions of the Law shall apply to the appointment of the Trustee, his replacement, term of office, expiration, resignation and dismissal.

The Trustee's Duties

- 3.6. The duties of the Trustee shall be those mentioned expressly in this Deed of Trust, and according to the law.
- 3.7. The Trustee entering into this Deed of Trust is as an agent on behalf of the Debenture Holders.

The Trustee's Powers

- 3.8. The Trustee shall represent the Holders of the certificates of undertaking in any matter that arises from the undertakings of the Company towards them, and it shall be entitled for this purpose to act in order to realize the rights given to the Debenture Holders according to the Law or according to this Deed. The Trustee is entitled to take any proceeding for the purpose of protecting the Holders' rights in accordance with any law and in accordance with the provisions set forth in this Deed of Trust.
- 3.9. The actions of the Trustee are valid notwithstanding a flaw discovered in its appointment or qualifications.
- 3.10. The Trustee shall use the trust, powers, permissions and authorities that were conferred upon him according to this Deed of Trust, at its discretion or in accordance with the resolutions of a Meeting.
- 3.11. The Trustee shall be entitled to deposit all of the deeds and the documents that indicate, represent and/or stipulate its rights with respect to the trust pertaining to this Deed of Trust, including with respect to any asset that is in its possession at that time, in a safe and/or in another place that shall be chosen and/or at any bank and/or any banking auxiliary corporation and/or lawyer and/or accountant.
- 3.12. The Trustee is permitted in the framework of performing the Trusteeship matters according to this Deed of Trust, to order an opinion and/or the advice of any lawyer, accountant, appraiser, assessor, surveyor, broker or any other expert (the "**Consultants**"), whether such opinion and/or advice was prepared at the Trustee's request and/or at the Company's request, and to act in accordance with its conclusion, and the Trustee shall not be responsible for any loss or damage that shall occur as a result of any action and/or omission that were made by it based on such advice or opinion as aforesaid, unless it was determined in a final judgment that the Trustee acted negligently (apart from negligence which is exempt by law a shall be from time to time) and/or in bad faith and/or maliciously. The Trustee shall provide a copy of the opinion or advice as mentioned for the viewing of Debenture Holders and the Company, at their request. The Company shall bear the full fee and reasonable expenses of hiring the Consultants appointed as stated. The Trustee and the Company shall reach an agreement over a list of no more than three consulting firms with relevant reputation and expertise, which the Trustee shall approach for receiving fee quotes as stated. The Company shall select one of the offers submitted, and shall be entitled to negotiate with the firms regarding their quote for a period of up to 5 business days, provided that the delay due to the negotiation shall not risk, at the Trustee's opinion, the rights of the Holders of Debentures.

Any advice and/or opinion such as this can be given, sent or received by letter, telex, facsimile and/or any other electronic means for transferring information and the Trustee may act based on them, even if it turns out afterwards that errors occurred in them or that they were not authentic, unless it was possible to detect the errors or the lack of authenticity in a reasonable examination, provided that it has not acted negligently (apart from negligent exempt by law, as it shall be from time to time) and/or in bad faith and/or maliciously. It is clarified that the documents could be transferred, on the one hand, and that the Trustee is entitled to rely upon them, on the other hand, only where they are received clearly, and when they are legible. In any other case, the Trustee shall be responsible to request their receipt in a manner enabling their proper reading and understanding as stated.

- 3.13. The Trustee shall be entitled to give its consent or approval to any motion to the court as per the demand of a Debenture Holder, and the Company shall compensate the Trustee for all reasonable costs that were incurred by such motion and from actions performed as a result of it or with respect to it provided that before making such expense as abovementioned the Trustee will update the Company regarding its intention to make such expenses and will receive the Company's approval for this, unless in the opinion of the Trustee such prior update as aforementioned could harm the rights of the Debenture Holders, and in such circumstances the Trustee shall not provide any update and no approval from the Company with respect to the said request shall be required.
- 3.14. The Trustee is entitled to institute any proceeding for protecting the rights of the Debenture Holders as set forth in clause 10 of the Deed and the provisions set forth in the law, without derogating from the provisions set forth in clause 9 hereunder.
- 3.15. The Trustee is entitled to appoint agents as set forth in clause 25 of this Deed.

4. Purchasing Debentures by the Company or by an Affiliated Holder

- 4.1. Subject to any law, the Company reserves the right to purchase at any time, whether on the Stock Exchange or outside of the Stock Exchange, Debentures which shall be in circulation from time to time from other sellers apart from the Company (which shall be selected at its discretion and without the duty of approaching and/or notifying all Holders), at any price and quantity that it shall see fit, all without harming the duty of repayment imposed on it pertaining to the remaining Debentures (Series D) in circulation. In the event of such purchase by the Company, the Company shall notify this in an Immediate Report, inasmuch as it is required by law.

Debentures purchased by the Company shall be revoked and delisted from trade on the Stock Exchange, and the Company shall not be entitled to re-issue them. In case the Debentures are purchased in the framework of Stock Exchange trade, the Company shall approach the Stock Exchange clearing house in a request to withdraw the Debenture Certificates purchased by it as stated.

- 4.2. Subject to any law, the holders of controlling interests in the Company (directly or indirectly) and/or their relative (according to the definition of the term "relative" in the Law) and/or a subsidiary of the Company and/or an affiliated company of the Company and/or an included company of the Company and/or a corporation in the control of the Company or of any of them (directly or indirectly) (apart from the Company itself, regarding which the stated in clause 4.1 of the Deed shall apply) ("**Affiliated Holder**"), shall be entitled to purchase and/or sell at any time and from time to time, at the Stock Exchange or outside of it (including by way of an issuance by the Company), Debentures (Series D) at their discretion. The Debentures that are held by an Affiliated Holder shall be considered as the asset of the Affiliated Holder, shall not be delisted from trade on the Stock Exchange and they shall be transferable as the other Debentures of the Company (subject to the provisions of the Deed of Trust and the Debenture).
- 4.3. The Debentures (Series D) held by an Affiliated Holder shall not grant him voting rights in the Meetings of Holders of Debentures (Series D) and shall not be counted for the purpose of determining a legal quorum for opening these Meetings. Inasmuch as an Affiliated Holder shall report to the Company regarding the purchase of Debentures (Series D), the Company shall deliver to the Trustee, at its request, the list of Affiliated Holders and the amounts held by them.
- 4.4. The stated in clauses 4.1 to 4.3 above does not derogate from the provisions of any law (including the instructions of the Israeli Securities Authority) applying to the Company, including pertaining to approvals required for performing transactions with a holder of controlling interest (or in which the holder of controlling interest has a personal interest) and/or pertaining to the sale of securities to a Company subsidiary and distributing them to the public.
- 4.5. The stated in this clause 4, in and of itself, does not bind the Company, an Affiliated Holder or the Debenture Holders to purchase Debentures or to sell the Debentures they hold.

5. Issuance of Debentures from New Series: Expanding a Series

- 5.1. The Company reserves the right to issue, subject to the provisions of the law, at any time and from time to time (whether by a private offering or an offering to the public), at its sole discretion, to any factor whatsoever, including to an Affiliated Holder, and without needing the consent of the Trustee and/or the Debenture Holders, debentures of another series or additional series of Debentures, whether or not conferring a right of conversion into the shares of the Company (hereinafter: the "**Other Series**") or other securities, under terms of redemption, interest, linkage, priority of payment in the event of liquidation and other terms, including securing them in collaterals, as the Company shall see fit, and whether they are preferable over the terms of the Debentures, equal to them or inferior to them, and this without derogating from the duty of repayment imposed on it in accordance with this Deed. Despite the foregoing, inasmuch as the Company shall issue an additional series of debentures, or another series of securities that constitute a debt (hereinafter collectively: the "**Other Securities**") and the Other Securities are not secured with collaterals (and as long as they are not secured with collaterals) the rights of the Other Securities in liquidation shall not have preference in the creditors hierarchy of the Debentures (Series D). In addition, to the extent the Company issues Debentures of another series or series that are secured with collaterals or Other Securities that will be secured with collaterals, the rights of the said other series or Other Security as said (as the case may be) in liquidation shall have priority over the rights of the Debentures (Series D) solely with respect to the collaterals that will be provided. (Series D). The Company shall provide the Trustee with a written confirmation, no later than 7 days prior to the issuance of Other Securities as stated, regarding its meeting the conditions set forth in this clause, signed by the Company CEO or the senior financial officer in the Company. Without derogation from the foregoing, the Company's stated rights do not detract from the Trustee's rights to inspect the implications of an issuance as stated, and does not detract from the rights of the Trustee and/or Debenture Holders in accordance with this Deed, including their right to make the Debentures (Series D) immediately repayable in accordance with the provisions of the Deed of Trust.

- 5.2. The Company shall be entitled, from time to time, without the need for obtaining the approval of the Trustee and/or the current Holders at that time, to issue additional Debentures (Series D) (whether by private offering, whether in the framework of a prospectus, whether by shelf offering report or any other way), including to an Affiliated Holder (as the term is defined in clause 4.2 of the Deed), for any price and at any manner as it shall see fit, provided that it notifies the Trustee in this regard. The Company shall approach the Stock Exchange in a request to register the additional Debentures (Series D) for trade as stated.

Despite the stated in this clause 5.2 above, the Company shall not be entitled to issue, whether by issuance to the public according to a prospectus, and whether in any other manner, additional Debentures of Series D, unless all of the terms set forth in Appendix 5.2 of this Deed have been fulfilled or after receiving the approval of the Debenture Holders Meeting at the majority required for the purpose of adopting a Special Resolution, provided that for the purpose of adopting the resolution, the legal quorum shall be determined in accordance with the provisions applying to an Ordinary Resolution.

For the avoidance of doubt it shall be clarified, that all of the provisions of the Deed of Trust that apply to the Debentures in Circulation shall apply to additional Debentures of Series D that shall be issued, as mentioned, and the existing Debentures of Series D and the additional Debentures of that series (as of the time of their issuance) shall constitute a single series for all matters and purposes, and the Deed of Trust shall also apply to all additional Debentures (Series D) as stated. For the avoidance of doubt, holders of additional Debentures of Series D, which shall be issued in a series expansion as mentioned, shall not be entitled to payment of any Principal and/or interest and/or any other payment that the record date for payment is prior to their date of their issuance. (It is clarified, in this respect, that in the event that additional Debentures of Series D shall be issued, after any time that entitlement has been stipulated in this Deed to the payment of interest, the interest for them shall be paid at the next payment date of interest, after the date of their issue, for the period from the date of their issue, at a relative rate from the payment of interest paid for the Debentures at that time, that is equal to the ratio between the period that passed from the time of their issue and between the original period for which the interest is paid at that time. Subject to the provisions of any law and the Deed of Trust, the Trustee shall hold office as trustee for the Debentures (Series D), as they shall be from time to time in circulation, even in case of a series expansion, and the Trustee's consent for his office as stated pertaining to the expanded series shall not be required.

The Company's right to expand a series, as stated above, does not detract from the Trustee's right to inspect the implications of an issuance as stated, and does not detract from the rights of the Trustee and/or the Debenture Holders in accordance with this Deed, including their right to make the Debentures (Series D) immediately repayable in accordance with the provisions of the Deed of Trust.

- 5.3. Without derogating from the foregoing, the Company reserves the right to issue additional Debentures of Series D, by way of series expansion at a different discount rate from that of the Debentures (Series D) which shall be in circulation at that time (inasmuch as there shall be any). If the discount rate which shall be determined for the Debentures (Series D) due to the series expansion shall be different from the discount rate of the Debentures (Series D) in Circulation at that time (inasmuch as there shall be any), the Company shall approach the tax authority, prior to expanding the series, in order to obtain its approval that with regards to withholding tax from the discount fees for the Debentures, the Debentures shall be set a uniform discount rate in accordance with a formula weighting the various discount rates in the Debentures (Series D), inasmuch as there shall be any. In the event of receiving an approval as stated, the Company shall calculate the weighted discount rate for all the Debentures from the series after expanding the series, it shall publish in an Immediate Report the uniform weighted discount rate for the entire series of Debentures and the members of the Stock Exchange shall deduct tax at the payment dates of the Debentures according to the weighted discount rate as mentioned in accordance with the provisions of the law. If an approval of the tax authorities regarding such discount rates shall not be received, the Company shall notify in an Immediate Report, prior to issuing the Debentures as a result of expanding the series, of not receiving the approval as stated and that the uniform discount rate will be the highest discount rate that was created for the series. The members of the Stock Exchange shall deduct withholding tax at the time of repayment of the Debentures in Circulation, in accordance with the discount rate that shall be reported as aforementioned. Therefore, there may be cases where the Company shall deduct withholding tax for discount fees, at a higher rate than the discount fees determined to whoever held Debentures before the series was expanded. In this case, it is the responsibility of the Debenture Holder (and the Debenture Holder only) who held the Debentures before the series was expanded and until their repayment and who is entitled, in light of their payment, to a refund of withholding tax, for the over-discount, to submit a report to the tax authority on this matter insofar as he shall wish to receive a tax refund as stated and inasmuch as he is entitled to a tax refund by law.
- 5.4. The Company shall notify in an Immediate Report regarding the issuance of debentures as mentioned in this clause above.

6. The Company's Undertakings

The Company hereby undertakes towards the Trustee and the Debenture Holders, until immediately after the final payment of the Debentures, and for as long as all the undertakings towards the Debenture Holders and the Trustee were not fulfilled according to this Deed, as follows:

- 6.1. To pay, at the times scheduled for this purpose, the sums of the Principal, and the interest (including interest in arrears, if and inasmuch as it shall apply, and additional interest for breaching financial covenants, inasmuch as they shall apply) which shall be paid according to the terms of the Debentures and the provisions of this Deed, and to fulfill all the other terms and undertakings that are imposed on it according to the terms of the Debentures and according to this Deed of Trust. In any case where the date of payment on account of a Principal and/or interest shall be on a day which is not a Business Day, the payment date shall be deferred to the next Business Day, without any additional payment, interest or linkage and the record date for the purpose of making the payment will not change as a result of such circumstances.

- 6.2. To fulfill all of the financial covenants and undertakings set forth in Appendix 6.2 to this Deed including with respect to the limitation regarding the distribution of dividends.
- 6.3. To persist and manage the business of the Company and companies in its control in a regular and proper manner.
- 6.4. To notify the Trustee in writing as soon as possible, and no later than 2 Business Days regarding the occurrence of any of the events set forth in clause 9.1 of the Deed, including its sub-clauses, or regarding a real knowledge of the Company that an event as stated is about to take place, without taking into account the cure periods set forth in clause 9.1 of the Deed, inasmuch as any exist in the stated clauses and to take, at its expense, all reasonable means required for the purpose of removing the foreclosures or revoking the receivership, the liquidation or the administration, insofar as it is relevant and as the case may be.
- 6.5. To deliver to the Trustee as soon as possible and no later than the end of 30 days from the day of the first issuance of the Debentures (Series D) or from the time of performing a series expansion in any way, an amortization schedule for paying the Debentures (Principal and interest) in an Excel file.
- 6.6. To notify the Trustee in a written notice signed by the senior financial officer in the Company, within 4 Business Days from the date of payment, of any payment to the Debenture Holders and of the balance of the sums that the Company owes at that time to the Debenture Holders after making the aforementioned payment.
- 6.7. To deliver to the Trustee annual financial statements or quarterly financial results, as the case may be, and in accordance with the requirements of the Israeli law that apply to the Company from it being a dual listed Company, at the time of their publication and in any event no later than from the time scheduled for this in the Israeli law applying to a dual listed company to publish them (even in the event that the Company shall stop being a public or reporting Company, then it shall report in accordance with the provisions of the Law that apply to the Company at the time of signing this Deed of Trust). Notwithstanding the foregoing, it is clarified that the quarterly financial results shall be published by the end of the following quarter in a framework which shall be no less than the framework of the Press Release in which the Company has published its financial results for the third quarter of 2020.
- 6.8. Deleted.
- 6.9. To deliver to the Trustee in writing, notices regarding the purchase of Debentures by the Company or an Affiliated Holder, immediately upon the Company becoming informed of this.

- 6.10. On December 31st of each year, and for as long as this Deed is in effect, the Company shall furnish to the Trustee a confirmation of the Company signed by the Company CEO or the senior financial officer in the Company, that in the period starting from the date of the Deed and/or from the date of the prior confirmation that was given to the Trustee, whichever is later, and until the date of the confirmation, the Company has not breached this Deed, including a breach of the terms of the Debenture, unless expressly mentioned otherwise.
- 6.11. To deliver to the Trustee copies of the notices and invitations which the Company shall give to the Debenture Holders, as mentioned in clause 27 hereinafter.
- 6.12. To cause that a senior financial officer in the Company shall give, no later than fourteen (14) Business Days from the time of the Trustee's request, to the Trustee and/or to the people who the Trustee shall order, any explanation, document, calculation or information regarding the Company, its business and/or assets that shall be required in a reasonable manner, at the Trustee's discretion, for fulfilling the Trustee's duties and for protecting the rights of the Debenture Holders.
- 6.13. To manage regular accounting books in accordance with generally acceptable accounting principles. To keep the books and documents that serve as reference to them (including deeds of pledge and mortgage, bills and receipts) as required by law, and to enable the Trustee and/or any authorized representative of the Trustee to view, at a time pre-coordinated with the Company, within ten (10) Business Days, any book as stated and/or document as stated, which the Trustee shall request to view. For this matter, an authorized representative of the Trustee is any person appointed by the Trustee for the purpose of viewing as stated, in a written notice by the Trustee which shall be given to the Company prior to viewing as stated, subject to an undertaking of confidentiality in accordance with the provisions of clause 19 of the Deed.
- 6.14. Deleted.
- 6.15. To summon the Trustee to all of its general meetings (whether to annual general meetings or extraordinary general meetings) of the Company shareholders, without granting the Trustee the right to vote in these meetings.
- 6.16. To deliver to the Trustee on the 15th of each January starting from 2021, a written approval signed by the senior financial officer, that all of the payments to the Debenture Holders were fully paid on time, and the balance of the par value of the Debentures in Circulation. In addition, at that time, inasmuch as the Debentures shall be secured by collaterals, the Company shall provide the Trustee with an approval and/or opinion which the Trustee shall reasonably require in connection with the provisions of Section 35H(b)(2) of the Law.
- 6.17. In addition to the statements or notices which the Company is required to give according to Section 35J(a) of the Law, to give the Trustee or to its authorized representative (a notice regarding his appointment shall be given by the Trustee to the Company upon his appointment), no later than fourteen (14) Business Days from the time of the Trustee's request, additional information regarding the Company (including explanations, documents and calculations pertaining to the Company, its business or assets, and information which the Trustee, at its reasonable discretion, is required for the purpose of protecting the rights of the Debenture Holders, and to instruct its accountant and legal advisors to do so, as per the Trustee's reasonable request, inasmuch as at the Trustee's reasonable opinion the information is required for the purpose of applying and exercising the authorities, powers and authorizations of the Trustee and his proxies in accordance with this Deed, and subject to an undertaking of confidentiality as stated in this Deed. Based on the Trustee's request, the Company shall notify it in writing whether the given information is considered as inside information, as this term is defined in the Securities Law.

- 6.18. To perform all of the actions required and/or reasonably needed and in accordance with the provisions of this Deed and any law for validating the exercise of powers, authorities and authorizations of the Trustee and/or of its proxies in accordance with the provisions of this Deed of Trust.
- 6.19. To list the Debentures for trade in the Stock Exchange and to act so that the Debentures shall continue to be listed for trade on the Stock Exchange until the date of their final repayment.
- 6.20. To notify the Trustee in writing regarding any change to its name or address no later than five business days from the day of the change.
- 6.21. To assist the Trustee in any reasonable manner to fulfill its duties according to law and/or according to this Deed including examining the performance of the Company's undertakings in full and on time, examining actions and/or transactions that the Company performed, insofar as this is reasonably required in order to protect the rights of the Debenture Holders.
- 6.22. Inasmuch as the Company shall cease being a reporting corporation, as this term is defined in the Securities Law, or a corporation traded at a stock exchange outside of Israel, as set forth in the Second or Third Addition to the Securities Law, the Company shall provide the Trustee with the reports required by the Regulation Codex¹ or any other circular and/or another document which shall replace it (hereinafter: the "**Regulation Codex**"). The aforesaid reports will be signed in accordance with the provisions set forth in the Regulation Codex.
- 6.23. The Debentures (Series D) are not rated, and the Company does not undertake to rate the Debentures (Series D) in the future, including in case the Company shall issue a new series of rated debentures or shall expand an existing series of rated debentures of the Company. Insofar as the Debentures (Series D) shall be rated by a rating company or by a number of rating companies, then the Company shall be entitled to cease their rating by any of the rating companies or all of them, at its sole discretion, and without the Trustee and/or the holders of the Debentures having any claim in this regard. In case of replacing the rating company or terminating its activity, even in case when the Debentures shall be rated by a number of rating companies, the Company shall publish, within one Business Day from the day of the change, an Immediate Report regarding the changing of the rating company or stopping its work as stated, as well as the reasons for changing the rating company or stopping its work. If the rating shall be ceased altogether, the Company shall also transfer to the Trustee, a written approval, legally executed, specifying the reasons for the stop as stated.

¹ The Regulation Codex – Business Management Principles, Volume 5, Part 2 – Capital, Measurement and Risk Management, Chapter 4 – Investment Assets Management, published by the Capital Markets, Insurance and Savings Authority at the Ministry of Finance (which appears, as of 1/15/2021 at: 94BlobFolder/guide/information-entities-codex/he/Codex/_Gate5_Part2_Chapter4.pdf as amended from time to time.

6.24. To deliver to the Trustee a copy of any document or any information which the Company has delivered to the Debenture Holders.

Any report or information that shall be published by the Company in the Magna system shall be considered as a report or information or summons, as the case may be, which was given to the Trustee in accordance with the provisions of this clause. Notwithstanding the aforesaid, at the request of the Trustee, the Company shall transfer a printed copy of the report or information as mentioned.

It shall be clarified, that the confidentiality provisions in clause 19 hereinafter shall also apply to information given to the Trustee and/or his authorized representative and/or his agents, in accordance with the provisions of this clause 6.

7. Not Securing the Debentures: Negative Pledge

- 7.1. The Debentures are not secured by any pledge or any other collateral. The status of the Debenture Holders is the status of unsecured creditors of the Company, with all that this entails.
- 7.2. Except as set forth in clause 7.4 hereafter, the Company shall be entitled from time to time, to sell, pledge, lease, assign, deliver or transfer in any other manner its assets in whole or in part, in any manner, in favor of any third party, without the need for the Trustee's and/or the Debenture Holders' consent, but subject to the duties of the Company to report with respect to the aforesaid, as these are determined in the Deed of Trust or according to law.
- 7.3. The Debentures issued under a certain series shall be equal in priority (pari passu) between them, without any right of preference or priority of one over the other.
- 7.4. Notwithstanding the aforesaid in clause 7.2 above, for as long as the Debentures (Series D) have not yet been fully repaid in any manner, including by way of a self-purchase and/or early redemption, the Company undertakes not to create a floating charge on all of its assets and rights, existing and future, in favor of any third party to secure any debt or undertaking and this is as opposed to a fixed charge or floating charge on a certain asset or a floating charge on a certain number of assets that the Company may create. Notwithstanding the aforesaid, the Company shall be entitled to create a floating charge on all of its assets as aforesaid in favor of a third party, in each one of the following cases:
 - (1) A receipt in advance of the consent of the Debenture Holders (Series D), which shall be adopted in a Special Resolution in the Meeting of the Debenture Holders;
 - (2) The Company shall create, in favor of Holders of Debentures (Series D) together with creating the floating charge on all of its assets in favor of the third party, a floating charge on all of its assets also in favor of the Holders of Debentures (Series D) of the same priority, pari passu, which shall remain in force up to the date of removing the charge which shall be registered in favor of the third party, and this is as long as outstanding Debentures (Series D) shall exist (namely, as long as they were not fully paid or removed in any manner, including by way of a self-purchase and/or early redemption); or

- (3) The Company shall make available in favor of the Holders of Debentures (Series D), by the Trustee, an irrevocable autonomous bank guarantee which shall be issued by bank/s or financial institution/s in Israel, rated at no less than ilAA (in the rating of Standard & Poor's or an equivalent rating), at a total equaling the amount guaranteed by the floating charge created in favor of the third party, or a total constituting the non-paid balance of the debt to Holders of Debentures (Series D), taking into account the amount of the interest until the date of the final repayment of the Debentures, according to the lower of them at the time of creating the pledge.

Despite the foregoing, it is clarified that the Company's undertaking to not create a floating charge shall not apply to any of the following actions and pledges and that the Company has the right, at any time (subject to the restrictions according to any law and/or any other agreement that the Company is party to), to: (a) pledge its assets, including its rights, in whole or in part, by any other pledge except for a floating charge on all of its assets and rights, present and future, including, but not limited to, fixed pledges, including the creation of floating charges on specific assets, one or more, of the Company with respect to creating these charges (and bank accounts that can be pledged by a floating charge even without a fixed charge); (b) create a floating charge on all Company assets to guarantee the recycling (or re-recycling) of a loan guaranteed by a floating charge on all Company assets (and which met upon its creation, one or more of the conditions set forth in clauses 7.4(1) to 7.4(3) above), provided that the debt guaranteed by the new pledge as stated shall not exceed the unpaid balance of the debt guaranteed by the original debt; and (c) pledge on assets or rights purchased (or which shall be purchased) in a way that they were pledged prior to their purchase.

It is clarified that all fixed charges and/or floating charges set forth in this clause shall be detracted from the applicability of a floating charge insofar as this shall be imposed according to the provisions of this sub-clause above.

Except for the aforesaid no restrictions shall apply to the Company in imposing all kinds of charges on its assets.

It is clarified that the stated in this sub-clause 7.4 does not limit the Company in selling its assets and/or its businesses (without detracting from the stated in clause 9.1 of this Deed and from the provisions of this Deed). It is further clarified, for the avoidance of doubt, that this clause cannot restrict the companies held by the Company (including subsidiaries and affiliates) from creating any charges, floating or fixed, on their assets, including on all of their assets.

The Company declares that as of the date of signing this Deed, there is no floating charge in favor of a third party on all of the Company's assets and rights, present and future. As of the date of signing this Deed there are charges on the assets of the subsidiaries of the Company in the framework of project financing, pledges on deposits in the framework of hedging transactions and additional pledges to Discount Bank as set forth in Note 14 of the Company's financial statements as of December 31, 2018, included in the annual report that the Company published in the distribution website of the Securities Authority on March 31, 2019.

The Company undertakes that if it shall create a floating charge on all of its assets in accordance with the exceptions set forth above, it shall notify the Trustee on the matter prior to creating the pledge, and shall specify in its notice, the clause due to which the Company is entitled to create a pledge as stated. It is clarified that to the extent that any fixed charges and/or specific charges are registered with respect to the entire assets of the Company, this undertaking shall lose its effectiveness.

7.5. If and insofar as a floating charge shall be given as a security, as mentioned in clause 7.4 above, the following provisions shall apply:

- (a) The existence of a cause to declare the Debentures immediately payable and/or the realization of Collaterals is a preliminary condition to realizing a floating charge as mentioned.
- (b) The Trustee shall be entitled to enforce a floating charge before immediate repayment has been declared for the Debentures, in accordance with Section 35J1 of the Law or subject to adopting a decision of performing realizations in a resolution that shall be adopted by the Meeting of the Debenture Holders in accordance with the provisions of clause 9.2.4 of this Deed.
- (c) Enforcing the floating charge shall be performed in a manner that is expected according to the Trustee's reasonable assessment to maximize the realization consideration from the floating charge and for this purpose the Trustee shall be entitled, subject to law, to determine the manner of enforcing this floating charge and the time when the floating charge should be enforced (hereinafter: the **"Manner of Enforcing the Collaterals"**).

Without derogating from any right that the Trustee has according to any law, the Trustee shall be entitled to receive instructions with respect to the Manner of Enforcing the Collaterals also by a Special Resolution that shall be adopted in a Meeting of the Debenture Holders, on the agenda of which is the giving of instructions to the Trustee regarding the Manner of Enforcing the Collaterals. The Meeting of the Debenture Holders as mentioned, shall be entitled to authorize a representing body of the Debenture Holders for advising the Trustee regarding the Manner of Enforcing the Collaterals.

Whenever the Company shall create a charge as mentioned in this sub-clause in favor of the Debenture Holders, and this is a charge that requires registration in the Registry of Charges managed at the Registrar of Companies for its perfection or any other registry as shall be required by any law, the charge shall be considered as legally registered only after the Company has furnished to the Trustee all the following documents, within 7 Business Days from the registration date of the charge:

- (1) A charge document according to which the charge was registered in favor of the Trustee, bearing an original signature by the Company and stamped with an original "received" stamp by the office of the Registrar of Companies, and bearing a date which is not later than twenty one (21) days after the signature date on the charge document;

- (2) A notice of details of mortgages and pledges (Form 10) signed with an original "received" stamp from the office of the Registrar of Companies, which bears a date that is not later than twenty one (21) days after creating the notice;
- (3) An original pledge registration certificate from the Registrar of Companies;
- (4) An extract of the pledges from the Registrar of Companies or any other office or registrar as shall be required by any law, according to which this charge was registered;
- (5) An affidavit by the Company CEO or a senior financial officer in the Company that the charge does not contradict or it is not in contradiction to the Company's undertakings to third parties, and that all approvals have been received by the Company pertaining to the creation of the pledge as stated, all according to the wording that shall be acceptable to the Trustee at its reasonable discretion, which shall be delivered to the Trustee each year according to his demand;
- (6) An opinion of an external lawyer on behalf of the Company, originally signed, inter alia, with respect to the nature of the rights of the pledging party in the pledged asset, the manner of the pledge registration, its creditor priority, it being legal, valid and it being exercisable and enforceable against the pledging party according to the applicable law in Israel, in the wording that shall be acceptable by the Trustee at its reasonable discretion, which shall be given to the Trustee each year according to its demand;
- (7) Any additional document required for the purpose of creating and/or registering the pledge by any law, in any relevant Registry;

To the extent that a floating charge is created on the entire assets of the Company in favor of the Debenture Holders and in favor of any third-party as stated in this clause above, the realization of the charge by the Trustee of the Debentures (Series D) or by the third-party shall not require the approval of the Trustee for the Debentures (Series D) or the third-party, as the case may be (hereinafter collectively: the "**Parties**") or of any of the Holders of the Debentures (Series D) or the third-party, as the case may be, or the delivery of advance notice to the other Parties regarding the intention to act in the said manner. To the extent that the third-party commences with the procedure for the realization of the charge, the Company will notify the Trustee about the same after the Company receives information in connection therewith.

An office holder (a receiver or any other office holder appointed for the purpose of realizing the charge) who will be appointed at the request of any of the Parties, may be appointed as an office holder for all the Parties. The Trustee shall be entitled to join a proceeding that will commence by any of the other Parties, at his discretion or following a decision adopted in the meeting of the Holders of the Debentures (Series D). The Company will provide to the Trustee the contact information for each of the Parties for the purpose of delivery of realization notices as said immediately after receiving the first request of the Trustee in connection therewith.

Except as provided above, no limitations shall apply to the Company in the imposition of different charges on its property.

8. Early Redemption**8.1. Early Redemption Initiated by the Stock Exchange**

If it is decided by the Stock Exchange to delist the Debentures (Series D) from trade as the value of the public holdings in the series has decreased from the sum that was determined in the Stock Exchange instructions regarding delisting from trade, the Company shall allow early redemption as mentioned of the series due to the delisting from trade of the Debentures as mentioned above, and it shall act as follows:

8.1.1 Within 45 days after the decision of the board of directors of the Stock Exchange regarding delisting as aforementioned, the Company shall notify of an early redemption date in which the Holders of Debentures may redeem them. The notice of early redemption shall be published in an Immediate Report that shall be sent to the securities authority and to the Stock Exchange and in two daily and prevalent newspapers in Israel in the Hebrew language and it shall be given in writing to all the registered Debenture Holders.

8.1.2 The early redemption date shall occur not before 17 days of the date of publishing the notice and no later than 45 days after this date, however not in a period between the record date for the payment of interest and its actual payment.

At the early redemption day the Company shall redeem the Debentures that the Debenture Holders requested to redeem. The redemption consideration shall not be less than the sum of the nominal value of the certificates of undertaking with additional interest that has accumulated until the date of actual payment, as set forth in the terms of the Debentures.

8.1.3 The determination of an early redemption date as mentioned above cannot harm the redemption rights stipulated in the Debentures, of any of the Debenture Holders that shall not redeem them at the early redemption date as mentioned above, however the Debentures shall be delisted from trade on the Stock Exchange and will be subject, inter alia, to the tax implications arising from this.

8.1.4 The early redemption of Debentures as mentioned above shall not confer upon any of the Holders of Debentures that shall be redeemed as mentioned the right to the payment of interest for the period after their redemption.

8.2. **Early Redemption Initiated by the Company**

The Company shall not be entitled to call the Debentures (Series D) for early repayment at its own initiative.

9. **Right for Immediate Repayment and/or Realization of Collaterals**

- 9.1. **Upon the occurrence of one or more of the causes set forth hereinafter and so long as either of them is occurring, the Trustee and the Holders of Debentures shall be entitled to put the balance of the amount due to the Holders in accordance with the Debentures for immediate repayment, or to realize collaterals (inasmuch as they shall be given) for guaranteeing the Company's undertakings to the Holders of Debentures, and the provisions of clause 9.2 hereafter shall apply, as the case may be:**

- 9.1.1 If a material worsening has occurred in the Company's business as compared to its state at the issuance date, and there is a real concern that the Company will not be able to repay the Debentures on time.
- 9.1.2 If the Company has not repaid by of the payments it owes in accordance with The Debentures or in accordance with this Deed, however it shall be possible to declare the Debentures (Series D) immediately repayable due to this, only if the breach was not amended by the end of a period of seven (7) days after the date of breach.
- 9.1.3 If the Company did not publish a financial statement which it is required to publish according to any law or according to the provisions of this Deed, within 30 days after the last date on which it is obligated publish it or at such time when the extension for publishing financial statements provided to the Company by a competent authority or in accordance with the provisions of the Deed shall end, according to the later of these times.
- 9.1.4 If the Debentures (Series D) have been delisted from trade on the Stock Exchange.
- 9.1.5 If a motion was filed for receivership or to appoint a receiver (temporary or permanent) or any other motion with a similar or identical consequence in accordance with the provisions of the Insolvency Law, on the Company's assets, all or most, or if an order shall be given to appoint a temporary receiver, or any other office holder appointed in accordance with the provisions of the Insolvency Law, for the Company's assets, all or most of them – which was not dismissed or cancelled within forty five (45) days after they were filed or granted, respectively; or if an order was given to appoint a permanent receiver on the Company's assets, all or most.

Notwithstanding the aforesaid, the Company shall not be given any cure period with respect to the motions or orders that were filed or granted, respectively, by the Company or with its consent.

For this matter, "**most of the Company assets**" – the assets of the Company as well as of companies consolidated in its financial statements, and of associate companies in its financial statements, with an aggregated value which exceeds 45% of the total consolidated assets of the Company, in accordance with its recent consolidated financial statements or its recently published consolidated financial results. It is clarified that for the purpose of calculating the rate of value of the assets of an associate company the Company will use the book value of the assets of the said associate company based on the financial statements of the Company.

9.1.6 Upon the occurrence of one of the following events:

- 9.1.6.1 In the event the Company files an application for an order to commence proceedings, as defined in the Insolvency Law, or any other similar proceeding in accordance with the provisions set forth in the Insolvency Law, or in the event the Company files an application for a settlement or an arrangement with the creditors of the Company, pursuant to the provisions of Section 350 of the Companies Law, or in accordance with the provisions set forth in the Insolvency Law (with the exception of: (1) for the purpose of merging with another company, and these are not prohibited in accordance with the terms set forth in this Deed and provided that the Trustee received the approval of the Board of Directors of the Company, no less than ten Business Days prior to the merger date, stating that the surviving company assumed the entire undertakings towards the Debenture Holders and there is no reasonable concern that as a result of the merger the surviving company will not be capable of fulfilling its entire undertakings towards the Debenture Holders in accordance with the Debentures and this Deed on time, and the Trustee will not be required to verify the content of the said confirmation and/or a change in the structure of the Company (including split) that are not prohibited in accordance with the provisions set forth in this Deed and (2) making arrangements between the Company and its shareholders that are not prohibited under the terms set forth in this Deed and that do not have an adverse effect on the ability of the Company to repay the Debentures), or in the event such an order as said is issued against the Company or in the event the Company offers to its creditors a settlement or an arrangement in another manner as said, as a result of the inability of the Company to fulfill its undertakings timely, or in the event the Company commenced a similar proceeding or a similar proceeding commence against the Company in accordance with the relevant law applicable to the Company. For the purpose of this clause, such applications as said that were filed by any third-party with the approval of the Company shall be deemed as applications that were filed by the Company.
- 9.1.6.2 In the event an application for an order to commence proceedings as aforesaid or an application pursuant to Section 350 of the Companies Law is filed against the Company (without obtaining its approval) or in the event the Company commenced a similar proceeding or a similar proceeding commenced against the Company in accordance with the relevant law applicable to the Company, and that were not dismissed or canceled within forty-five (45) days as of the date of their filing.

- 9.1.6.3 It is clarified that the purchase of the Debentures (Series D) by the Company during the trading in the Stock Exchange or outside the Stock Exchange shall not be deemed as an arrangement with creditors for the purpose of this clause.
- 9.1.7 If a foreclosure shall be imposed on a Material Asset, or if any action shall be performed of execution against any such Material Asset, or in the event a charge against a Material Asset is realized; and the foreclosure was not removed, or the action or the realization was not cancelled, as the case may be, within 45 days after they were imposed or performed, as the case may be.
- Notwithstanding the aforesaid, the Company shall not be given any cure period with respect to motions filed or given, respectively, by the Company or with its consent.
- 9.1.8 If the Company's main activity, by itself or via corporations in its control or via held corporations, shall cease to be in the field of energy and energy infrastructure (the "**Area of Activity**"). It is clarified, that the Company's activity in other areas of activity in addition to the Area of Activity shall not be considered as stopping the activity as stated in this clause, insofar as the Company's assets, which are not current assets, which belong or are related to the Area of Activity (as it is defined above), shall constitute at least 60% of the Company's assets which are not current assets, all based on the last consolidated financial statements or its recently published consolidated financial results.
- 9.1.9 If the Company shall adopt a decision to liquidate (except for liquidation as a result of a merger with another company as mentioned in clause 9.1.18 of this Deed) or if a final permanent liquidation order shall be given with respect to the Company by court or any other order with a similar or identical effect in accordance with the Insolvency Law, or a permanent liquidator shall be appointed to it or any other competent official with similar or identical authorities in accordance with the Insolvency Law with respect to the Company will be appointed by the court, or in the event a trustee, within the meaning of this term in the Insolvency Law, was appointed.
- 9.1.10 If a temporary liquidation order shall be given by the court, or any other order with a similar or identical effect in accordance with the provisions of the Insolvency Law, or a temporary liquidator shall be appointed for the Company, or any other authorized official with similar or identical authorities in accordance with the Insolvency Law, or any other office holder is appointed in accordance with the law, or if any judicial decision of a similar nature shall be granted, or in the event a temporary trustee is appointed, within the meaning of this term in the Insolvency Law, and the appointment, the order or the decision as mentioned were not dismissed or cancelled within forty five (45) days after the day on which they were given or from the date the decision was granted, respectively.
- Notwithstanding the aforesaid, the Company shall not be given any cure period with respect to motions or orders that were filed or given, respectively, by the Company or with its consent.
- 9.1.11 If the Company ceased or notified of its intention to cease conducting its business as this shall be from time to time, or if the Company stopped or notified of its intention to stop its payments.

- 9.1.12 If the Company is requested to pay by immediate repayment a Material Debt of the Company, or a Material Series of Debentures, even if not traded in the Stock Exchange, and the demand for immediate repayment as said was not removed and/or the Company did not repay the Material Debt or the said series of debentures that the Company was required to repay, as the case may be, within 30 days of the date these were called for immediate repayment, or in the event the Company is required to pay in immediate repayment a series of debentures of the Company that are traded in the Tel Aviv Stock Exchange.
- 9.1.13 Not fulfilling one or more of the financial covenants in Appendix 6.2 of this Deed of Trust at the end of the Examination Period (as defined in Appendix 6.2 of the Deed of Trust), provided that the Company was not given an extension to cure as mentioned in clause 28 of the Deed of Trust or in clause 18.2 of the Deed of Trust or, a waiver was not given to the Company for the breach as mentioned in clause 28 of the Deed of Trust.
- 9.1.14 If the Company shall perform a distribution (as it is defined in the Companies Law), which does not meet any of the provisions pertaining to a distribution as stated in Appendix 6.2 of the Deed.
- 9.1.15 There is a real concern that the Company shall not meet its material undertakings towards the Debenture Holders.
- 9.1.16 If the Company shall breach the terms of the Debentures or the Deed of Trust by a fundamental breach or if it will not perform any of its material undertakings within their framework, and the breach was not cured within 14 days after receiving a notice regarding the breach, during which the Company shall act to cure it.
- 9.1.17 If a material representation of the representations of the Company in the Debentures or in the Deed of Trust is discovered to be incorrect or not complete, and in the event that this is a breach that can be cured – the breach was not cured within 14 days after receiving a notice regarding the breach, during which the Company shall act to cure it.
- 9.1.18 If a Merger was performed without receiving a prior approval of the Holders of the Debentures (Series D) by Ordinary Resolution, unless the surviving entity declared, towards the Holders of the Debenture (Series D), including via the Trustee, at least ten (10) Business Days before the merger date that the surviving entity, to the extent that it is not the Company, has taken upon itself all of the undertakings towards Holders of Debentures and that there is no reasonable concern that as a result of such merger the surviving company would not be able to fulfill its undertakings towards the Holders of the Debentures (Series D). It is clarified that a merger between the consolidated companies in the financial statements of the Company or between such companies and the Company (in the event the Company is the surviving company) shall not be deemed as a “merger” for the purpose of this Deed, and in such circumstances as said no declaration of the Company or the surviving company or a prior approval of the Debenture Holders shall be required as stated above.

- 9.1.19 If the Company breached its undertaking not to create floating charges as set forth in clause 7.4 of this Deed.
- 9.1.20 If a sale was made of most of the Company's assets, and the prior approval of the Debenture Holders (Series D) in an Ordinary Resolution was not granted. If a sale was made of most of the Company's assets as set forth in this clause, the Company shall submit an Immediate Report of this.

For this matter, "**most of the Company assets**" – as this term is defined hereinafter.

- 9.1.21 If the Stock Exchange suspended the trade of the Debentures (Series D), except for a suspension due to a cause of the creation of vagueness, as this cause is defined in the fourth part of the Stock Exchange bylaws, and the suspension was not cancelled within 60 days, and except for a general suspension that is not directed specifically at the Company.
- 9.1.22 In the event the Company shall perform an expansion of the Debenture series (Series D) in a manner which does not meet the Company's undertakings with regards to a series expansion in accordance with clause 5.2 of this Deed.

In the event that following a transaction (that was not approved by the meeting of the Debenture Holders (Series D) in an Ordinary Resolution) the rate of holding of the group of shareholders that includes at least one of Messrs. Shlomo Nehama and Ran Fridrich decreased below 25% of the issued and paid-up share capital of the Company (with neutralization of dormant shares) and there is another shareholder holding a greater amount of shares in the Company, and all for a consecutive period that will exceed three months (hereinafter: the "**Transfer of Control**"). In this clause: (a) "**holding**" – including the "**holding of securities or their purchase together with another**" within the meaning of these terms in the Securities Law; (b) "**transaction**" – a transaction in which the holdings of Messrs. Shlomo Nehama and Ran Fridrich, directly or indirectly, are transferred.

- 9.1.23 For the avoidance of doubt, a transaction as stated which is the result of a change in legislation and/or regulatory requirement and/or inheritance (including a will), when for the matter of changes in legislation and regulation – provided that the Company acts to the best of its efforts to avoid a result as stated shall not be deemed as Transfer of Control. If the conditions set forth above in this clause are fulfilled in the aggregate, the Company shall submit an Immediate Report of this.
- 9.1.24 If the Company shall stop being a reporting corporation, as this term is defined in the Securities Law, or a corporation traded in a stock exchange outside of Israel, as set forth in the Second or Third Addition to the Securities Law.
- 9.1.25 If a "going concern notice" is registered in the Company's consolidated financial statements, and the basis for including the notice was not amended in the Company's consolidated financial results for the following quarter.

For the avoidance of doubt it is hereby emphasized and clarified that any application of the Company to the holders of any series of debentures of the Company, in whole or in part, in an offer to purchase from them the debentures that they hold for cash or by way of the issuance of substitute debentures shall not give rise to grounds for immediate repayment of the Debentures in accordance with this clause 9.

For the avoidance of doubt, it is clarified that the right to declare the Debentures immediately repayable as mentioned above and/or declaring the Debentures immediately repayable and/or for realizing pledges cannot derogate from or injure any other or additional remedy that the Debenture Holders (Series D) have or that the Trustee has according to the terms of the Debentures and the provisions of this Deed or according to the law, and failure to declare the debt immediately repayable upon the occurrence of any of the cases set forth in clause 9.1 of the Deed, shall not constitute any waiver whatsoever of the rights of the Holders of Debentures or the Trustee as stated.

In this clause:

“Material Asset” means: an asset or several assets cumulatively, whose aggregate book value exceeds 49% of the total consolidated assets of the Company according to its last consolidated financial statements or its last consolidated financial results that were published.

“Financial Statement” means: the consolidated financial statements or consolidated financial results of the Company that were published before the time of the event.

“Material Debt” or a **“Material Series of Debentures”** shall mean: a debt or a number of cumulative debts of the Company whose balance, or a series of debentures whose balance of liability value is in an amount constituting 10% of the total balance sheet of the Company, according to the financial statements of the Company, or a debt or a number of cumulative debts of a consolidated company whose balance, or a series of debentures of a consolidated company whose balance of liability value are in an amount constituting 20% of the total balance sheet. It is clarified that a debt or a series of material debentures, of the Company or of the consolidated company, that are a non-recourse debt, i.e., a debt without a right of recourse towards the Company, or a project debt, shall not be deemed as a debt or as a series of material debentures, as the case may be.

Selling **“Most of the Company Assets”** means selling assets of the Company or of the consolidated companies in its financial statements to a third-party, over a period of 12 consecutive months, with a value, after deduction of assets purchased by the Company or by the consolidated companies in its financial statements during the same period of 12 consecutive months, which exceed the rate of 50% of the consolidated Company assets, according to its last consolidated financial statements or its last consolidated financial results published. Notwithstanding the foregoing, the sale of assets at a rate greater than 50% as said, shall not be deemed as a breach, provided that in accordance with the notice of the Company the Company declares that the consideration is intended for the purchase of an asset (other than an asset of consolidated companies) or an additional investment, including an investment in consolidated companies, and all within the sphere of activity of the Company as stated in clause 9.1.8 above.

9.2. Upon the occurrence of any of the events set forth in clause 9.1 of the Deed and in accordance with the provisions included therein and its sub-clauses:

9.2.1 The Trustee and any of the Debenture Holders (Series D) shall be entitled to call for immediate repayment the entire outstanding balance of the Debentures and/or realize collaterals (insofar as any have been given); it shall be clarified that a decision as stated by a Holder of the Debenture is subject to adopting a resolution in the Meeting of Holders of Debentures, as set forth in clause 9.2.4 hereinafter.

9.2.2 Upon the occurrence of any of the events in clause 9.1 above the Trustee, before he uses his authority to declare immediate repayment or to realize the Collaterals, insofar as they were given), shall be obligated to convene a Meeting of the Debenture Holders, on the agenda of which shall be a resolution regarding the declaration of immediate repayment of all unpaid balance of the Debentures (Series D) and/or realizing collaterals inasmuch as they have been given, due to the occurrence of any of the events set forth in clause 9.1 of the Deed, and receive its instructions.

The time of convening a Meeting as stated shall be at the end of 21 days from the day on which it was summoned (or a shorter period of time in accordance with the provisions of clause 9.2.6 hereinafter).

9.2.3 If a reasonable period was determined in clause 9.1 above or in a resolution of a Holders' meeting, as the case may be, with respect to a certain clause, in which the Company is entitled to perform an action or to adopt a decision which as a result the cause for declaring immediate repayment or realization of the Collaterals, insofar as created, is dropped, the Trustees or the Debenture Holders are entitled to declare the Debentures immediately payable and/or to realize collaterals according to these clauses only if the period that was determined as mentioned has passed and the cause was not dropped; however, the Trustee is entitled to shorten the period that was determined as mentioned if it thought that it will materially harm the rights of the Debenture Holders.

9.2.4 The resolution of the Debenture Holders to declare the Debenture immediately payable and/or to realize the Collaterals, insofar as created, shall be adopted in a Meeting of the Debenture Holders in which Holders of at least fifty percent (50%) of the balance of the nominal value of the Debentures (Series D) were present, by a majority of the Debenture Holders of the balance of the nominal value of the Debentures that is represented or by such a majority in a deferred Debenture Holders Meeting in which the Holders of at least twenty percent (20%) of the aforementioned balance were present.

9.2.5 In case, until the time of convening the Meeting, any of the events set forth in clause 9.1 of the Deed has not been revoked or removed, and a resolution in the Debenture Holders' Meeting was adopted as stated in clause 9.2.4 of the Deed, the Trustee shall be obligated, as soon as possible, to declare immediately repayable all unpaid balance of the Debentures (Series D) and/or to realize collaterals, inasmuch as any have been given.

- 9.2.6 Despite the stated in this clause 9.2, the Trustee or the Holders shall not declare the Debentures immediately repayable and shall not realize collaterals (inasmuch as any have been given), unless it is after they have given the Company a written notice, 15 days in advance before declaring the Debentures (Series D) for immediate repayment or realizing collaterals (hereinafter: **"the Notice Period"**), regarding their intention to do so; the Trustee is entitled, at its discretion, to shorten the 21 day period stated in clause 9.2.2 of the Deed and/or to not give any notice as stated in this clause, in case the Trustee is of the opinion that deferring the convening of the Meeting jeopardizes the rights of the Debenture Holders or if there is reasonable concern that giving the notice shall damage the possibility of declaring the Debentures for immediate repayment and/or realizing collaterals (inasmuch as any have been given).
- 9.2.7 The sending of a notice to the Company of the declaration of immediate repayment of the Debentures and/or realizing collaterals, inasmuch as any have been given, can be done also by way of publishing a notice of the decision of the Meeting or the decision of the Trustee in accordance with the provisions of clause 27 hereafter and it shall constitute a declaration of the Debentures immediately payable.
- 9.2.8 In the event that the Debentures (Series D) were declared immediately payable according to the provisions of clause 9, the Company undertakes:
- 9.2.8.1 To pay the Debenture Holders and the Trustee any sums due to them and/or that shall be due to them according to the terms of the Deed of Trust, whether the date of the obligation has arrived or not ('acceleration'), and this is within 7 days after the notice date as mentioned in clause 9.2.6 above; and
- 9.2.8.2 To deliver to the Trustee, as per its reasonable request, any affidavit or declarations and/or to sign any document and/or to perform and/or to cause the performance of the actions necessary and/or required in accordance with any law for giving effect to the exercise of authorities, the powers and the permissions of the Trustee and/or his attorneys that are required in order to enforce upon the Company its undertaking as mentioned in the Deed of Trust and for realizing the collaterals, inasmuch as any have been given.
- 9.2.9 For the purposes of this clause 9 – a written notice to the Company signed by the Trustee that confirms that the action required by it in the framework of its powers, is a reasonable action, shall constitute prima facie evidence of this.
- 9.2.10 The Trustee shall notify the Debenture Holders regarding the occurrence of an event which constitutes a cause for immediate repayment, immediately after actually becoming informed of it. A notice as stated shall be published in accordance with the provisions of clause 27 hereinafter.
- 9.2.11 The stated in this clause does not harm or condition the rights of the Trustee or the Holders of Debentures (Series D) in accordance with the provisions of Article 3511 of the Securities Law or in accordance with the provisions of the law.

9.2.12 Notwithstanding the provisions of this clause 9.2, in case the Company requests the Trustee in writing to appoint an urgent representing body, it is mandatory to act in accordance with the provisions set forth in clause 18 of the Deed of Trust, and these shall take precedence over all of the other provisions set forth in this Deed.

9.3. After declaring the Debentures immediately payable in accordance with the provisions of clause 9.1 of the Deed, the Trustee and/or the Debenture Holders shall be entitled to immediately take all steps that they shall see fit. Inter alia, the Trustee and/or the Debenture Holders shall be entitled to enforce and to realize the Collaterals, insofar as created, (in whole or in part) that were given to secure the Company's undertakings to the Debenture Holders and to the Trustee according to this Deed. The Trustee shall be entitled to act in any manner that it shall see fit and effective, including in accordance with the relevant law in the relevant territory for each Collateral and within such actions it shall be entitled to appoint by itself and/or by the court, a trustee, receiver or manager on assets that were provided as Collateral, in whole or part of them and insofar as such assets were provided.

10. Claims and Proceedings by the Trustee

10.1. In addition to any provision in this Deed and as a right and independent authority (however except for the calling for immediate repayment, and in such circumstances the provisions of clause 9 above shall apply), the Trustee is entitled, at its discretion, and will be obligated to do so by an Ordinary Resolution adopted in a Meeting of Debenture Holders, and without giving notice to the Company, to take all of those proceedings, including legal proceedings and motions to receive instructions as it shall see fit and subject to the provisions of any law, for enforcing the Company's undertakings according to this Deed of Trust, realizing Collaterals, insofar as created, and/or rights of Debenture Holders and protecting their rights according to this Deed of Trust. The Trustee shall be entitled to initiate legal proceedings and/or others even if the Debentures were not declared immediately payable and all for realizing Collaterals, insofar as created, and/or for protecting rights of Debenture Holders and the Trustee and subject to any law. The Trustee is entitled, at its sole discretion and without the need for giving notice, to approach the competent court and submit a motion to receive instructions in any matter pursuant to and/or connected to this Deed of Trust also before the Debentures shall be declared immediately payable, including for giving any order regarding the trust matters. It shall be clarified, that the right to declare immediate repayment and/or realizing the collaterals, inasmuch as any have been given, shall only arise in accordance with the provisions of clause 9 of the Deed and not this clause 10.

10.2. The Trustee shall be obligated to act as stated in clause 10.1 above if required to do so by an Ordinary Resolution adopted by the Debenture Holders' Meeting, unless it has seen that under the circumstances it shall not be just and/or reasonable to do so, and it has approached the appropriate court in a request to receive instructions on the matter at the first possible opportunity.

- 10.3. The Trustee is entitled, prior to taking any legal proceedings whatsoever, to convene a Debenture Holders' Meeting so that it decides, in an Ordinary Resolution, which proceedings to take in order to realize their rights in accordance with this Deed. The Company waives any claim towards the Trustee and/or Debenture Holders, regarding damage which might be caused and/or which was caused to it due to summoning the Holders' Meeting. In addition, the Trustee shall be entitled to re-convene Debenture Holders' Meetings for the purpose of receiving instructions pertaining to conducting the proceedings as stated. The Trustee's action shall be performed in such cases without delay and at the first opportunity. For the avoidance of doubt it shall be clarified that the Trustee is not entitled to delay the performance of declaring for immediate repayment and/or realizing collaterals, inasmuch as any have been given, which the Debenture Holders' Meeting has decided in accordance with clause 9 of the Deed, unless the event for which the resolution was adopted to declare immediate repayment was revoked or removed. It is clarified, that notwithstanding the provisions of this clause 10, the Trustee shall file a request for the liquidation of the Company only after an Extraordinary Resolution was adopted on the matter in a Debenture Holders' Meeting.
- 10.4. Subject to the provisions of this Deed of Trust, the Trustee is entitled but not required to convene at any time a Meeting of the Debenture Holders in order to discuss and/or to receive its instructions in any matter regarding this Deed by way of an Ordinary Resolution. For the avoidance of doubt it shall be clarified, that the Trustee is not entitled to delay the performance of declaring for immediate repayment which the Debenture Holders' Meeting has decided in accordance with clause 9.1 of the Deed, other than if the event for which the resolution was made to declare immediate repayment was revoked or removed.
- 10.5. Subject to the provisions of this Deed of Trust, at any time the Trustee shall be required, in accordance with the terms of this Deed, to perform any action whatsoever, including initiating proceedings or filing claims at the request of the Debenture Holders as stated in this clause, by adopting an Ordinary Resolution, the Trustee is entitled to avoid taking any action as stated until instructions are received from the Debenture Holders Meeting and/or instructions from the court which the Trustee has approached, at its discretion, in a request for instructions in case it believed that instructions as stated are required. For the avoidance of doubt it shall be clarified, that the Trustee is not entitled to delay declaring the Debentures immediately payable or realizing collaterals which have been given (if any have been given) which the Debenture Holders Meeting decided according to clause 9 of the Deed, unless the event for which the resolution for immediate repayment was made has been revoked or removed.

11. Order of Priority of Creditors; Dividing the Intakes

Any intake which shall be received by the Trustee, except for its fees and the payment of any debt towards it, in any manner, including but not only as a result of declaring the Debentures immediately payable and/or as a result of proceedings that it shall institute, if it shall institute proceedings, inter alia, against the Company, shall be held by it in trust and shall serve for the purposes according to the order of priority of creditors as follows:

First – for the payment of any debt for the fees of the Trustee and its reasonable expenses; **second** – for the payment of any other debt according to undertakings to indemnify (as this term is defined in clause 26 hereafter); **third** – for paying the Debenture Holders who paid payments according to clause 26 hereafter; **fourth** – for paying the Debenture Holders late payment interest for delays in paying the interest that are due to them according to the terms of the Debentures, pari passu and in a proportionate manner to the sum of the interest that is delayed that is due to each of them without preference or right of priority regarding any of them; **fifth** – for paying the Debenture Holders sums of the interest in arrears for delays in paying the Principal, due to them in accordance with the terms of the Debentures, pari passu and relative to the amount of the Principal in delay which is due to each of them, without preference or right of precedence regarding either of them; **sixth** – for paying the Debenture Holders the amounts of the interest that are due to them according to the Debentures held by them pari passu, the payment date of which has not yet arrived and in a proportionate manner to the sums due to them, without any preference with respect to priority in time of issuing the Debentures by the Company or in any other manner; **seventh** – for paying the Debenture Holders the debt of amounts of the Principal which are due to them in accordance with the Debentures which are held by them pari passu, which payment date has not yet arrived and relative to the amounts which are due to them, without any preference pertaining to the precedence in time of issuing the Debentures by the Company or otherwise; and **eighth** – the surplus, if such shall exist, the Trustee shall pay the Company or to its substitutes, as the case may be.

Withholding tax shall be deducted from the payments to the Debenture Holders, insofar as there is a duty to deduct it according to any law.

12. Authority to Demand Financing

The Debenture Holders Meeting is entitled to determine in a resolution in a special majority that the Company shall transfer to the Trustee a sum (or part of it) that is designed for a certain payment on account of the Principal and/or certain payment of interest for the Debentures for the finance required for matters that were determined in the Meeting as mentioned (the “**Finance Sum**”), and provided that such resolution was adopted before the record date determining the entitlement of the Debenture Holders to receive the Principal or interest as mentioned.

If a resolution of the Meeting was adopted as mentioned above, the following provisions shall apply, unless the Company shall transfer to the Trustee, before the record date as mentioned above, a sum equal to the Finance Sum and this not out of the specific payment as mentioned above:

- 12.1. The Company shall transfer to the Trustee the Finance Sum at the time determined in this Deed for paying the Principal or the interest as mentioned above.
- 12.2. The amount of the certain payment as mentioned above (Principal or interest) shall be reduced by deducting the Finance Sum, and in the event of an interest payment, the rate of the specific payment shall also be reduced respectively.
- 12.3. Insofar as the Company has a duty according to law or according to the Deed of Trust to pay the costs and fees for which the Finance Sum was deposited, the Finance Sum (in addition to interest that applies to the Debentures according to this Deed of Trust, from the record date for the specific payment as mentioned above and until its actual payment) shall be paid at the next date scheduled in this Deed of Trust for payment on account of the Principal and/or the interest (or at another time as shall be determined in a resolution of the Meeting as mentioned above) and it shall be added to the next payment as mentioned as an integral part of it.
- 12.4. The transfer of the Finance Sum to the Trustee cannot constitute an admission of the Company regarding its liability in financing the costs and fees for which the Finance Sum was deposited.

- 12.5. The Company shall publish an Immediate Report before the record date regarding the changes in the terms of this Deed of Trust regarding payments on account of the Principal and/or interest that arise from the aforesaid.

The aforesaid does not release the Company from its liability to pay costs and fees as mentioned where it is liable to pay them according to this Deed and/or according to the law.

13. Authority to Delay the Division of Funds

- 13.1. Notwithstanding the provisions in clause 11 above, and until the earliest of the dates set forth hereafter, if the sum which shall be received as a result of instituting such proceedings mentioned above and which shall be available at any time for distribution to the Debenture Holders as mentioned in that clause, shall be less than 1 million NIS at the record date for distribution the Trustee shall not be required to distribute it and it shall be entitled to invest this sum, in whole or in part, in accordance with the provisions of clause 17 hereafter.
- 13.2. When these investments mentioned above reach, if they shall reach, with their profits, together with other funds that shall reach the Trustee for the purpose of paying them to the Debenture Holders, a sum that will be sufficient in order to pay at least 1 million ILS, the Trustee shall be required to use the mentioned sums according to the order of priorities in clause 11 above and to distribute this sum at the earliest time of the payment of the Principal or the interest. In case, until the earlier of: the closest time for paying the interest and/or Principal, or a reasonable time after receiving the aforementioned funds, the Trustee shall not have a sufficient amount to pay at least 1 million ILS, the Trustee shall distribute the funds in his possession to the Debenture Holders, and in any case no later than once every three months. Despite the foregoing, Debenture Holders could, in an Ordinary Resolution, bind the Trustee to pay them the amounts accumulated by it, even if they have not reached a total of 1 million ILS. Notwithstanding the aforesaid, the fees to the Trustee and its expenses shall be paid out of these funds immediately upon their arrival to the Trustee and even if they are lower than the sum set forth in clause 13.1 of the Deed.

14. Notice of Distribution and Deposit with the Trustee

- 14.1. The Trustee shall notify the Debenture Holders of the date and place on which any payment shall be made out of the payments mentioned in clauses 11 and 12 of the Deed, and this is by advance notice of 14 days that shall be given in the manner set forth in clause 26 hereafter.
- 14.2. After the record date for entitlement for payment that was determined in the Trustee's notice as mentioned, the Debenture Holders shall be entitled to interest for them according to the interest rate set forth in the Debentures, only on the unpaid balance of the Principal sum (if such shall exist) after deducting the sum that was paid or that was offered to them for payment in accordance with the provisions of clause 15 as mentioned in this notice.
- 14.3. The funds distributed as stated in this clause 14 shall be considered as payment on account of the repayment.

15. Avoidance from Payment for a Reason that is not Dependent on the Company: Deposit with the Trustee

- 15.1. Any sum that is due to a Debenture Holder and that was not actually paid on the record date for its payment, for a reason that is not dependent on the Company, while the Company was willing and able to pay it fully and on time, shall cease to bear interest from the time that was determined, for its payment and the Debenture Holder shall be entitled, only to those amounts to which he was entitled at the time set for repayment or payment on account of the Principal and the interest.
- 15.2. The Company shall deposit with the Trustee, no later than 10 Business Days after the time that was scheduled for that payment, the payment sum which was not paid on time as stated in clause 15.1 of the Deed and shall notify the Debenture Holders in an Immediate Report regarding a deposit as mentioned, and the aforementioned deposit shall be considered as paying that payment, and in the event of payment of everything due for that Debenture, also as the redemption of the Debenture.
- 15.3. The Trustee shall deposit in bank accounts in its name and to its order in trust for the Debenture Holders, the funds that shall be transferred to it as mentioned in sub- clause 15.2 of the Deed, and shall invest them in investments in accordance with the provisions of clause 17 of the Deed. If the Trustee did so, it shall not owe to those entitled to those sums, other than the consideration received from realizing the investments, after deducting its fees and expenses, reasonable expenses related to that investment and to managing the trust accounts, reasonable commissions and mandatory payments applying to the trust account. Out of the funds as stated, the Trustee shall transfer amounts to the Debenture Holders entitled thereto, as soon as possible after the Trustee is provided with reasonable proof and approvals regarding their right to such amounts, and with the deduction of its reasonable expenses, commissions, mandatory payments and its fees.
- 15.4. Deleted.
- 15.5. The Trustee shall hold the funds that shall be deposited as mentioned in clause 15.3 above and shall invest them in the aforementioned manner, until the end of two years after the final payment of the Debentures or by the date of payment of the funds to the Debenture Holders, whichever is earlier. After this time, the Trustee shall transfer to the Company the sums out of these funds, which have remained with him (including profits that have accrued from their investment) after deducting its fees, expenses and other costs that were expended in accordance with the provisions of this Deed (such as fees of service providers etc.).

Upon the transfer of the funds from the Trustee to the Company, to the Trustee's satisfaction, the Trustee shall be exempt from payment of such sums to the entitled Debenture Holders.

- 15.6. The Company shall confirm to the Trustee in writing the fact that these funds have been received in trust for these Debenture Holders, and it shall indemnify the Trustee for any claim and/or cost and/or damage of any type and kind that shall be incurred by it as a result and for transferring the sums as mentioned, unless the Trustee has acted negligently (apart from negligence which is exempt by law as shall be from time to time), in bad faith or deceptively.

- 15.7. The Company shall hold these funds in a trust account for the Debenture Holders that are entitled to these sums for an additional year after they are transferred to the Company from the Trustee. Funds that have not been demanded by the Debenture Holders from the Company at the end of two years after the final payment date of the Debentures shall serve the Company for any purpose. The aforesaid shall not derogate from the Company's duty towards the Debenture Holders to pay the funds to which they are entitled as mentioned.

15A. Receipt from the Debenture Holders and the Trustee

- 15A(1) A receipt from the Trustee regarding the depositing of the Principal funds and the interest with it in favor of the Debenture Holders shall release the Company completely with regards to the very making of the payment of the amounts stated in the receipt.
- 15A(2) A receipt from a Debenture Holder regarding the Principal funds and the interest paid to him by the Trustee or the Company for the Debenture shall release the Trustee and/or the Company (respectively) completely with regards to the very making of the payment of the amounts stated in the receipt.
- 15A(3) Funds distributed as stated in clause 15 above shall be considered as payment on account of the repayment of the Debentures.

16. Presenting Debentures to the Trustee and Registration pertaining to Partial Payment

- 16.1 The Trustee shall be entitled to request a Debenture Holder to present to the Trustee, upon paying any interest whatsoever or a partial payment of the amount of the Principal and the interest, should there be any, in accordance with the provisions of clauses 13-15A above, the Debenture certificates for which the payments are made, and the Debenture Holder shall be required to present the Debenture certificate as stated, provided that it does not bind the Debenture Holders to any payment and/or expense and/or impose on the Debenture Holders any responsibility and/or liability.
- 16.2 The Trustee shall be entitled to register a comment on the Debenture certificates regarding the amounts paid as stated above, as well as their payment date.
- 16.3 The Trustee shall be entitled, in any special case, at its discretion, to waive the presentation of the Debenture certificates after the Debenture Holder has given it a letter of indemnification and/or sufficient guarantee to its satisfaction for damages which might be caused due to failure to register the comment as stated, all as it shall see fit.
- 16.4 Despite the foregoing, the Trustee shall be entitled, at its discretion, to hold records in another manner regarding partial payments as stated.

17. Investment of Funds

All funds which the Trustee is entitled to invest in accordance with this Deed, shall be invested by it, in a banking corporation in Israel which was rated by a rating company at a rating that is no less than AA of Standard & Poor's Maalot Ltd. or an equivalent rating by another rating company, in its name or payable to it, at its discretion, in Israeli government debentures or daily banking deposits as it shall see fit, all subject to the terms of this Deed of Trust and the provisions of any law, and provided that any investment in securities shall be in securities rated by a rating company at a rating that is no less than AA by Standard & Poor's Maalot Ltd. or an equivalent rating. It shall be clarified, that apart from Israeli government debentures or banking deposits as set forth in this clause, the Trustee shall not perform an investment in other securities. If the Trustee has done so, it shall not owe to the persons eligible for those amounts anything other than the consideration received from realizing the investment, with the deduction of its fees and expenses, commissions and expenses related to the stated investment and the management of the trust accounts, commissions and with the deduction of the mandatory payments applying to the trust account, and with regards to the remaining funds the Trustee shall act in accordance with the provisions of this Deed, as the case may be.

18. Urgent Representing Body for the Debenture Holders**18.1. Appointment; term of office.**

- 18.1.1 The Trustee shall be entitled, or as per the Company's written request it shall be obligated, to appoint and convene an urgent representing body amongst the Debenture Holders, as shall be set forth hereinafter (hereinafter: the "**Urgent Representing Body**").
- 18.1.2 The Trustee shall appoint to the Urgent Representing the three (3) Debenture Holders, who, to the best of the Trustee's knowledge, hold the highest nominal value out of all Debenture Holders, and who shall declare that with regards to them, all conditions set forth hereinafter are fulfilled (hereinafter: "**the Urgent Representing Body Members**"). In case any of those could not hold office as an Urgent Representing Body Member as stated, the Trustee shall appoint in his place, the Debenture Holder who holds the next highest nominal value, regarding whom all conditions set forth hereinafter are fulfilled. The conditions are as follows:
- 18.1.2.1 The Debenture Holder is not in any material conflict of interests due to the existence of any additional material matter that contradicts a matter that arises from serving on the Urgent Representing Body and from holding the Debentures. For the avoidance of doubt it is clarified, that a Holder who is an Affiliated Holder, as such term is defined in clause 4.2 above, shall be considered to have a material conflict of interests as stated and shall not serve on the Urgent Representing Body.
- 18.1.2.2 During that calendar year, the Debenture Holder does not hold office in similar representing bodies of other debentures, which aggregate book value exceeds the rate out of the asset portfolio managed by him, which was set as the maximal rate enabling to hold office in an Urgent Representing Body in accordance with the instructions of the Competition Authority pertaining to the establishment of an Urgent Representing Body.
- 18.1.3 If, during the office of the Urgent Representing Body, one of the circumstances listed in clauses 18.1.2.1 to 18.1.2.2 above has ceased occurring, his office shall expire, and the Trustee shall appoint another member in his place out of the Debenture Holders as stated in sub-clause 18.1.2 above.

- 18.1.4 Prior to appointment the Urgent Representing Body Members, the Trustee shall receive from the candidates to hold office as Members of the Urgent Representing Body, a declaration regarding the existence or absence of material conflicts of interest as stated in clause 18.1.2.1 above and with regards to holding office in additional representing bodies as stated in clause 18.1.2.2 above. In addition, the Trustee shall be entitled to request a declaration as stated by Members of the Urgent Representing Body at any time during the office of the Urgent Representing Body. A Holder who shall fail to provide a declaration as stated shall be considered as having a material conflict of interests or a hindrance from holding office, pursuant to the instructions of the Competition Authority as stated above, as the case may be. With regards to a declaration regarding a conflict of interests, the Trustee shall inspect the existence of the conflicting matters, and if necessary shall decide whether the conflict of interests disqualifies that Holder from holding office in the Urgent Representing Body. It is clarified, that the Trustee shall rely on the declarations as stated and shall not be required to hold an additional inspection or independent investigation. The Trustee's decision on these matters shall be final.
- 18.1.5 The Urgent Representing Body's term shall end when the Company publishes the decisions of the Urgent Representing Body pertaining to giving an extension to the Company for the purpose of its meeting the terms of the Deed of Trust as set forth in clause 18.5 hereinafter.

18.2. Authority

- 18.2.1. The Urgent Representing Body shall have the authority to grant a one-time extension to the Company regarding the dates for meeting either of the financial covenants set forth in clause 9.1.13 of this Deed, in such manner that the expected breach is eliminated or that the grounds for calling for immediate repayment set out in clause 9.1.13 of this Deed does not apply, as the case may be, for the extension period, to the extent granted, for the earlier of a period which shall not exceed 90 additional days for meeting the financial covenants as stated or up to the time of publishing the closest consolidated financial statements or the closest consolidated financial results (as the case may be) made after the publication date of the financial statements and from which it is likely to arise that the Company failed to fulfill any of the financial covenants during the examination period, whichever is earlier. It shall be clarified, that the period of time until appointing the Urgent Representing Body shall be taken into account in the framework of the aforementioned extensions, and it shall not constitute a cause for granting the Company any additional extension beyond the stated above. It shall be further clarified, that the actions of the Urgent Representing Body and the cooperation between its Members, shall be limited to discussing the option of granting an extension as stated, and no other information shall be passed between the Members of the Representing Body, which does not pertain to granting an extension as stated.

- 18.2.2. If an Urgent Representing Body has not been appointed in accordance with the provisions of this addendum, or if the Representing Body has decided not to grant the Company an extension as stated in clause 18.2.1 above, the Trustee shall act in accordance with the provisions of clause 9 of the Deed of Trust.

18.3. The Company's undertakings with regards to the Representing Body

- 18.3.1. The Company undertakes to provide the Trustee with all of the information in its possession or which it is able to obtain pertaining to the identity of the Debenture Holders and the scope of their holdings. In addition, the Trustee shall act to receive the stated information in accordance with the authorities granted to it by law.
- 18.3.2. In addition, the Company undertakes to act in full cooperation with the Urgent Representing Body and the Trustee inasmuch as it is required for the purpose of performing the examinations required by them and forming the decision of the Urgent Representing Body, and to provide the Urgent Representing Body with all data and documents which it shall require with regards to the Company, subject to the limitations of the law. Without derogation from the generality of the foregoing, the Company shall provide the Urgent Representing Body with the relevant information for the purpose of forming its decision, which shall not include any misleading detail and shall not be lacking.
- 18.3.3. The Company shall bear the costs of the Urgent Representing Body, including costs of hiring consultants and experts by the Urgent Representing Body or on its behalf, and the provisions of clause 26 of the Deed of Trust shall apply to this matter.

18.4. Liability

- 18.4.1. The Urgent Representing Body shall act and decide on matters given to it, at its absolute discretion and shall not be responsible, whether itself or any of its Members, their officers, employees or consultants, and the Company and the Debenture Holders hereby exempt them with regards to any arguments, demands and claims against them for using or avoiding to use powers, authorities or discretion granted to them in accordance with the Deed of Trust and with regards thereto, or any other action which they have performed in accordance therewith, unless they have acted that way maliciously and/or in bad faith.
- 18.4.2. The indemnification provisions set forth in clause 26 of this Deed shall apply to the actions of the Members of the Urgent Representing Body, as if they were the Trustee.
- 18.5. The Company shall publish an Immediate Report regarding the appointment of the Urgent Representing Body, the identity of its members and its authorities and shall publish an additional Immediate Report regarding the decisions of the Urgent Representing Body as stated.

19. Confidentiality

- 19.1. Subject to the provisions of any law and the stated in this Deed of Trust, the Trustee undertakes, by signing this Deed, to keep confidential any information that was given to it from the Company and/or a company affiliated with the Trustee and/or anyone on their behalf ("**the Information**"), not to disclose it to another and not to make any use of it, unless its disclosure or the use of it is required for fulfilling its duties according to the Law, according to the Deed of Trust, or according to a court order or according to the instructions of a legally authorized authority or for the purpose of protecting the rights of the Debenture Holders, provided that disclosing information as stated shall be limited to the minimal extent and scope required in order to meet the requirements of the law and that the Trustee pre-coordinates with the Company, inasmuch as it is possible and permitted and to the extent this will not harm the rights of the Debenture Holders, the content and timing of the disclosure, in order to give the Company reasonable leave to approach the courts in order to prevent the transfer of information as stated.
- 19.2. Transferring information to the Debenture Holders, including by publishing it publicly, for the purpose of adopting a resolution regarding their rights according to the Debenture or for providing a report of the Company's state does not constitute a breach of the confidentiality undertaking as mentioned above, and in any case only the necessary information for adopting such resolution will be provided, to the extent provided. The transfer of information as stated to the Trustee's authorized representatives and/or professional consultants and/or agents shall be done subject to their signing of a confidentiality undertaking and lack of conflict of interests in the form attached as Appendix 19.2 to this Deed.
- 19.3. This confidentiality undertaking shall not apply to any part of the information, that is in the public domain (except for information that became public domain due to a breach of this confidentiality undertaking) or that was received by the Trustee not from the Company – starting from the date its receipt.
- 19.4. All the conversations and discussions in the parts of the Meetings that are conducted without the Company or in the Meetings conducted without the Company, insofar as the absence of the Company is required by the Trustee, are confidential, and the Company and/or anyone on its behalf including any Office Holder in it shall not require the disclosure of this information.

20. Other Agreements

Subject to the provisions of the Law and the restrictions imposed on the Trustee in the Law the fulfillment of the Trustee's duties according to this Deed of Trust, or its status as Trustee, shall not prevent it from entering into different contracts with the Company or from performing transactions with it in the ordinary course of its business.

21. Reporting by the Trustee

- 21.1. The Trustee shall make each year, at the time determined for this in the Law and in absence of a scheduled time until the end of the second quarter in each calendar year, an annual report of the trust matters (the "**Annual Report**") and it shall submit it to the Securities Authority and to the Stock Exchange.
- 21.2. The Annual Report shall include details that shall be determined from time to time in the Law. Submitting the Annual Report to the Securities Authority and to the Stock Exchange, is as furnishing the Annual Report to the Company and to the Debenture Holders.

- 21.3. The Trustee must submit a report regarding the actions that it performed according to the provisions of chapter E.1 of the Law, according to a reasonable demand of the Debenture Holders that hold at least ten percent (10%) of the balance of the nominal value of the Debentures of that series, within a reasonable time of the demand, all subject to the confidentiality obligation of the Trustee towards the Company as set forth in Section 35J(d) of the Law.
- 21.4. The Trustee shall update the Company before a report according to Section 35H1 of the Law, to the extent that this is without prejudice to the rights of the Debenture Holders.
- 21.5. As of the day of signing this Deed, the Trustee declares that it is insured with professional liability insurance at a total of ten million new Israeli shekels per term (the "**Coverage Amount**"). Insofar as prior to the full repayment of the Debentures, the Coverage Amount shall be reduced to less than a total of eight million new Israeli shekels for any reason whatsoever, then the Trustee shall update the Company no later than 7 business days from the day on which it has found out about the stated reduction from the insurer, in order to publish an Immediate Report on the subject. The provisions of this clause shall apply until such time as securities regulations shall enter into effect, which shall regulate the duty of the Trustee's insurance coverage. After such regulations enter into effect as stated, the Trustee shall be required to update the Company only in case the Trustee shall fail to uphold the requirements of the regulations.
- 21.6. Until the full repayment of the Debentures, if the Trustee shall receive an inquiry by the Holders who have 5% or more of the undertaking value of the Debentures (Series D) for receiving information about the examinations performed by the Trustee regarding the Debenture series, including with regards to the test of the Company's upholding of its undertakings towards the Debenture Holders in accordance with the Deed of Trust, the Trustee shall cooperate with the Holder with regards to receiving the aforementioned information, all subject to signing a letter of confidentiality and subject to the provisions of any law (for the removal of doubt, it shall be clarified that receiving the stated information shall be beyond the annual report published by the Trustee in accordance with the provisions of the Securities Law).

22. Fees and Covering the Trustee's Expenses

- 22.1. The Trustee shall be entitled to payments of its fees and expenses in connection with fulfilling its duties, in accordance with the provisions in **Appendix 22** which is attached to this Deed of Trust. If a Trustee has been appointed in place of the Trustee whose term of service has ended according to Section 35B(a1) or Section 35N(d) of the Securities Law, the Holders of certificates of undertaking (Series D) shall pay the difference by which the Trustee's fees who was appointed as mentioned exceed the fee that was paid to the Trustee in place of whom it was appointed if such difference is unreasonable and the provisions of the relevant law at the date of replacement shall apply.
- 22.2. The Debenture Holders (Series D) shall participate in financing the Trustee's fees and the refund of its expenses in accordance with the provisions of the indemnification clause in clause 26 of the Deed of Trust.
- 22.3. At the request of those who hold more than 5% (five percent) of the remaining nominal value of the Debentures, the Trustee shall provide the Holders with data and details regarding his expenses pertaining to the trust which is the subject of this Deed of Trust.

23. Deleted

24. Liability

- 24.1. The liability of the Trustee shall be according to law.
- 24.2. For the avoidance of doubt it is hereby clarified that:
- 24.2.1. The Trustee has no duty to examine, and in actuality the Trustee has not examined, the financial state of the Company and this is not included among its duties.
- 24.2.2. The Trustee did not make any financial, accounting or legal due diligence examination of the Company's business state or of the companies held by the Company or by a person that holds the Company's shares and this is not among its duties.
- 24.2.3. The Trustee has not given its opinion expressly or impliedly regarding the Company's ability to meet its undertakings towards the Debenture Holders, nor by the fact that it entered into this Deed of Trust, nor by its consent to serve as Trustee of the Debenture Holders.
- 24.2.4. The Trustee's signature on this Deed of Trust is not an opinion of it regarding the nature of the offered Debentures or that it is worthwhile investing in them.
- 24.3. The Trustee shall not be required to notify any party of the signature of this Deed. The Trustee shall not get involved in any manner in the management of the Company's business or its affairs and this is not included in its duties.
- 24.4. Subject to the provisions of any law, the Trustee is not required to act in a manner that is not expressly set forth in this Deed of Trust, so that any information, including with respect to the Company and/or with respect to the Company's ability to meet its undertakings to the Debenture Holders will be brought to its knowledge and this is not one of its duties.
- 24.5. The Trustee is entitled to rely on the presumption as mentioned in clause 30 hereafter, and to rely on the correctness of the identity of an unregistered Debenture Holder of the Debentures as this shall be given to the Trustee by a person whose name is registered as authorized by power of attorney, that a Nominee Company issued, insofar as the identity of the Debenture Holder was not registered in the power of attorney.
- 24.6. The Trustee is entitled to rely within the framework of its trusteeship on any written document including, written instruction, notice, request, consent or approval, which appears to be signed or issued by any person or body, which the Trustee believes in good faith that it was signed or issued by him.
- 24.7. It is clarified that the termination of the Trustee's office does not detract from rights, claims or arguments which the Company and/or the Holders of Debentures (Series D) shall have towards the Trustee, inasmuch as there shall be any, which cause precedes the termination date of the Trustee's office, and it does not release the Trustee of any liability by law.

25. The Authority of the Trustee to Employ Agents

Subject to giving the Company advance notice, and provided that the Trustee does not believe it shall injure the rights of the Debenture Holders, the Trustee shall be entitled to appoint agent(s) that will act in its place, whether attorneys or others, in order to do or participate in the performance of special actions that must be performed with respect to the trust and to pay reasonable fees to any agent as stated, and without derogating from the generality of the aforesaid instituting legal proceedings or representing in the Company's merger or split proceedings.

The Company shall be entitled to oppose an appointment as stated in case the agent is a competitor, whether directly or indirectly, with the Company's business (including companies consolidated in its financial statements) and/or in case the agent is, directly or indirectly, in a state of conflict of interests between his appointment and his position as agent and his personal interests, his other positions or his affinity to the Company and to corporations in its control, provided that a notice regarding the Company's objection as stated, which includes detailed reasons, has been given to the Trustee no later than seven (7) Business Days from the day on which the Trustee has given the Company a notice regarding its intention to appoint an agent as stated. It is clarified, that the appointment of an agent as stated shall not detract from the Trustee's responsibility for its actions and its agents' actions. In addition, the Trustee shall be entitled to pay, at the Company's expense, the reasonable fee of any such agent, and the Company shall repay the Trustee upon its request any such expense, provided that prior to appointing an agent as stated, the Trustee shall notify the Company in writing regarding the appointment, in addition to details about the agent's fees and the purpose of his appointment, and under the circumstances the cost of the agents' fees does not exceed reasonable and acceptable limits (it is emphasized that to the extent that a notice to the Company as said harms the rights of the Debenture Holders the Trustee shall be entitled not to deliver any notice to the Company). It is clarified, that publishing the results of a resolution by the Debenture Holders regarding the appointment of agents shall constitute giving notice as stated. For the avoidance of doubt, the Company shall not repay to the Trustee the agent's fees or expenses if he has been present in Debenture Holders' Meetings on behalf of the Trustee, or of an agent who has fulfilled the regular actions which the Trustee is required to perform pursuant to this Deed of Trust, whereas the performance of these actions is included in the fee which the Trustee receives from the Company in accordance with the provisions of clause 22 above. For the avoidance of doubt, in case of declaring the Debentures immediately repayable, the actions which the Trustee shall be required to take in this regard shall not be considered as regular actions which the Trustee must perform pursuant to this Deed of Trust for the purpose of this clause. It shall be clarified, that the objection of the Company to appoint a certain agent who was appointed at a Holders meeting, shall not delay the beginning of employment of the agent, insofar as the delay might damage the rights of the Holders.

26. Indemnification

26.1. The Company and the Debenture Holders (at the relevant record date as mentioned in clause 26.5 of the Deed, each for its undertaking as mentioned in clause 26.3 of the Deed) hereby undertake to indemnify the Trustee, each Office Holder in it, its employees, agents and experts that the Trustee shall appoint in accordance with the provisions of the Deed of Trust or according to a resolution adopted by an Ordinary Resolution of the Debenture Holders ("**Persons Entitled to Indemnification**"), provided there is no double indemnification or compensation, as follows:

- 26.1.1. For any reasonable expense and/or loss and/or tort liability and/or in respect of a financial obligation, including according to a judgment or arbitration judgment (in respect to which a stay of execution was not granted) or according to a settlement which has ended (and to the extent that the settlement concerns the Company, the Company granted its prior approval to the settlement) the causes of which are connected to actions that the Persons Entitled to Indemnification performed or which they must perform pursuant to the provisions of this Deed, and/or according to the law and/or an instruction by an authorized authority and/or according to the demand of Debenture Holders and/or according to the Company's demand and/or their position by virtue of this Deed; and
- 26.1.2. In respect of remuneration due to the Persons Entitled to Indemnification and reasonable expenses that they paid and/or are about to pay following the performance of the trust deeds or in connection with such actions as said whose performance, in their opinion, was necessary and/or in connection with the use of authorities and permissions granted under this Deed and including in connection with different legal proceedings, opinions by attorneys and other experts, negotiations, contacts, and requirements in connection with insolvency proceedings, collection proceedings, debt arrangement schemes, debt estimate, valuations, claims and demands with respect to any matter and/or action that were performed and/or that were not performed with respect to the aforesaid and/or their position by virtue of this Deed.

And on the condition that:

- (a) The Persons Entitled to Indemnification shall not demand indemnification in advance in a matter that cannot be delayed without damaging their right to request indemnification retroactively, if and inasmuch as they shall have a right as stated;
- (b) A peremptory judicial decision has not determined that the Persons Entitled to Indemnification have acted not within the framework of their position and/or in contravention of the provisions of the Deed of Trust and/or the provisions of the law;
- (c) A peremptory judicial decision has not determined that the Persons Entitled to Indemnification were negligent (in a negligence not exempt under the law as amended from time to time);
- (d) A peremptory judicial decision has not determined that the Persons Entitled to Indemnification acted not in good faith or maliciously;

Even in case it shall be claimed against the Persons Entitled to Indemnification that they are not entitled to indemnification for any reason whatsoever, the Holders or the Company, as the case may be, shall be obligated to pay to the Persons Entitled to Indemnification, upon their first demand for the payment of the sum that is due to them in connection with the "Indemnification Undertaking". In the event that it shall be determined in a peremptory judicial decision that the Persons Entitled for Indemnification do not have the right to be indemnified, the Persons Entitled for Indemnification shall return the sums of the Indemnification Undertaking that were paid to them.

The undertaking to indemnify in accordance with this clause 26.1 shall be referred to as the "**Indemnification Undertaking**".

26.2. Without derogating from the validity of the "Indemnification Undertaking" in clause 26.1 of the Deed and subject to the provisions of the Securities Law, as long as the Trustee shall be required according to the terms of the Deed of Trust and/or according to Law and/or instruction of an authorized authority and/or any law and/or according to the demand of Debenture Holders and/or the Company's demand and/or for the purpose of protecting the rights of the Debenture Holders, to perform any action, including but not limited to, instituting proceedings or submitting claims according to the demand of Debenture Holders, as mentioned in this Deed, the Trustee shall be entitled to refrain from taking any such action, until the Trustee receives, to its satisfaction, a finance cushion for the purpose of covering the Indemnification Undertaking (the "**Finance Cushion**") for an amount that will be reasonably set by the Trustee as the projected amount of the expenses in connection with the performance of such an action as said, in first priority from the Company, and in the event the Company fails to deposit the Finance Cushion on the date the Company was required to act in the said manner by the Trustee, the Trustee will approach the Debenture Holders who held on the record date (as stated in clause 26.5 of the Deed) with a request to deposit with the Trustee the amount of the Finance Cushion, each in proportion to its Relative Share (as such term is defined below). In the event the Debenture Holders do not actually deposit the entire amount of the Finance Cushion, the Trustee shall not be obligated to perform any relevant action or commence proceedings. The aforesaid shall not release the Trustee from taking urgent action that is required for the purpose of preventing a material adverse effect to the rights of the Debenture Holders. The payments by the Holders in accordance with this clause shall not release the Company from its liability to make such payment as said.

The Trustee shall be entitled to determine the amount of the 'Finance Cushion' and shall be entitled to act for the purpose of creating another cushion as said, from time to time, for an amount to be determined by the Trustee.

After the regulations regarding the deposit deposited by the Company in favor of the Debenture Holders are amended pursuant to the provisions of Section 35E1 of the Securities Law, the deposit shall be used in lieu of the Finance Cushion and the Trustee shall be entitled to request from the Company from time to time to renew the deposit.

26.3. The Indemnification Undertaking:

26.3.1 **Shall apply to the Company due to the following cases:** (1) Actions that were performed in accordance with any law and/or required to be performed according to the terms of the Deed of Trust including for protection the rights of the Debenture Holders (including pursuant to a request by one Debenture Holder which is required for the purpose of defense as stated); **and** (2) Actions that were performed and/or required to be performed according to the Company's demand.

26.3.2 **Shall apply to the Debenture Holders that held at the record date (as mentioned in clause 26.5 hereafter) in the following cases:** (1). an event that is not within the scope of clause 26.3.1; **and** (2). the non-payment by the Company of the indemnification sum that applies to it according to clause 26.3.1 of the Deed (without derogating from the provisions of clause 26.6 of the Deed).

- 26.4. In any event that: (a), the Company does not pay the sums required for covering the Indemnification Undertaking and/or shall not deposit the sum of the Finance Cushion as the case may be; and/or (b) the indemnification duty applies to the Debenture Holders by virtue of the provisions of clause 26.3.2 above and/or the Debenture Holders were called to deposit the sum of the Finance Cushion according to clause 25.2 above, the provisions hereinafter shall apply and the monies shall be collected in the following manner:
- 26.4.1 First – out of the money (interest and/or Principal) which the Company must pay to the Debenture Holders after the date of the required action, and the provisions of clause 11 of the Deed shall apply;
- 26.4.2 Second – insofar as according to the Trustee's opinion the sums deposited in the Finance Cushion shall not be enough to cover the Indemnification Undertaking, the Debenture Holders that shall hold Debentures at the record date (as mentioned in clause 26.5 of the Deed) shall deposit the missing sum, each one in accordance with their Relative Share (as such term is defined) with the Trustee. The sum that each Debenture Holder shall deposit shall bear annual interest at a rate equal to the interest determined for the Debentures and it shall be paid with preference as mentioned in clause 26.7 of the Deed.
- The “**Relative Share**” means: the relative share of the Debentures which the Debenture Holder held at the relevant record date as mentioned in clause 26.5 hereafter of the total nominal value of the Debentures in Circulation at that time. It is clarified that the calculation of the relative share shall remain fixed even if after that time a change shall occur in the nominal value of the Debentures held by the Debenture Holder.
- 26.5. The record date for determining the Debenture Holder's obligation in the Indemnification Undertaking and/or in the payment of the Finance Cushion is as follows:
- 26.5.1 In any event that the Indemnification Undertaking and/or payment of the Finance Cushion are required due to a resolution or urgent action required for preventing adverse material harm to the rights of the Debenture Holders and this is without an advance resolution of the Debenture Holders Meeting – the record date of the obligation shall be the end of the Trading Day of the date the action was taken or the resolution was made, and if this day is not a Trading Day, the Trading Day prior to it.
- 26.5.2 In any event that the Indemnification Undertaking and/or payment of the Finance Cushion is required according to a resolution of the Meeting of the Debenture Holders – the record date for the obligation shall be the record date for participating in the Meeting (as this date was determined in the summons notice) and it shall also apply to a Debenture Holder that was not present or that did not participate in the Meeting.
- 26.5.3 In any other case or in the case of disputes regarding the record date – the record date shall be as determined by the Trustee at its absolute discretion.
- 26.6. To the extent that that sums paid to the Trustee should have been paid by the Company, the receipt of the payments from the Holders shall be without prejudice to the obligation of the Company pursuant to the provisions of this clause 26 shall not release the Company from its liability to make the said payments and the Trustee shall act reasonably for the purpose of obtaining the said sums from the Company. It is clarified that the Trustee shall not be bound by any obligation to commence any legal action for the purpose of collecting the said indemnification amounts.

26.7. The refund to the Debenture Holders who made payments according to this clause shall be made according to the order of preference set forth in clause 11 above.

27. Notices

- 27.1. Any notice on behalf of the Company and/or the Trustee to the Debenture Holders (including Debenture Holders registered in the Registry managed by the Company) shall be given as follows:
- 27.1.1 In cases in which the provisions of the law require this or according to a decision of the Trustee by reporting to the Magna system of the Securities Authority;
 - 27.1.2 In the event that the circumstances require such action in accordance with the law, also by way of publishing a notice that shall be published in two daily newspapers that are widely distributed, that are published in Israel in the Hebrew language.
 - 27.1.3 Any notice that shall be published or sent as mentioned above, shall be considered as if it was delivered to the Debenture Holder on the date of its publication as mentioned (in the Magna system or in the press, respectively).
 - 27.1.4 The Trustee is entitled to instruct the Company, and the Company shall be obligated to immediately report on the Magna on behalf of the Trustee, any report to the Debenture Holders in its wording as it shall be given in writing by the Trustee to the Company. The Company shall be entitled to add its reference and/or response to the stated report, in a separate report. Any notice published as stated shall be considered to have been delivered to the Debenture Holder on the day of its publication on the Magna as stated.
 - 27.1.5 In the event that the Company shall cease to report in accordance with the law, in cases in which there are provisions of the law that require this, or according to the decision of the Trustee, by sending a notice by registered mail to each registered Debenture Holder according to his last address registered in the Debenture Holders registry (in the event of joint Holders – to the joint Debenture Holder whose name appears first in the registry). Any notice that shall be sent as mentioned shall be considered as if it was delivered to the Debenture Holders 10 Business Days after it was delivered in the mail and the version of such notice as said will be delivered simultaneously to the Trustee via email.
 - 27.1.6 Copies of the notices and invitations given by the Company to Debenture Holders shall also be sent by it to the Trustee. It shall be clarified, that notices and invitations as stated do not include the Company's ongoing reports to the public. Copies of the notices and invitations given by the Trustee to the Debenture Holders shall also be sent by him to the Company, to the extent that such action is without prejudice to the rights of the Debenture Holders. The publication of notices as stated on the Magna shall be instead of delivering them to the Trustee or the Company, as stated above in this clause, as the case may be.

- 27.2. Any notice or demand on behalf of the Trustee or Debenture Holder to the Company may be given by a letter that shall be sent by registered mail to their address, or by transmitting it by fax or in writing by a messenger or by email and any notice or demand such as this shall be considered as if it was received by the Company or other addressee:
- 27.2.1 In the event of sending by registered mail – 3 Business Days after it was delivered in the mail.
- 27.2.2 In the event of transmitting it by facsimile (with additional telephone confirmation that it was received) – at the time of the telephone confirmation.
- 27.2.3 In the event of transmitting it by email – at the time of receiving confirmation by email that it was read or at the time that it was confirmed by telephone that it was received (if confirmation was performed), whichever is earlier of the two.
- 27.2.4 In the event that it was sent by a messenger – on the first Business Day after its delivery by messenger to the addressee or in the event that the addressee refrained from accepting it, on the first Business Day after the messenger's offer to the addressee to accept it.
- 27.3. Any notice or demand to the Trustee shall be given in one of the ways set forth in clause 27.2 above.

28. Waiver; Settlement; Changes in the Terms of the Deed of Trust, Debentures

- 28.1. Subject to the provisions of the Law and the regulations that were promulgated and/or that shall be promulgated pursuant thereto, and subject to the provisions set forth in the Stock Exchange Regulations and the guidelines thereunder, the Trustee shall be entitled from time to time and at any time, to waive any breach or the default of the terms of the Debentures or this Deed by the Company if it was convinced that this is for the benefit of the Debenture Holders or where this does not harm the Debenture Holders. The provisions of this clause shall not apply with regards to the following subjects: the terms of Debenture repayment, the conversion ratio, including dates and payments according to the Debentures, reducing the interest rate listed in the Debenture terms; limitations on expanding a series as stated in clause 5.2 of the Deed; causes for declaring Debentures immediately payable in accordance with clause 9.1 of the Deed; provisions regarding negative pledge in accordance with clause 7 of the Deed; limitations on distribution; the Company's undertaking to meet financial covenants in accordance with clause 6.2 of the Deed; with respect to increasing the interest in the event of failure to meet financial covenants as set forth in the Debenture; waive regarding the making of payments; or with regards to reports which the Company must give the Trustee.

- 28.2. Subject to the provisions of the law, and with the pre-approval in a Special Resolution of the Meeting of Holders of Debentures (Series D), the Trustee shall be entitled, whether before or after the Debenture Principal is available for repayment, to settle with the Company with regards to any right or claim of the Debenture Holders or any of them, and to agree with the Company on any arrangement of their rights, including waiving any right or claim by it and/or the Debenture Holders or any of them, towards the Company. In the event the Trustee settled with the Company after the Trustee obtained prior approval as said, the Trustee shall be released from liability in respect of this action, as approved by the meeting of the Debenture Holders (Series D), provided that the Trustee did not breach its duty of trust and did not act in bad faith or maliciously or under gross negligence (that is not exempt in accordance with the law) in the application of the resolution of the meeting of the Debenture Holders (Series D).
- 28.3. Subject to the provisions of the law and the regulations promulgated or which shall be promulgated pursuant thereto, the Company and the Trustee are entitled, whether before or after the Debenture Principal is available for repayment, to change the Deed of Trust and/or the terms of the Debentures in one of the following cases:
- 28.3.1 Apart from the subject set forth in clause 28.1 above, and apart from a change in the identity of the Trustee or its, or for appointing a Trustee in place of the Trustee whose term has ended, if the Trustee was convinced that the change does not harm the Debenture holders; and
- 28.3.2 The suggested change was approved by a Special Resolution of the Meeting of Holders of Debentures (Series D).
- 28.4. The Company shall deliver to the Debenture Holders a written notice regarding any change or waiver as stated in this clause above, as soon as possible after performing it.
- 28.5. In any case of exercising the Trustee's right in accordance with this clause, the Trustee shall be entitled to request the Debenture Holders to deliver to it or to the Company, the Debenture certificates for the purpose of registering a comment therein regarding any settlement, waiver, change or amendment as stated, and as per the Trustee's request, the Company shall register a comment as stated in the certificates delivered to it. In any case of exercising the Trustee's right in accordance with this clause, it shall notify the Debenture Holders in this regard without delay and as soon as possible.
- 28.6. Without derogation to the foregoing, the Debenture terms could also be changed in the framework of an arrangement or settlement, which was approved by the court, in accordance with Section 350 of the Companies Law or the provisions of the Insolvency Law.

29. Proxies

- 29.1. The Company hereby appoints the Trustee for the Debentures (Series D) as its proxy, to execute and perform in its name and in its place those actions which it shall be required to perform in accordance with the terms set forth in this Deed, and to act in its name with regards to those actions which the Company is required to perform in accordance with this Deed and which it has not performed, or to perform part of the authorities granted to it, and to appoint any other person as the Trustee shall see fit, to perform its roles in accordance with this Deed, subject to the Company failing to perform the actions it is required to perform in accordance with the terms of this Deed within a reasonable period of time as determined by the Trustee, from the day of the Trustee's written request, and provided that the Trustee has acted reasonably.

- 29.2. An appointment in accordance with this clause 29 does not obligate the Trustee to perform any action, and the Company hereby exempts the Trustee and its agents in advance, in case they shall fail to perform any action whatsoever, and the Company waives in advance any claim towards the Trustee and its agents for any damage which was caused or which might be caused to the Company, directly or indirectly, due to this, based on an action which was not performed by the Trustee and its agents as stated above.

30. Registry of Debenture Holders

- 30.1. The Company shall hold and manage a registry of Debenture Holders with regards to any relevant series separately, that shall be open for viewing by any person in accordance with the provisions of the Law.
- 30.2. The registry of the Debenture Holders shall constitute prima facie proof of its content.
- 30.3. The Company shall not be obligated to register in the Debenture Holders' registry, any notice regarding trust, expressed, implied or assumed, or any lien or pledge of any **sort** and type whatsoever or any right in equity, claim or offset or any other right pertaining to the Debentures. The Company shall only acknowledge the ownership of the person in whose name the Debentures were registered. The legal successors, estate managers or executors of the will of the registered Holder, and any person who shall be entitled to Debentures due to the bankruptcy of any registered Holder (and if the Holder is a corporation – due to its liquidation), shall be entitled to be registered as Holders thereof after giving proof which the Company finds sufficient to show their right to be registered as their Holders.

31. Meetings of the Debenture Holders

Convening a Meeting of the Debenture Holders, the manner of conducting it and different terms regarding it, shall be in accordance with the second addendum.

32. Applicability of the Law

- 32.1. On any matter not mentioned in this Deed, as well as in any case of contradiction between the provisions of the law and its regulations (which cannot be conditioned) and this Deed, the parties shall act in accordance with the provisions of the law and its regulations (which cannot be conditioned).
- 32.2. The Deed of Trust and its appendixes, including the Debentures certificate, are subject to the provisions of the Israeli law alone.

33. Exclusive Authority

The only court that shall be competent to hear matters connected to the Deed of Trust and its appendixes shall be the competent court in Tel Aviv – Jaffa.

34. General

Without derogating from the other provisions of this Deed of Trust, and of the Debentures, any waiver, extension, discount, silence, avoidance from action (“**waiver**”) by the Trustee concerning the default or partial performance or incorrect performance of any undertaking towards the Trustee or towards the Debenture Holders according to this Deed and the Debenture, shall not be considered as a waiver by the Trustee of any right, but rather as a consent limited to this certain waiver and it shall apply only with respect to the specific time in which it was given and it shall not apply to other times or to other waivers.

Without derogating from the other provisions of this Deed of Trust and the Debenture, any reduction of undertakings towards the Trustee, that were set forth in this Deed or that were made according to it, including waiver, requires receiving the Trustee’s consent in advance and in writing and no other consent shall be valid, whether verbal or by conduct regarding such reduction.

The Trustee’s rights according to this agreement are independent from each other and they are in addition to any right that currently exists and/or that the Trustee shall have according to law and/or other agreement.

35. Addresses

The parties’ addresses shall be as set forth in the preamble of this Deed, or any other address in respect to which a notice shall be given according to clause 27 above, to the other party. The addresses of the Debenture Holders shall be as mentioned in the Registry or as shall be delivered by them by notice according to clause 27 above.

36. Authorization to Magna

In accordance with the provisions of the Securities Regulations (Signature and Electronic Reporting), 5763- 2003, the Trustee hereby authorizes the party authorized for this on behalf of the Company, to electronically report to the Securities Authority of this Deed of Trust, the engagement and the signature thereon inasmuch as it is required by law.

[signature on a separate page]

UNOFFICIAL TRANSLATION FROM HEBREW
THE BINDING VERSION IS THE HEBREW VERSION

And in witness whereof the parties have signed:

/s/ Shlomo Nehama, /s/ Ran Fridrich

Ellomay Capital Ltd.

/s/

Hermetic Trusts (1975) Ltd.

I the undersigned Odeya Brick-Zarsky, Adv. confirm that this Deed of Trust was signed by Ellomay Capital Ltd. via Messrs. Shlomo Nehama and Ran Fridrich and their signature binds Ellomay Capital Ltd. with respect to this Deed of Trust.

/s/ Odeya Brick-Zarsky

Odeya Brick-Zarsky, Adv.

UNOFFICIAL TRANSLATION FROM HEBREW

THE BINDING VERSION IS THE HEBREW VERSION

Ellomay Capital Ltd.

First Addendum

Debentures (Series D)

The issue of a series of registered Debentures (Series D), NIS 1 par value each of Ellomay Capital Ltd. (the “**Company**”) convertible into ordinary shares, registered by name NIS 10.00 par value each of the Company (the “**Shares of the Company**”) payable in one payment on December 31, 2026. The outstanding principal of the Debentures shall carry annual non-linked interest (principal and interest) at a rate of 1.2%.

Debentures (Series D) Registered in the Name

Number _____

Nominal value in NIS _____

1. This Debenture hereby witnesseth that on December 31, 2026 the Company will pay 100% of the par value of the Debentures as stated in this certificate to the Holder (as defined in the terms set forth in the back of the page) and who is registered in the Debenture on the record date with respect to that payment, and all subject to the provisions set forth back of the page and in the Deed of Trust dated February 21, 2021 made between the Company and Hermetic Trust (1975) Ltd. and/or whoever serves from time to time as a trustee of the debentures in accordance with the Deed of Trust (respectively: the “**Trustee**” and the “**Deed of Trust**”).
2. This Debenture carries interest according to the annual interest rate set out above that will be paid on the dates stated in the conditions set out in the back of the page, and all as stated in the conditions stated in the back of the page.
3. This Debenture is not linked (principal and interest) to any linkage basis, and all as stated in the conditions set out in the back of the page.
4. This Debenture may be converted into the Shares of the Company, subject to adjustments and in the manner set out in clause 20 of the conditions set out in the back of the page.
5. This Debenture is issued as part of Series D of debentures in conditions that are identical to this Debenture (the “**Debentures Series**”) subject to the conditions set out in the back of the page and in accordance with the provisions set forth in the Deed of Trust. It is clarified that the provisions set forth in the Deed of Trust shall constitute an integral part of this Debenture and shall bind the Company and the Debenture Holders included in the said series. Each of the debentures in the said series shall be of equal rank inter se (pari-passu) and no right shall have priority over another right.
6. This Debenture is issued subject to the conditions set out in the back of the page and the Deed of Trust constituting an integral part thereof.
7. The terms set forth in this certificate shall change without the need for issuing a new certificate at any time when the Deed of Trust and/or its versions shall be lawfully modified.

Signed by the Company on _____

Ellomay Capital Ltd.

By its authorized signatories:

Director: _____ Director: _____

The conditions on the Back of the Page

1. General

In this Debenture the terms in clause 1.5 of the Deed of Trust shall have the meaning given to them there, unless expressly provided otherwise.

2. Securing the Debentures

The Debentures do not include any collateral or pledges and include an undertaking for negative pledge as set forth in clause 7 of the Deed of Trust, and an undertaking to meet the financial covenants and restrictions regarding the distribution of dividends as set forth in appendix 6.2 of this Deed.

3. The Date of Payment of the Debentures Principal

The Debentures (Series D) will be paid in one (1) payment, on December 31, 2026.

4. The Interest

- 4.1. The unpaid balance of the Principal of the Debentures (Series D) shall bear interest at a fixed annual rate of 1.2% (the "**Base Interest**"), without linkage to any index or currency. It is emphasized that the Base Interest is subject to additions of interest, to the extent that there are any, in respect of failure to meet financial covenants in the manner set out in clause 4.3.1 hereunder and interest in arrears in the manner set out in clause 8 hereunder.
- 4.2. The interest for the unpaid balance of the Principal of the Debentures (Series D) shall be paid in semiannual payments: on the 30th of June and the 31st of December of each of the years 2021 until 2026 (inclusive). The first payment of interest for the Debentures (Series D) shall be paid on June 30, 2021 and the last payment of interest shall be paid on December 31, 2026 (along with the single payment for the return of the Principal of the Debentures (Series D)) in exchange for delivering the certificates of the Debentures (Series D) to the Company. The payments of interest shall be paid for the period of time beginning on the first day after the end of the previous interest term, and shall end on the date of paying the relevant interest payment, apart from the payment of the first interest payment, which shall be made on June 30, 2021, which shall be paid for the period that begins on the first Trading Day after the day of the tender regarding the Debentures (Series D) and ending at the stated date of payment (the "**First Interest Term**"), and shall be calculated based on the number of days in the aforementioned period on the basis of 365 days per year. The interest rate which shall be paid for a certain interest term, apart from the First Interest Term, shall be calculated as the annual interest rate divided by 2 (hereinafter: the "**Semi-Annual Interest Rate**").
- 4.3. Withholding tax that must be deducted shall be deducted from any payment.

4.4. Adjustment mechanism of the interest rate:**4.4.1. Changing the interest rate due to failure to meet certain financial covenants**

Without derogating from the provisions of clause 9.1.13 of the Deed of Trust, the interest rate which the Debentures shall bear shall be adjusted due to failure to meet the financial covenants set forth in clauses 2(b), 3(b) and 4(b) of Appendix 6.2 of the Deed of Trust, at the times set forth in this clause, as specified hereinafter:

- a. In case the Company fails to meet any of the financial covenants set forth in clauses 2(b), 3(b) and 4(b) of Appendix 6.2 of the Deed of Trust (hereinafter in this clause: **"the Standards"**), the annual interest rate which the unpaid balance of the Debenture Principal shall bear, shall increase by an annual rate of 0.25% beyond the annual interest rate as it shall be at that time, for breaching each of the Standards (hereinafter in this clause: **"the Additional Interest"**) in such manner that the total addition of maximal Additional Interest is at a rate of 0.75%, for the period of time beginning upon publishing the financial statements or the financial results, as the case may be, according to which the Company has failed to meet any of the Standards, and until the full repayment of the unpaid balance of the Debentures Principal or until the Company meets the financial standard, the deviation from which has led to the Additional Interest (as stated in sub-clause (d) hereinafter), the earlier of these dates. It is clarified, that increasing the interest rate as stated above shall be done only once for breaching each of the Standards, inasmuch as it shall occur, and that the interest rate shall not increase once more in case the deviation from that Standard continues, inasmuch as it shall continue.
- b. No later than five (5) Business Days from the day of publishing the financial statements or the financial results, as the case may be, according to which the Company has failed to meet any of the Standards, the Company shall publish an Immediate Report, in which it shall state: (a) the fact that it has failed to meet the Standard, while specifying the calculation of the Standard which the Company has failed to meet, and the date on which the failure to meet the Standard has begun; (b) the exact interest rate which the balance of the Principal of the Debentures (Series D) shall bear for the period of time beginning on the current Interest Term and until publishing the financial statements or the financial results, as the case may be (the interest rate shall be calculated according to 365 days a year) (hereinafter in this clause: the **"Original Interest"** and the **"Original Interest Term"** respectively); (c) the interest rate which the balance of the Principal of the Debentures (Series D) shall bear as of the day of publishing the financial statements or the financial results, as the case may be, and until the actual nearest interest payment day, namely: the Original Interest in addition to the Additional Interest annual rate (the interest rate shall be calculated according to 365 days a year) (hereinafter in this clause: **"the Updated Interest"**); (d) the weighted interest rate which the Company shall pay the Holders of Debentures (Series D) upon the nearest interest payment day, pursuant to the stated in sub-clauses (b) and (c) above; (e) the annual interest rate reflected from the weighted interest rate; (f) the annual interest rate and the semi-annual interest rate for the coming periods.

- c. If the day of publishing the financial statements or the financial results, as the case may be, according to which the Company is required to pay Additional Interest in accordance with this clause 4.3.1, shall occur during the days beginning four days prior to the record date for paying any interest whatsoever and ending upon the interest payment day closest to the aforementioned record date (hereinafter in this clause: "**the Deferral Period**"), the Company shall pay the Holders of Debentures (Series D), upon the nearest interest payment day, the Original Interest, prior to the change, alone (subject to previous changes which have occurred, if any have occurred, to the interest rate in light of the stated in this clause), when the interest rate pursuant to the Additional Interest at a rate equaling the Additional Interest rate per year during the Deferral Period, shall be paid upon the next interest payment day. The Company shall notify, in an Immediate Report, the accurate Semi-Annual and Annual interest rate for payment upon the next interest payment day.
- d. It shall be clarified, that in case of deviation in one or more Standards, in a way which has affected the interest rate which the Debentures (Series D) shall bear, following which a Standard shall be corrected in a way that the deviation ceases to exist (thus, the Debenture Holders shall cease to be entitled to Additional Interest for the deviation from that Standard), there shall be a decrease in the interest rate which shall be paid by the Company to the Debenture Holder, applying as of the day of publishing the financial statements or the financial results, which show that the deviation was corrected, so that in case the stated Standard was corrected, the interest rate which the unpaid balance of the Principal of the Debentures (Series D) shall bear, shall be, inasmuch as the interest rate was not previously increased due to a deviation from another Standard, equal to the Base Interest rate. In this case, the Company shall act in accordance with the stated in sub-clauses (a) to (d) above, *mutatis mutandis*.
- e. In any case, the Additional Interest shall not increase, as a result of failure to meet the Standards, over 0.75%.

5. The Linkage Terms of the Principal and the Interest

The interest and the Principal of the Debentures (Series D) are not linked to the index or to any currency.

6. Deferral of Appointed Times

If the date of payment of any payment of Principal and/or interest falls on a day which is not a Business Day, the date stipulated shall be deferred to the next Business Day after it without any additional payment and the "Record Date" for the purpose of determining entitlement to redemption and to interest shall not change as a result.

7. Payments of the Principal and Interest of the Debentures

- 7.1. Payment on account of the principal for the Debentures (Series D) shall be paid to the persons whose names shall be registered in the Registry on the date of payment and shall be made against the delivery of the Debenture (Series D) certificates to the Company, on the date of payment, at the Company's registered office or anywhere else where the Company shall notify. The Company's notification as mentioned shall be published, inasmuch as it shall be published, no later than five (5) Business Days before the last date of payment.

- 7.2. Payments on account of the interest for the Debentures (Series D) will be paid to the persons whose names are listed in the Registry on the 24th of June of each of the years 2021 to 2026 and December 25 of each of the years 2021 to 2026 (the “**Record date for Payment of Interest**”) and with respect to the last payment, in accordance with the provisions of clause 7.1.
- 7.3. Payment to those entitled shall be made in checks or by bank transfer to the bank account of the people whose names shall be registered in the Registry (as mentioned in clause 7.1 above) and who shall be mentioned in the details given in writing to the Company on time, in accordance with the provisions of clause 7.4 hereafter. If the Company shall not be able, for any reason which is not dependent on it, to pay any sum to those entitled, while the Company could have paid it fully and timely, it shall deposit this sum with the Trustee as mentioned in clause 15 of the Deed of Trust. In the event the clearing shall be made through the Stock Exchange clearing house – through the clearing house.
- 7.4. A Debenture Holder who shall wish to notify the Company the details of the bank account to credit with payments according to the Debentures as mentioned above, or change the payment instructions, as the case may be, can do so in a registered letter to the Company. The Company shall fulfill the instruction if it shall reach its registered office at least 30 days before the record date for paying any payment according to the Debentures.
- 7.5. In the event that the notice shall be received by the Company late, the Company shall act according to it only with respect to payments scheduled after the payment date that is in proximity to the date the notice was received.
- 7.6. If the Debenture Holder entitled to such payment did not deliver details to the Company regarding his bank account, any payment on account of the Principal and interest shall be made by check which shall be sent by registered mail to his last address written in the registry of Debenture Holders or by bank transfer crediting the bank account of the Debenture Holder, according to the Company’s choice. Sending a check to a person entitled by registered mail as aforementioned shall be considered for all intents and purposes as payment of the sum stipulated in it at the date of sending it by mail provided that it was paid upon lawfully presenting it for payment.
- 7.7. Any mandatory payment insofar as required according to law shall be deducted from any payment for the Debentures (Series D).

8. Interest in Arrears

For any payment on account of the Principal and/or interest, which shall be paid in arrears exceeding seven (7) Business Days from the effective day for its payment according to the terms of the Debentures (Series D) for a reason dependent on the Company, the Company shall pay the Debenture Holders interest in arrears (calculated pro rata for the period after the date scheduled for payment until the actual date of payment). “**Interest in Arrears**” shall mean additional annual interest at a rate of 3.25% which shall be added to the interest rate which the Debentures (Series D) shall bear at that time. The Company shall notify of the rate of the interest in arrears and of the date of payment as mentioned in an Immediate Report and at least two (2) Trading Days before the actual payment date.

9. Avoidance from Payment for a Reason that does not Depend on the Company

With respect to avoiding payment for any reason that is not dependent on the Company, while the Company could have paid it fully and timely, the provisions of clause 15 of the Deed of Trust shall apply and which are included in this addendum by reference.

10. Registry of Debenture Holders

With respect to the registry of Debenture Holders, the provisions of clause 30 of the Deed of Trust shall apply and that are included in this addendum by reference.

11. Splitting Debenture Certificates and Transferring Them

- 11.1. The Debentures can be transferred regarding any nominal value sum provided that it will be in whole New Shekels. Any transfer of Debentures (by a registered Holder) shall be done according to a transfer document which is made out in the version acceptable for transferring shares, properly signed by the registered owner or his legal representatives, and by the recipient of the transfer or his legal representatives, that shall be delivered to the Company at its registered office with the Debenture certificates transferred according to it, and any other reasonable proof that shall be required by the Company for proving the right of the transferor to transfer them.
- 11.2. Subject to the aforesaid, the procedural provisions included in the Company's articles of association with respect to the manner of transferring shares shall apply, mutatis mutandis respectively, with respect to the manner of transferring Debentures and their assignment.
- 11.3. If any obligatory payment shall apply to the transfer document of the Debentures, reasonable proof shall be given to the Company of their payment by the person requesting transfer.
- 11.4. In the event of a transfer of only part of the sum of the Principal of the Debentures set forth in this certificate, the certificate shall be split first to a number of Debenture certificates as required from this, in a manner that the total sums of the Principal set forth in them shall be equal to the Principal sum set forth in this Debenture certificate.
- 11.5. After fulfilling all of these terms the transfer shall be registered in the Registry and all of the terms set forth in the Deed of Trust and in this Debenture shall apply to the transferee.
- 11.6. All costs and fees involved in the transfer shall apply to the transfer applicant.
- 11.7. Each Debenture certificate may be split to a number of Debenture certificates that their total Principal sum is equal to the Principal sum of the certificate the split of which is requested, and provided that such certificates shall not be issued unless this is by a reasonable quantity at the discretion of the Company's board of directors. The split shall be made against the delivery of that Debenture certificate to the Company at its registered office for the purpose of performing the split together with a split request lawfully signed by the applicant. Any costs involved in the split, including taxes and levies, if such shall exist, shall apply to the split applicant.

12. Replacing the Debenture Certificate

In the event a Debenture certificate shall become worn out, shall be lost or shall be destroyed, the Company shall be entitled to issue a new Debenture certificate in its place, and this is under the same conditions with respect to proof, indemnification and covering the reasonable costs incurred by the Company for clarifying regarding the ownership right of the Debentures, as the Company shall see fit, provided that in the event of the certificate becoming worn out, the worn out Debenture certificates shall be returned to the Company before a new certificate is issued. Levies and other expenses involved in issuing the new certificate, insofar as existing, shall apply to the person requesting such certificate.

13. Early Redemption

With respect to early redemption of the Debentures, the provisions of clause 8 of the Deed of Trust shall apply and which are included in this addendum by reference.

14. Purchasing Debentures by the Company or an Affiliated Holder

With respect to the purchase of Debentures by the Company or by an Affiliated Holder, see the provisions of clause 4 of the Deed of Trust which are included in this addendum by reference.

15. Waiver, Settlement and Changes in the Debenture Terms

With respect to a waiver, settlement and changes in the terms of the Debentures, the provisions of clause 28 of the Deed of Trust shall apply which are included in this addendum by reference.

16. Debenture Holders Meetings

With respect to the general meetings of the Debenture Holders, they shall be convened and conducted in accordance with the provisions of clause 31 of the Deed of Trust which are included in this addendum by reference.

17. Receipts as Proof

For this matter see clause 15A of the Deed.

18. Immediate Repayment

With respect to immediate repayment of the Debentures, the provisions of clause 9 of the Deed of Trust shall apply and which are included in this addendum by reference.

19. Notices

With respect to notices, the provisions of clause 27 of the Deed of Trust shall apply and which are included in this addendum by reference.

20. Terms of the Convertible Debentures (Series D)

20.1. Conversion rights into shares of the Debentures (Series D)

20.1.1. The Debentures may be converted into the ordinary shares of the Company on each trading day commencing on the date of their listing for trade in the Stock Exchange and until December 21, 2026 (including) (the "**Last Date for the Conversion**") and the "**Conversion Period**" as the case may be), however in the event the Last Date for Conversion occurs on a day other than a trading day, the conversion date shall be delayed until the subsequent trading day. The outstanding balance of the Debentures may be converted in such manner that each NIS 165 par value of the Debentures (Series D) (the "**Conversion Rate**") may be converted into one ordinary share of the Company NIS 10.00 par value subject to the adjustments as stated hereunder (the "**Conversion Shares**").

The Company will publish an immediate report and will state the Last Date of Conversion of the Debentures as said until December 7, 2026.

- 20.1.2. Notwithstanding the aforesaid, the Debentures may not be converted on the record date for the distribution of the bonus shares, an offering by way of rights, distribution of a dividend, capital consolidation, capital split or capital reduction (each of the aforesaid hereinafter: a **"Company Event"**). In the event the Ex-Day of a Company Event occurs prior to the record date of a Company Event, no conversion shall be performed on the Ex-Day as said.
- 20.1.3. The Debentures may be converted under the terms set forth hereunder by requests that will be submitted to the Company no later than the Last Date for the Conversion and the conversion rights in respect of which no request for their exercise is made until the said date shall be canceled. In the event the Last Date for the Conversion as said occurs on a day in which no trading in the Stock Exchange is performed, the Last Date for the Conversion will be deferred to the subsequent trading day thereafter.
- 20.1.4. Each of the holders of the Debentures (in this clause: the **"Applicant"**) who wishes to exercise its conversion right, will submit directly to the Company, in its registered office or in any other place designated by the Company, in the event it is a registered holder, or by the banks and Stock Exchange members, if he is an unregistered holder, a written request for the purpose of this matter on a form as decided by the Company (the **"Conversion Notice"**) together with a Debenture certificate subject matter of the request. The Conversion Notice forms may be obtained in the registered office of the Company and in any other location as notified by the Company. The Applicant will be required to sign at any time it receives a demand from the Company to that effect, any additional document that is required in accordance with the provisions set forth in any law for the purpose of granting validity to the issuance of the Conversion Shares. The Board of Directors of the Company shall be authorized to empower any person it deems fit to sign on behalf of and in the name of the Applicant any additional document that is required for the purpose of issuing the Conversion Shares.
- The date in which the Conversion Notice that satisfies the entire conditions as said arrives to the registered office of the Company (in the event such notice is submitted directly to the Company by an Applicant who is a registered Debenture Holder) or the date in which the Stock Exchange Clearing House is considered to have received from a Stock Exchange member a notice regarding the conversion of the Debentures (in the event the notice is submitted by the Stock Exchange members) for an Applicant who is an unregistered Debenture Holder, shall be deemed as the conversion date (the **"Conversion Date"**). In the event the Applicant failed to satisfy the entire conditions for the conversion of the Debentures, the Conversion Notice shall be deemed as void and the convertible Debenture certificates that were attached to the said Conversion Notice shall be returned to the Applicant.
- 20.1.5. It is clarified that the Conversion Notice may not be canceled or modified by the Applicant.

- 20.1.6. The Applicant shall not be entitled to the issuance of part of one Conversion Share, however shall be entitled to add to whole shares all fractions due to the Applicant, if due, in respect of the entire conversion rights that the Applicant requested to use. No part of the Debentures stated in the Debentures certificates may be converted however such Debentures may be split in accordance with the provisions set forth in clause 11 above. Surpluses of the Conversion Shares that are created at the time of exercising the right of conversion, if formed, will be sold by the Company in the Stock Exchange within thirty (30) days after the said surpluses accumulated into entire shares in a reasonable amount to be sold in the Stock Exchange, taking into consideration all costs associated therewith, and the net proceeds after deduction of the sale expenses, fees and other levies, if any, will be distributed among those entitled to it in proportion to their relative part and within fifteen (15) days from the date of the sale. A check for an amount lower than NIS 50 will not be sent to an entitled party however such an amount may be received in the offices of the Company on ordinary workdays and times and by appointment. An entitled party who does not arrive to the offices of the Company for the purpose of receiving the said amount within twelve (12) months from the date of the sale will forfeit his entitlement to the said amount.
- 20.1.7. No later than 3 trading days after the Conversion Date, the Company will issue to the Applicant the Conversion Shares due to him in the name of the nominee company and, in light of the approval of the listing for trade for the Conversion Shares in the Stock Exchange, it will cause the registration of the Conversion Shares in the Stock Exchange as shortly as possible thereafter. The Company undertakes that the shares stemming from the conversion of the Debentures will be registered in the name of the nominee company.
- 20.1.8. The Conversion Shares shall be fully paid-up shares, and shall have equal rights in every respect to the ordinary shares of the Company that exist at the time and shall entitle their holders to participate in any dividend or any other distribution fully if the record date determining the entitlement to such shares occurs after the Conversion Date.
- 20.1.9. The Debentures that were converted will be delisted from the Debentures Registry on their Conversion Date and shall be void in full retroactively to the Conversion Date on the date of issuance of the Conversion Shares in respect thereof, and shall not entitle to any interest after the payment of the interest whose record date in respect whereof occurred prior to the Conversion Date (and whose payment was due together with the payments on account of the principal of the Debentures, if the Applicant had not exercised his right to convert the Debentures into shares as stated above).

20.2. Stock Exchange Clearing House bylaws regarding the schedule for the conversion of the Debentures

The bylaws of the Stock Exchange Clearing House that are in effect on the actual Conversion Date shall apply to the realization of the conversion right of the Debentures into the shares of the Company. The bylaws of the Stock Exchange Clearing House known at the time of signing the Deed of Trust regarding the schedule for the execution of an instruction to convert the convertible Debentures held by the Stock Exchange members state the following:

- 20.2.1. A Conversion Notice received until 12:00 noon in the offices of the Stock Exchange member will be delivered by the member to the Stock Exchange Clearing House no later than 12:00 noon on the following trading day.
- 20.2.2. In the event the Stock Exchange Clearing House received a Conversion Notice from a Stock Exchange member until 12:00 noon, the Stock Exchange Clearing House will debit the Stock Exchange member for the consideration and shall credit accordingly the nominee company, no later than 12:00 noon on the trading day after the day in which it received such notice as said.
- 20.2.3. In the event the nominee company received a credit notice as stated above until 12:00 noon, the nominee company will forward the Conversion Request to the offices of the Company no later than 12:00 noon on the subsequent trading day.
- 20.2.4. Any of the notices as stated in clauses 20.2.1 to 20.2.3 above and that is received after 12:00 noon on each trading day shall be deemed to have been received before 12:00 noon on the subsequent trading day.
- 20.2.5. Notwithstanding the aforesaid, on the last conversion day prior to the final redemption, or before the ex-day of partial redemption (as the case may be) the members of the Stock Exchange Clearing House are obligated to deliver to the clearing house the final conversion requests until 12:00 noon. The conversion will be performed on the same day. A Stock Exchange member who did not submit the request until the said time shall be deemed by the clearing house to have not exercised its right. If the last conversion date prior to the final redemption or ex-partial redemption (as the case may be) occurs on a day other than a trading day, the said day will be deferred to the subsequent trading day.

20.3. Adjustments in consequence of the distribution of bonus shares, issuances of rights and distribution of a dividend

Commencing on the date of issuance of the Debentures and until the last date in which the conversion rights attached to the Debentures may be exercised, the following provisions shall apply to the Debentures whose conversion right was not yet realized:

20.3.1. Adjustment in consequence of the distribution of bonus shares

In the event that during the period in which the conversion right of the Debentures is in effect the Company distributes bonus shares to the holders of the ordinary shares, in such circumstances the rights of the holders in the Debentures will be reserved in such manner that the number of the shares stemming from the conversion that a Debenture Holder shall be entitled to receive upon their conversion will increase or decrease by the number of shares of the same class that the Debenture Holder would have been entitled to as bonus shares, if it had converted the Debenture by the last trading day prior to the Ex-Day.

The said Debenture Holder shall not be entitled to an issuance of part of the bonus shares in accordance with the provisions set forth above, however any fractions of shares that are created during the issuance and that accumulate into entire shares for a reasonable amount for sale in the Stock Exchange will be sold in the Stock Exchange within thirty (30) days as of the issuance date as said, and the net proceeds (after deduction of the sale costs, mandatory payments and levies) will be distributed among the entitled holders within fifteen (15) days from the sale date. A check for an amount lower than NIS 50 will not be sent to an entitled party however such an amount may be received in the offices of the Company on the ordinary work days and times, and by appointment. An entitled holder as said who fails to arrive to the offices of the Company for the purpose of receiving the said amount in twelve (12) months from the sale date, will forfeit its entitlement to the said amount.

This adjustment method may not be revised. The Company will announce in an immediate report the adjusted conversion rate prior to the commencement of the trading, on the date the shares are traded "ex-benefit."

20.3.2. Adjustments in consequence of an issuance by way of rights

If, during the period the conversion right is in effect, the shareholders of the Company are offered, by way of rights, rights for the purchase of any securities, then the number of shares stemming from the conversion will be adjusted to the benefit component in the rights, as reflected in the ratio between the closing price of the share in the Stock Exchange on the last trading day prior to the "ex-date" and the base rate of the share "ex-rights."

This adjustment method may not be revised. The Company undertakes to publish in an immediate report the adjusted conversion rate prior to the opening of the trading on the day the shares are traded "ex-rights."

20.3.3. Adjustment in consequence of the distribution of a dividend

To the extent that the Company distributes a dividend during the period in which the conversion rights of the Debentures are in effect, the conversion rate will be multiplied by the ratio between the base rate "ex-dividend" and the closing price of the share in the Stock Exchange on the last trading day prior to the "ex-dividend" day.

This adjustment method may not be revised. The Company undertakes to announce in an immediate report the adjusted conversion rate prior to the opening of the trade on the day the shares are traded "ex-dividend."

- 20.3.4. The number of shares that a holder of the Debentures (Series D) shall be entitled to in consequence of the realization of the conversion right will not be adjusted in the event of any issuances (including issuances to interested parties) except for the adjustments in consequence of the distribution of bonus shares and issuances by way of rights and adjustments performed in consequence of the distribution of a dividend.

20.4. Miscellaneous provisions protecting the rights of the Debenture Holders during the Conversion Period

Commencing on the issuance date of the Debentures and as long as the Debentures (Series D) whose conversion right attached thereto is exercisable are not converted or redeemed, the following provisions shall apply:

- 20.4.1. The Company will keep a sufficient number of ordinary shares in its registered capital to ensure the conversion right attached to the Debentures (Series D) and will increase its registered capital, if necessary.
- 20.4.2. In the event the Company consolidates the ordinary shares in its issued capital or divides them in a secondary division, the number of shares that will be issued in consequence of the conversion right after such action as said will be decreased or increased, as the case may be. In such circumstances the Debenture Holder shall not be entitled to receive part of an entire share however the fractions of shares that are formed will be handled in the manner that the Board of Directors of the Company deems fit. The provisions set forth in this Deed shall apply, *mutatis mutandis*, in the event of consolidation or division as said.
- 20.4.3. In any event in which an adjustment occurs as a result of the distribution of bonus shares in accordance with the provisions set forth in clause 20.3.1 above, the Company will publish an immediate report and will publish an ad in two (2) circulated daily newspapers in Hebrew (to the extent that the law requires the publication of such an ad), regarding the right of the Debenture Holders in circulation, to exercise the conversion rights attached to the Debentures, and will state the Conversion Period, the Conversion Rate, the amount of the par value of the Conversion Shares and the bonus shares (if any) to which they will be entitled in consequence of the realization of one conversion right at the time.

In addition to the said, the Company will send, no later than three weeks and not earlier than four weeks prior to the expiration of the Conversion Period, a written notice as said to all registered holders of the Debentures, regarding the last date for the conversion of the Debentures as said, stating that after this date the rights will be null and void and, in addition, the Company will publish an immediate report and an ad in two circulated newspapers published in Israel in Hebrew (to the extent that the law obliges the publication of such an ad) no later than the said date. Such a notice as said will state the Conversion Rate, the number of the Conversion Shares and the bonus shares that the Debenture Holder will be entitled to upon conversion during the said period of time.

- 20.4.4. In the event a decision regarding voluntary liquidation is adopted, the Company will publish an immediate report regarding the adoption of such a decision as said and regarding the right of conversion as stated hereunder, and will publish an ad in two circulated newspapers published in Israel in Hebrew (to the extent that the law obliges the publication of such an ad). Each Debenture Holder shall be entitled, within three months as of the date of the immediate report, to deliver written notice to the Company regarding his wish to be considered to have exercised the conversion right attached to the Debentures (Series D) that it holds or, as the case may be, that it is entitled to their issuance shortly before the adoption of the decision. In such circumstances as said the Debenture Holder as said shall be entitled to payment that is equal to the amount that was due to it in liquidation if he was a shareholder following the exercising of the conversion right attached thereto prior to the adoption of the decision on liquidation, with deduction of an amount equal to the interest that was paid in respect of the Debentures on the date of the decision or thereafter (with the exception of interest whose payment time occurred prior to the decision date, even if paid on the decision date or thereafter) and the Holder of the convertible Debenture shall not be entitled to any payment made in connection therewith whose payment date occurs after the date of the decision.
- 20.4.5. The Company will provide in its registered office a copy of the annual report and its quarterly financial results for the inspection of the Debenture Holders, immediately after their publication, during the ordinary hours of work. The Company will send to a Holder of the Debentures (Series D) who delivered a written request that will be delivered during the period the conversion right is in effect, a copy of the said reports.
- 20.4.6. In accordance with the provisions of the Stock Exchange Regulations, the terms of the convertible Debentures may not be modified in anything related to the Conversion Rate, the conversion dates and the linkage method (including the lack of linkage) however the Company shall be entitled to change the Conversion Period and/or the Conversion Rate, provided that this was performed within the framework of an arrangement or a settlement pursuant to the provisions of Section 350 of the Companies Law and/or in accordance with the provisions of the Insolvency Law. In addition, in accordance with the Stock Exchange Regulations and bylaws, the Company may change the Conversion Rate within the framework of a split procedure of the Company or a merger procedure of the Company, provided that the change will include solely the necessary adjustments from such a proceeding as said.
- 20.4.7. In accordance with the Stock Exchange Regulations and bylaws, the '**split procedure**' for the purpose of this matter shall mean – a procedure in which the Company will transfer to its shareholders shares that it holds in another company, or a procedure in which the Company will transfer assets and liabilities to a new company that was established for the purpose of the split and the shareholders in the new company will also be shareholders in the company transferring the assets and the liabilities and all on the condition that the split procedure is performed in terms that are equal to the shareholders of the Company.

According to the Stock Exchange Regulations and bylaws, a '**merger procedure**' for the purpose of this matter shall mean – a procedure in which the entire shares of the Company will be transferred to the ownership of a new company or to the ownership of another registered company or a procedure in which the Company will transfer its entire assets and liabilities to a new company or to another registered company as said, and all on the condition that the securities of the Company whose shares or assets are transferred as said will be delisted from trade in the Stock Exchange and that the procedure will be performed equitably for the shareholders of the Company.

20.5. Dates

Different dates, such as conversion dates, record dates for the purpose of making payments and the schedules for the submission of conversion requests (the "**Dates**") were determined, *inter alia*, in accordance with the provisions set forth in the Stock Exchange Regulations, the guidelines thereunder and the bylaws of the Stock Exchange Clearing House (the "**Stock Exchange Instructions**") that are in effect on the publication date of this Deed of Trust.

The Stock Exchange Instructions may change from time to time and in this regard may include, *inter alia*, different limitations regarding the dates set out in the Shelf Offering Report and/or in the Deed of Trust. In the event the Stock Exchange Instructions were modified with respect to the said dates, the change will also apply to the Debentures, unless otherwise determined by the Stock Exchange or the Stock Exchange Clearing House.

20.6. Declarations in accordance with the U.S. securities laws

The Applicant shall be deemed to have declared: (a) that it is not in the United States and it is not a U.S. Person or, alternatively, that it is an Israeli resident and he is not a U.S. Person; (b) that it does not purchase or receives the Conversion Shares for or in favor of a U.S. Person and/or any other person located in the United States; (c) it was not present in the United States at the time he submitted the Conversion Notice and at the time it received the Conversion Shares and (d) it does not purchase or receives the Conversion Shares with the intention of performing a "distribution" in the United States (all within the meaning of these terms in the U.S. securities laws).

Appendix 5.2

Conditions for Expanding the Series of Debentures

The conditions for expanding the series of Debentures (Series D), which are required to be met in full for the purpose of the expansion, are as follows:

1. Inasmuch as the Debentures shall be rated upon the performance of the expansion - the very expansion shall not harm the rating of the Debentures of Series D that are in circulation (that is, Debentures (Series D) that are in circulation before the expansion of the series), in a way that for purposes of expanding the series of the Debentures (Series D) an advance approval of the rating company for rating the additional Debentures (Series D) will be received, in which the additional Debentures (Series D) were taken into account, by a rating that does not fall from the rating of the Debentures (Series D) prior to the issuance of the additional Debentures and also the approval of the rating company that issuing the additional Debentures (Series D) does not harm the rating of the existing Debentures (Series D). Such approval shall be transferred to the Trustee before holding the tender for classified investors, and it shall be published by the Company in an Immediate Report (an Immediate Report which includes the approval/rating report attesting to meeting the stated condition shall be considered for the purpose of this clause as delivery to the Trustee). The Trustee shall rely on the rating company's notice and it shall not be required to an additional examination.
2. Upon expanding the series of Debentures (Series D), the Company is not in breach of any of the causes for immediate repayment set forth in clause 9 of the Deed of Trust, and it is not in breach of any of its material undertakings to the Holders of Debentures (Series D) in accordance with this deed and in addition, the expansion of the series shall not damage the Company's compliance with the financial covenants as set forth in clause 9.1.13 of the Deed of Trust, without taking into account the periods for remedying and of waiting with regards to those financial covenants, all in accordance with the Company's last financial statements (as they are defined in clause 9 of the Deed of Trust) which were published prior to the time of the additional issuance.

The Company shall deliver to the Trustee, prior to holding the tender for classified investors, a written approval signed by a senior financial officer in the Company regarding the existence of these terms including calculations, all in a format to the Trustee's satisfaction. The Trustee may rely upon an approval as stated and shall not be required to perform an additional inspection on its behalf.

3. The par value of the Debentures (Series D) shall not be greater than NIS 200 million after the performance of the expansion.

It is clarified that the Company's undertaking as mentioned in this appendix shall apply only with respect to additional issues of the Debentures (Series D) by way of expanding the series, and not with respect to issuing other series of debentures in circulation existing at that time by way of expanding the series or with respect to issuing other new securities, whether these are rated or not, including by way of a prospectus, a shelf prospectus, a shelf offering report and a private placement.

Appendix 6.2

Financial covenants and Undertakings

Financial covenants

As long as Debentures (Series D) exist in circulation (in other words as long as they were not paid in full in any manner, including by way of self-purchase and/or early redemption), the Company undertakes (for the duration of the Examination Period, as defined hereafter) as follows:

[1] **Definitions**

In this appendix the following terms shall have the meaning set beside them:

“Net Cap” means – the Adjusted Balance Sheet Equity of the Company according to its last consolidated annual financial statements or last consolidated quarterly financial results published before the day of calculation, with the addition of the Net Financial Debt.

“Adjusted Balance Sheet Equity” means – the consolidated equity according to the international finance reporting standards (IFRS), and including minority rights, capital note inferior to the rights of the Debenture Holders (Series D) that shall not be repaid until after the full and final payment of the Debentures (Series D), and shareholders' loans which are inferior to the rights of Holders of Debentures (Series D), and excluding changes in the fair value of hedging transactions of electricity prices. For the purpose of this clause, a shareholders' loan shall be considered as inferior to the Debentures only if according to its terms – (a) the repayment of a loan shall be conditioned on the fact that immediately upon the actual repayment of the loan, the Company shall meet the financial covenants pertaining to the performance of a distribution; (b) in case of declaring immediate repayment of the Debentures (Series D) or in case of liquidation, it shall be repaid only after the complete repayment of the Debentures (Series D) and (c) on the condition that they shall not in an amount higher than 20% of the equity balance of the Company at the time.

“Net Financial Debt” - short term and long term debt from banks with the addition of debt towards holders of debentures that the Company issued and other interest-bearing financial obligations provided by entities engaging in the provision of loans, with the exception of: (1) financing of projects, including hedge transactions in respect of such financing as said, whether in the level of the Company or in the level of subsidiaries of the Company or associate companies of the Company or of the subsidiaries of the Company (it is clarified that within the framework of the calculation of the financing of projects the Company also includes shareholders' loans that are provided for the purpose of financing projects, from the Company or from third-parties); (2) options exercisable into the shares of the Company; (3) preferred shares, to the extent that these cannot be redeemed by the holders, and there are no conditions in which the Company is required to perform redemption however only redemption subject to the sole discretion of the Company; (4) 'lease agreement' undertaking presented according to the IFRS 16 reporting standard; and (5) other financial instruments whose redemption is subject to the sole discretion of the Company; and all with deduction of the cash and cash equivalents, short-term investments, deposits, financial funds and negotiable securities, to the extent that these are not restricted (with the exception of a restriction for the purpose of securing any financial debt according to this definition); and all according to the annual consolidated financial statements of the Company or the consolidated quarterly financial results of the Company. In the event the calculation result of the Net Financial Debt is negative, the Company is considered and will be considered to have fulfilled the covenants based on the Net Financial Debt.

“**Adjusted EBITDA**” means – earnings before financing expenses, net, taxes, depreciation and amortization, where the revenues incomes from the Company’s operations, for example for the Talmei Yosef project, are calculated in accordance with the fixed asset model and not in accordance with the financial asset model (IFRIC 12), and neutralizing expenses for share-based payment, when the data of assets or projects whose Commercial Operation Date occurred in the four quarters that preceded the test date will be calculated based on Annual Gross Up. The Adjusted EBITDA shall be calculated in accordance with the data of the four quarters prior to the time of the test, cumulatively, in accordance with the Company’s consolidated annual financial statements or its consolidated quarterly financial results.

“**Annual Gross Up**” shall mean the division of the Adjusted EBITDA by the number of days in the period commencing on the Commercial Operation Date or on the purchase date, as the case may be, and ending on the test date, multiplied by 365.

“**Commercial Operation Date**” – regarding projects for the construction of electricity production facilities owned by the Company (in whole or in part): the date in which the construction of the project was completed and the project started providing electricity produced therein to the relevant power grid; regarding systems under commercial operation that were purchased by the Company (in whole or in part): the date of their purchase.

[2] Minimal Adjusted Balance Sheet Equity

- a. For the purpose of the cause for immediate repayment in clause 9.1.13 of the Deed: the Adjusted Balance Sheet Equity of the Company, as defined above, according to the consolidated financial statements or the consolidated quarterly financial results last published, shall not be less than 70 million Euros over a period of two consecutive quarters.
- b. For the purpose of adjusting the interest as set forth in clause 4.3.1 in the Terms on the Other Side of the Page: the Adjusted Balance Sheet Equity of the Company, as defined above, according to the consolidated financial statements or the consolidated quarterly financial results last published, shall be not less than 75 million Euros.

[3] The Ratio of Net Financial Debt to Net Cap:

- a. For the purpose of the cause for immediate repayment in clause 9.1.13 of the Deed: the ratio of Net Financial Debt to Net CAP shall not exceed 68% over a period of three consecutive quarters.
- b. For the purpose of adjusting the interest, as set forth in clause 4.3.1 of the Terms on the Other Side of the Page: the ratio of Net Financial Debt to Net Cap shall not exceed 60%.

[4] The Ratio of Net Financial Debt to Adjusted EBITDA:

- a. For the purpose of the cause for immediate repayment in clause 9.1.13 of the Deed: the ratio of Net Financial Debt to Adjusted EBITDA shall not exceed 14 over a period of three consecutive quarters.
- b. For the purpose of adjusting the interest, as set forth in clause 4.3.1 of the Terms on the Other Side of the Page: the ratio of Net Financial Debt to Adjusted EBITDA shall not exceed 12.

[5] General

The test of the Company's meeting each of the financial covenants in respect of each quarter shall be performed upon publishing each financial statements or each financial results, as the case may be, when in each of the stated reports, the Company shall state its meeting or its failure to meet each of the financial covenants, including the numerical data.

As long as the Debentures (Series D) have not yet been fully paid, the Company undertakes to inform the Trustee by a written notice signed by a senior financial officer in the Company with a calculation of each of the financial covenants, all in a format to the Trustee's satisfaction, within 10 Business Days after publishing any financial statement or financial results of the Company, regarding its meeting the terms of clauses [2] to [4] above. The Trustee may rely on the Company's confirmation and it shall not be required to perform another examination.

If it turns out that according to the financial statements or the financial results, the Company did not meet any of its undertakings mentioned in sub-clauses [2] to [4] above, and its failure to fulfill its undertakings as mentioned continued during the periods as stated in clauses [2](a), [3](a) or [4](a) above (as the case may be: the "**Examination Period**"), then the provisions of clause 9.1.13 of the Deed of Trust shall apply. It is clarified that for the purposes of clause 9 of the Deed of Trust, the date of the relevant breach shall be considered the date of publishing the relevant financial statements for the end of the Examination Period.

The Company's meeting any of the financial covenants set forth in clauses [2]-[4] above, shall be calculated according to the accounting standard that applies to the Company in accordance with the financial results for 9/30/2020 (hereinafter: the "**Previous Accounting Principles**"). The Company shall publish in the framework of publishing its annual financial statements or financial results, as the case may be, the figures on which it based the calculation of the ratio of Net Financial Debt to Net Cap and the data on which it has based the calculation of the Adjusted EBITDA.

If there shall be a Material Change to the Generally Accepted Accounting Principles and/or regulatory changes pertaining to the Previous Accounting Principles, the relevant tests in this Appendix 6.2 above shall be implemented in accordance with the financial statements (as they are defined in clause 9 of the Deed of Trust) prepared in accordance with the Previous Accounting Principles, ignoring the changes as stated, and the Company shall furnish to the Trustee, upon transferring the approval of its meeting the financial covenants as stated in this clause above, in each quarter, a report of adjustment to the accounting principles applying to the Company in accordance with the Previous Accounting Principles, all in a format to the Trustee's satisfaction.

For the purpose of this clause, "**Material Change**" – means a change of at least 7.5% cumulatively, pertaining to all changes in accounting standards and regulation which have applied, between the relevant standard as stated, as of the date of the financial statements, as it shall be calculated in accordance with the Generally Accepted Accounting Principles which shall apply to the Company at the time of the financial statements, and between the relevant standard, as of such date, as it shall be calculated in accordance with the Previous Accounting Principles.

Undertakings Pertaining to the Distribution of a Dividend

As long as Debentures (Series D) shall exist in circulation (in other words as long as they were not fully paid, including by way of a self-purchase and/or early redemption), the Company shall be entitled to perform a distribution (as this term is defined in the Companies Law) including the distribution of dividends, to its shareholders at any time, provided that in any event of such distribution all following conditions are met: (a) the Adjusted Balance Sheet Equity of the Company according to its consolidated financial statements or its consolidated financial results, after such distribution, shall not be less than 85 million Euros, (b) the ratio of Net Financial Debt to Net Cap shall not exceed 60% after performing the distribution; (c) the ratio of Net Financial Debt to Adjusted EBITDA after performing the distribution shall not exceed 9; (d) the Company shall not distribute more than 75% of the profit appropriate for distribution, according to the Financial Statements of the Company; (e) the Company shall not distribute a dividend on the basis of revaluation profits which were not yet realized (for the avoidance of doubt, negative goodwill shall not be considered as revaluation profit); (f) the Company meets all its material undertakings to the Debenture Holders in accordance with the provisions of this Deed; and (g) at the time of the distribution as well as after the distribution there is no cause for immediate repayment.

It shall be clarified that in case of adopting a plan for repurchase of shares by the Company, the Company shall be required to meet the conditions set forth above upon adopting the repurchase plan and with regards to the scope of the plan in its entirety and no additional check shall be performed of meeting any of the aforementioned conditions in any case of performing a purchase under the plan adopted as stated.

It is hereby clarified, that any amount not actually distributed in a certain calendar year, out of the maximal amount for distribution which the Company was entitled to distribution in accordance with the stated in this sub-clause above, shall accumulate to the Company's credit, which shall be entitled to distribute it at later times and until the full repayment of the Debentures, all subject to the provisions of Section 302 of the Companies Law and subject to its meeting the limitations of distribution set forth in this appendix above.

No later than seven business days after a decision is made regarding the distribution as mentioned, the Company shall transfer to the Trustee confirmation signed by a senior financial officer in the Company, regarding the Company meeting the limitations in this paragraph including detailed calculations, all in the format to the Trustee's satisfaction. The Trustee may rely on the Company's confirmation and shall not be required to perform an additional examination on its behalf. Beyond the aforesaid in this clause, the Company has no restrictions with respect with performing distributions and distributions shall be made (insofar as made) at the Company's sole discretion and for any reason that it shall see fit.

Except as set forth in this clause, the Company declares that as of the date of signing this Deed of Trust, it is not aware of any restrictions that could affect its ability to perform a distribution in the future or to perform a repurchase of its shares, except for legal general restrictions that apply to performing distributions in the Companies Law and except for restrictions that apply to the Company by the Deeds of Trust regarding the Debentures (Series B) and the Debentures (Series C) of the Company.

It shall be clarified, that for the purpose of inspecting the Company's meeting the terms set forth in this clause, the provisions stated in this appendix above regarding the change in accounting standards shall apply.

Undertakings Pertaining to Transactions by Controlling Parties

Inasmuch as the Company shall fail to meet any of the financial covenants set forth in clauses [2](a), [3](a) or [4](a) above, and so long as that failure has not been remedied, the Company shall not be entitled to enter into new transactions with controlling parties without receiving the approval of the Debenture Holders in an Ordinary Resolution. It shall be clarified that this limitation shall not apply in any of the following cases: (a) renewal of transactions under identical terms or terms which do not benefit the controlling parties compared to the transactions existing on the date of the failure to meet the financial covenants, (b) transactions pertaining to the terms of office or employment or providing management services on behalf of the controlling party, his relative or anyone on his behalf which do not deviate from the transactions existing on the date of the failure to meet the financial covenants or which do not deviate from the compensation policy of the Company as shall be in effect at the relevant time, (c) investments in the Company's capital or loans or providing financing in any other way, (d) transactions which are under market terms as shall be determined by the Company's audit committee, (e) transactions which are not extraordinary transactions as such term is defined in the Companies Law, and (f) transactions which fall under the categories of reliefs which are set forth in the Companies Regulations (Reliefs for Transactions with Interested Parties), 5760-2000, or any other reliefs as they shall be from time to time in accordance with any law regarding transactions with controlling parties.

Appendix 19.2

Confidentiality Undertaking

To

Ellomay Capital Ltd.

Dear Sir/Madam,

Subject: Undertaking of Confidentiality

1. In the framework or with regards to my position as _____ to the Holders of Debentures (Series D) of Ellomay Capital Ltd. (hereinafter: "**the Company**") (hereinafter: "**the Work**"), I might receive or be exposed to information which is not public knowledge, including, without limitation, information or professional, technical, financial, technological, commercial or other knowledge pertaining directly and/or indirectly to the Company, the Company's subsidiaries or affiliates (as these terms are defined in the Securities Law, 5728-1968 (hereinafter: "**the Securities Law**")), to corporations in the Company's group (associate companies and corporations in which any of the entities as stated in this clause have holdings) and/or to holders of controlling interests in the Company (hereinafter jointly: "**the Group**"), procedures and/or methods of work and/or activity of the Group as well as commercial and business information of any other type which is not public knowledge (hereinafter jointly: "**Confidential Information**"). Despite the foregoing, the term Confidential Information shall not include information as stated above, which I could prove, that: (1) it is public knowledge (including information publicly published by you or by holders of controlling interests within you) or which shall become public knowledge not due to breaching the provisions of this confidentiality undertaking; or (2) which was known to us prior to its disclosure by the Company and we can provide reasonable proof thereof; or (3) that it was given to us by a third party, provided that upon receiving the information as stated we were not aware, having asked its provider, that the disclosure of that information by that third party constitutes a breach of the fiduciary duty by that third party towards the Company.
2. I am aware that I am prohibited from disclosing the Confidential Information to any person, and that I shall not be entitled to use the Confidential Information for any purpose, unless it is for the Work. Despite the foregoing, I shall be entitled (a) to deliver conclusions and evaluations based on the Confidential Information to Holders of Debentures (Series D) of the Company (including presenting it in the Meetings of Debenture Holders for the purpose of adopting a resolution pertaining to their rights), provided that the reliance upon information as stated shall be limited to the minimal extent and scope required in order to meet the requirements of the law, and that I have given a notice to the Company in this regard a reasonable time in advance, in order to give the Company sufficient leave to approach the court in order to prevent the delivery of conclusions and evaluations as stated, to the extent that this is without prejudice to the rights of the Debenture Holders; (b) to deliver conclusions and evaluations based on the Confidential Information to the representing body of the Debenture Holders, which shall be duly appointed by the Debenture Holders, provided that all members of the representing body (inasmuch as there shall be any) have signed a declaration regarding the absence of a conflict of interests or non-competition with the Company, and to enable the representing body of Debenture Holders as stated, to view the Confidential Information in our office; (c) to disclose Confidential Information, inasmuch as I shall be required to do so by law or at the request of a competent authority by law and/or in accordance with a judicial order, provided that the disclosure is limited to the minimal extent and scope required in order to meet the requirements of the law and I shall pre-coordinate with you, inasmuch as it is possible and permitted, and to the extent that this is without prejudice to the rights of the Debenture Holders, the content and timing of the disclosure in order to give you sufficient leave to defend against such as request.

3. In addition to permitted delivery of Confidential Information as stated in clause 2, and without derogation to the stated therein, disclosing Confidential Information shall be done only to my employees and/or authorized representatives on my behalf, including my professional consultants alone. I am aware, that disclosure or use on a need-to-know basis by an authorized receiver (hereinafter: "**Authorized Receiver**") not in accordance with the provisions of this letter is treated as disclosure or use as stated by myself, and I shall take all means required to keep the Confidential Information confidential. My undertaking herein shall not apply to an Authorized Receiver who shall sign an undertaking of confidentiality similar by all material aspects to the undertaking set forth in this letter.
4. I am aware that disclosing the Confidential Information to any person or body might be contrary to the Israeli securities laws. I am aware, that due to my exposure to the Confidential Information, various limitations might apply to me if I shall receive inside information, as this term is defined in the Israeli Securities Law, and I am taking and I shall take all reasonable means to ensure that there shall be no prohibited use of inside information pertaining to the Confidential Information.
5. All documents which shall be given to me by you or which shall arrive in my possession as a result and/or pertaining to my engagement with you, and which are related, directly or indirectly, to the Group and/or its activity (including any copy or processing thereof) (hereinafter jointly: "**the Documents**") shall belong to you at all times and shall be considered as your property for all matters and purposes, and shall be returned to you by me at your request immediately upon the termination of the Work, apart from the information which I shall keep in accordance with the provisions of any law, including the instructions of a competent authority, or in accordance with internal procedures, inasmuch as it is required for the purpose of documenting work processes. For the purpose of the stated in my undertaking herein, the term Documents shall be interpreted to include any means of holding information whatsoever, including, but without derogation from the generality of the foregoing, physical, mechanical, magnetic, electronic, optic and/or electro-optic means.
6. My undertaking in accordance with this letter shall remain effective even after the termination of the Work for any reason whatsoever, and until the Confidential Information becomes public (not due to breaching the undertaking in accordance with this letter, inasmuch as there shall be any). My undertakings in accordance with this letter of confidentiality are irrevocable and cannot be cancelled and they are in addition and not instead of any duty imposed on me by law and/or pursuant to any other agreement. My signature on this undertaking does not grant me any right to perform the Work, and the terms of employment shall be arranged in separate documents between us.
7. I shall keep the information in complete secrecy, at least at the same level of care by which I keep my own confidential information, and for this purpose I shall take a reasonable level of care at least.

UNOFFICIAL TRANSLATION FROM HEBREW

THE BINDING VERSION IS THE HEBREW VERSION

8. It is clarified, that subject to the provisions of the Securities Law, the stated in this undertaking does not bind the Company to disclose any information whatsoever, and any disclosure and delivery to us shall be at the Company's absolute discretion.
9. My undertakings in this document are towards each and every of the corporations in the Group, the Confidential Information of which shall be given to me.
10. If any instance or authority whatsoever shall determine that any of the undertakings in this document are not valid – the undertaking shall be minimized up to the rate permittee by law at that time, and a determination as stated shall not harm the other undertakings and rights in accordance with this document.

Respectfully,

Full name

ID number

signature

Appendix 22

The Trustee's Fee and Covering its Expenses

1. The Company shall pay fee to the Trustee for its services in accordance with the Deed of Trust for the Debentures (that are not secured by charges), as set forth hereafter:
 - 1.1. Annual payment for each trust year in the sum of 18,000 NIS.
 - 1.2. Annual payment for each trust year in the sum of 20,000 NIS if the Trustee shall serve as Trustee only regarding a single series of Debentures of the Company.

The sums according to clauses 1.1 and/or 1.2 shall be referred to as the "Annual Fee".
2. The Annual Fee shall be paid to the Trustee at the beginning of each trust year. The Annual Fee shall be paid to the Trustee for the period until the end of the trust period according to the terms of the Deed of Trust, even if a receiver and/or receiver manager was appointed for the Company and/or if the trust according to the Deed of Trust shall be managed under the supervision of the court.
3. In the event that the Trustee shall participate in the discussions with the Securities Authority we shall be paid fee (at the tariff stipulated in clause 7 hereafter), in accordance with the hours of the discussions in which we shall take part, including a refund of travel costs. This payment is not conditioned upon the issue of the Debentures or signing the Deed of Trust.
4. In the event the term of the Trustee has expired as mentioned in the Deed of Trust, the Trustee shall not be entitled to the payment of its fee starting on the date that its office has expired. If the Trustee's office has expired during the trust year the fee paid to it for the months that it did not serve as Trustee of the Company shall be returned. The provisions in this clause shall not apply regarding the first trust year.
5. The Trustee is entitled to a refund for the reasonable expenses that it shall expend in the framework of fulfilling its duties, and/or pursuant to the powers granted to it according to the Deed of Trust, including for publications in the press, provided that for the costs of expert opinion as set forth in the Deed of Trust, the Trustee shall give an advance notice of his intention to receive an expert opinion.
6. The Trustee is entitled to additional payment, for actions, including those which it must perform in order to fulfill its lawful obligations pursuant to the Securities Law, (including amendments 50 and 51 of the Securities Law), and the regulations that shall be promulgated following these amendments and also those arising from a breach of this Deed of Trust by the Company and/or for an action of declaring Debentures immediately repayable and/or for special actions which shall be required to be performed, if required, for fulfilling its duties according to the Deed of Trust, all in addition and without harming the payments due to it as mentioned in this appendix.
7. The Trustee shall be entitled to additional payment as mentioned, in the sum of 600 NIS for each working hour that it shall require to perform as mentioned above, linked to the known index, at the date of publishing the prospectus, but in any event no less than the sum set forth above. For each annual meeting of shareholders or Debenture Holders (and this is in addition to the payment according to clause 7 above) in which the Trustee shall take part, an additional fee in the sum of 600 NIS per meeting, linked to the index known at the date of publishing the prospectus shall be paid, but in any case no less than the sum set forth above. The sum mentioned shall be paid immediately upon the issuing of the Trustee's demand.

UNOFFICIAL TRANSLATION FROM HEBREW

THE BINDING VERSION IS THE HEBREW VERSION

8. This agreement is based on the consent that the debentures are without collaterals. However in the event that the Debenture Holders (Series D) shall be granted any collaterals or any other undertaking that the Trustee must examine, then the Trustee's fee shall be agreed in accordance with the scope of work that shall be required to dedicate to the trust.
9. VAT if applicable, shall be added to the payments due to the Trustee, according to the provisions of this appendix and it shall be paid by the Company. The sums above do not include a refund of expenses and lawful VAT and they shall be linked to the base index of each series however in each case a lower sum than the sum set forth in this proposal shall not be paid. The payment terms are 15 days net after the end of the calendar month of the invoice.
10. The Debenture Holders shall participate in financing the Trustee's fee and refund of expense in accordance with the provisions of the indemnification clause in clause 25 of the Deed of Trust.

Second Addendum – Meeting of Debenture Holders

Subject to the provisions of the Securities Law, convening a Meeting of Debenture Holders, the manner of conducting it and various terms regarding it, shall be as follows:

Summoning a Meeting

1. The Trustee shall summon a Debenture Holders Meeting for each series separately (“**Annual Meeting**”) each year and no later fourteen (14) days after the second annual report regarding trust matters (as mentioned in clause 21 of the Deed of Trust) was submitted, which shall be convened no later than sixty (60) days after the report was submitted. The agenda of the Annual Meeting shall include the appointment of the Trustee for the period that shall be determined (unless the prior Meeting determined a longer appointment time), a discussion of the annual report regarding trust matters as well as any other subject included in the agenda as stated in Section 25L2 of the Securities Law.
2. The Trustee shall convene a Meeting of the Debenture Holders if it saw a need for this, or according to a written request of Debenture Holders that hold, alone or together, at least five percent (5%) of the balance of the nominal value of the Debentures in circulation of that series.
3. In the event those requesting to summon a Meeting are Debenture Holders, the Trustee shall be entitled to demand indemnification from them, including in advance, for the reasonable costs involved in this.
4. The Trustee who was required to summon a Debenture Holders Meeting in accordance with the provisions of clause 2, shall summon it within 21 days after a demand to summon it was submitted to the Trustee, to a date that shall be determined in the summons, provided that the convening date shall not be earlier than seven days and not later than 21 days from the summons date; however, the Trustee is entitled to bring the meeting forward, to at least one day after the summons date, if it thought that this was required in order to protect the Debenture Holders rights and subject to the provisions of clause 21 hereafter; if it did so, the Trustee shall explain the reasons for bringing the convening date forward in the report regarding the summoning of the Meeting.
5. The Trustee may, at its reasonable discretion, change the scheduled meeting time of a Meeting convened by him as well as per the Company’s request, in case the Meeting was summoned by the Company.
6. In the event the Trustee convened a Meeting of the Debenture Holders not according to the request of the Debenture Holders the Trustee is entitled to determine that the Meeting shall take place by electronic means.
7. If the Trustee did not summon the Debenture Holders Meeting, according to the demand of the Debenture Holder, within such time as mentioned in clause 1.4 above, the Debenture Holder may convene the Meeting, provided that the scheduled Meeting shall be within 14 days, after the end of the period for summoning the Meeting by the Trustee and the Trustee shall bear the expenses that the Debenture Holder expended with respect to convening the meeting.
8. If the Debenture Holders Meeting was not convened as mentioned in clauses 1 or 2 above, the court may at the request of the Debenture Holder, order that it be convened.
9. If the court ordered as mentioned in clause 8, the Trustee shall bear reasonable costs that the applicant expended in a court proceeding, as shall be determined by the court.
10. The Company is entitled to convene, at any time, a Meeting of Debenture Holders in coordination with the Trustee. If the Company summons a Meeting as stated, it must immediately send the Trustee a written notice regarding the place, day and time on which the Meeting shall take place, as well as the subjects to be brought up for discussion therein, and the Trustee or a representative on its behalf shall be entitled to participate in a Meeting as stated without having the right to vote.

11. Where there is no practical possibility to convene a Debenture Holders Meeting or to conduct it in the manner determined for this in the Deed of Trust or in the Law, the court may, at the request of the Company, of a Debenture Holder that is entitled to vote in the Meeting or the Trustee, to order that a Meeting be convened and conducted in the manner as the court shall determine, and it may give supplementary instructions for this insofar as it shall see fit.

Flaws in Convening the Meeting

12. The court may, at the request of a Debenture Holder, order the cancellation of a resolution that was adopted in a Debenture Holders Meeting that was convened or conducted without fulfilling the requirements in the Law or according to this Deed.
13. If the flaw in convening the Meeting concerns a notice regarding the place of convening the Meeting or its scheduled time, a Debenture Holder that attended the Meeting despite the flaw, shall not be entitled to demand the cancellation of the resolution.

Notice of Convening a Meeting

14. A notice of a Meeting of the Debenture Holders shall be published according to the provisions of chapter G1 of the Law ("Electronic Reporting") and it shall be delivered to the Company by the Trustee before the reporting and in accordance with the provisions in the regulations.
15. The summons notice shall include the agenda, the proposed resolutions and arrangements regarding a written vote according to the provisions of clauses 28 and 30 hereafter.

The Meeting's Agenda

16. The Trustee shall determine the agenda in the Debenture Holders Meeting and it shall include issues for which the Debenture Holders Meeting is required according to clauses 1 and/or 2 above, and a subject for which it was requested as mentioned in clause 18 of the Debenture Holder's request.
17. Inasmuch as a Meeting shall be summoned in accordance with clause 10 above, the Company shall determine the Meeting's agenda.
18. A Debenture Holder, one or more, that has five percent (5%) at least of the balance of the nominal value of the series of Debentures may request the Trustee to include an issue on the agenda of the Debenture Holders Meeting that shall be convened in the future, provided that the issue is suitable to be discussed in the Meeting as mentioned.
19. In the Debenture Holders Meeting resolutions shall be adopted in issues as set forth in the agenda only.

Place of Convening the Meeting

20. The Debenture Holders Meeting shall take place in Israel at the Company's offices or another place which the Trustee shall notify of. The Trustee may change the address of the Meeting. The Company shall bear the costs of convening the Meeting at an address which is not its office.

The Record Date for Ownership of the Debentures

21. Debenture Holders that are entitled to participate and to vote in the Debenture Holders' Meetings are Holders of Debentures at the time that shall be determined in the decision to summon a Debenture Holders Meeting, provided that this date shall not exceed three days before the date of convening the Debenture Holders Meeting and it shall not be less than one day before the convening date.

The Chairman of the Meeting

22. In each Debenture Holders Meeting the Trustee or whomever it appointed shall serve as chairman of that Meeting.
23. The Trustee shall prepare a protocol of the Meeting of the Debenture Holders and shall keep it at its registered office for a period of seven (7) years after the Meeting date. The protocol of the Meeting may be by way of recording. A protocol, insofar as made in writing, shall be signed by the chairman of the Meeting or by a chairman of the Meeting that was held after it. Each protocol that was signed by the chairman of the Meeting constitutes prima facie evidence to whatever is stated in it. The protocol registry shall be kept with the Trustee as mentioned, and it shall be open for viewing by the Debenture Holders during work hours and with advance coordination and a copy of it shall be sent to any Debenture Holder that shall request this.
24. The declaration of the chairman of the Meeting that a resolution in the Debenture Holders Meeting was adopted or rejected, whether unanimously or by a certain majority, shall be prima facie evidence to whatever is stated in it.

Legal Quorum: Deferred or Adjourned Meeting

25. A Meeting of the Debenture Holders shall be opened by the chairman of the Meeting after he has determined that the legal quorum required for any of the issues on the agenda of the Meeting exists, as follows:
- 25.1. The legal quorum required for opening a Meeting of the Debenture Holders shall be the presence of at least two Debenture Holders, who are present themselves or by their proxies, that hold at least twenty five percent (25%) of the voting rights in circulation, within half an hour of the time that was scheduled for opening the Meeting, unless stipulated otherwise in the Law.
- 25.2. If a legal quorum was not present in the Debenture Holders Meeting at the end of half an hour after the time scheduled for the beginning of the Meeting, the meeting shall be deferred to another time which shall not be earlier than two Business Days after the record date that was determined for convening the original meeting or one Business Day, if the Trustee was of the opinion that this is required for protecting the rights of the Debenture Holders; if the Meeting was deferred, the Trustee shall explain the reasons for this in the Meeting summons report.
- 25.3. If a legal quorum was not present in the deferred Debenture Holders Meeting as mentioned in clause 25.2 above, half an hour after the time that was scheduled for it, the Meeting shall be convened with any number of participants, unless stipulated otherwise in the Law.
- 25.4. Notwithstanding the provisions in clause 25.3 above, in the event a Debenture Holders Meeting was summoned according to the demand of Debenture Holders that hold five percent (5%) at least of the balance of the nominal value of the Debentures in circulation, the deferred Meeting shall be convened only if holders of certificates of undertaking were present in it at least in the number required for summoning a Meeting as mentioned (in other words: five percent (5%) at least of the balance of the nominal value of the Debentures in circulation).

26. According to the decision of the Trustee or resolution by ordinary majority of those voting in a Meeting in which a legal quorum was present, the continuation of the Meeting adjourned (the “**Original Meeting**”) from time to time, the discussion or adopting a resolution in an issue that was set forth in the agenda, to another time and to a place that shall be determined as the Trustee or the aforementioned Meeting shall decide (the “**Continued Meeting**”). In the Continued Meeting and in the deferred meeting only matters that were on the agenda and in respect to which no resolution was adopted shall be discussed.

If a Debenture Holders Meeting was deferred without changing its agenda, summons shall be given regarding the new time for the Continued Meeting, as early as possible, and no later than 12 hours before the Continued Meeting; the summons as mentioned shall be given according to clauses 14 and 15 above.

Participations and Voting

27. The Trustee, at its reasonable discretion and subject to the provisions of any law, shall be entitled to split the Meeting into class meetings and to determine who shall be entitled to participate in each type of meeting.
28. A Debenture Holder is entitled to vote in Debenture Holders Meetings by himself or by proxy as well as by a voting deed in which he shall state the manner of his voting, and in accordance with the provisions of clause 30 hereinafter.
29. A resolution in the Debenture Holders Meeting shall be made by a count of votes.
30. A voting deed shall be sent by the Trustee to all of the Debenture Holders; a Debenture Holder may note the manner of his vote in the voting deed and send it to the Trustee.

A voting deed in which the Debenture Holder noted the manner of his vote, and which reached the Trustee by the last date determined for this, shall be considered as presence in the Meeting with respect to the existence of a legal quorum as mentioned in clause 25 above.

The voting deed that was received by the Trustee regarding a certain matter in respect to which a vote was not held in the Debenture Holders Meeting, shall be considered as having abstained in the vote in that Meeting regarding a resolution to convene a deferred Debenture Holders Meeting according to the provision of clause 26 above, and it shall be counted in the deferred Meeting that shall be convened according to the provisions of clauses 26 or 25.3 and 25.4 above.

31. Each 1 NIS nominal value of the Debentures that are represented by vote shall confer one vote in the voting. In case of joint Debenture Holders, only the vote of the person registered first in the registry shall be counted.
32. A Debenture Holder may vote for part of the Debentures held by him including voting for some of them in favor for the proposed resolution and for another part of them against the resolution, all as he shall see fit.
33. The holdings of an Affiliated Holder shall not be taken into account for determining the legal quorum in the Debenture Holders Meetings, and his votes shall not be taken into account in the vote of the Meeting as mentioned.

Resolutions

34. Resolutions in the Debenture Holders Meetings shall be adopted by a vote of an ordinary majority by a count of votes, unless another majority was determined in the Law or in the Deed of Trust.
35. The votes of those who have abstained in the vote shall not be counted in the number of votes participating in the vote.

36. A proposed resolution regarding an issue that was not determined in respect to it that it shall be decided by a certain majority as following hereafter, shall be decided in an ordinary resolution.
37. The issues hereafter shall be decided in a Debenture Holders Meeting by a majority which is not ordinary and/or by a legal quorum that is different than the one set forth in clause 25, **and these are the issues:**
- 37.1. Change, including an addition and/or amendment in the provisions of the Deed of Trust as mentioned in clause 27 of the Deed of Trust.
- 37.2. Any other issue in respect to which it was determined in the Deed of Trust that it is subject to a resolution by a majority that is not an ordinary majority.
- 37.3. A resolution regarding the replacement of a, shall be adopted by a majority of fifty percent (50%) at least of the unpaid balance of the Debentures in circulation.

Voting and Actions by Agent/Proxy

38. An appointment instrument appointing an agent shall be in writing and it shall be signed by the appointer or by his proxy that has authorization to do so lawfully in writing. If the appointer is a corporation, the appointment instrument shall be made in writing and will be signed by a stamp of the corporation, with a signature of the authorized signatories of the corporation.
39. An appointment instrument of the agent shall be made in any form which shall be acceptable by the Trustee.
40. An agent does not need to be a Debenture Holder himself.
41. An appointment instrument and power of attorney and any other certificate according to which an appointment instrument was signed or a certified copy of such power of attorney, shall be given to the Trustee by the time of convening the Meeting unless it was otherwise stipulated in the notice summoning the Meeting.
42. The Trustee shall participate in the Meeting via its employees, officers, functionaries or another person that shall be appointed by it, however it shall not have a voting right.
43. The Company and any other person except for the Trustee shall be prevented from participating in the Debenture Holders Meeting or in any part of it, according to the decision of the Trustee or according to an ordinary resolution of the Debenture Holders. Despite the stated in this clause, the Company could participate in the opening of a Meeting for the purpose of expressing its opinion regarding any subject on the Meeting's agenda and/or presenting a certain subject (as the case may be).

Approaching Debenture Holders

44. The Trustee, and the Debenture Holder, one or more, that has five percent (5%) at least of the balance of the nominal value of the Debentures in circulation, are entitled to address the Debenture Holders in writing, via the Trustee, in order to convince them regarding the manner of their vote in any of the issues being raised for discussion in that Meeting (the "**Position Paper**").
45. If a Debenture Holders Meeting was summoned in accordance with clause 2 above, a Holder is entitled to approach the Trustee in a request to publish, in accordance with the provisions of Chapter G.1 of the Law, Position Papers on his behalf to the other Debenture Holders.
46. The Trustee or the Company are entitled to send Position Papers to Debenture Holders, as a response for a Position Paper sent as stated in clauses 44 and 45 above, or in response to any other inquiry towards the Debenture Holders.

Examining Conflicts of Interests

47. The votes of a Debenture Holder who is the controlling shareholder in the Company, his family member or a corporation controlled by any thereof shall not be counted in the count of the votes, and these Debentures shall not entitle to vote in the general meetings of the Debenture Holders as long as they are held by such a person as said.
48. Save as provided in clause 47 above, the Trustee will take into consideration in the count of the votes the votes of all voters, except for the votes of the Debenture Holders who state in the ballot that their vote should not be considered as a result of a conflict of interests these Debenture Holders have, and the Trustee will not independently examine their personal interest.
49. It is clarified that the examination of the conflict of interests as said above, to the extent that it is necessary in the opinion of the Trustee, will be made separately with relation to each of the decisions on the agenda of the meeting, and separately with relation to each meeting. It is further clarified that the declaration of a Holder as having a conflict of interests in any decision or meeting, in and of itself, shall not attest to a conflict of interests of that Debenture Holder in another decision on the agenda of the meeting or his conflict of interests in other meetings.

Convening a Meeting of Debenture Holders for Consulting

50. The provisions of clauses 2, 7, 16, 18 and 19 above cannot derogate from the Trustee's authority to convene a Debenture Holders Meeting, if it saw it necessary to consult with them; in the summons to the Meeting as mentioned the issues on its agenda shall not be detailed, and the date of the Meeting shall be one day at least after the summons date.

In such meeting a vote shall not take place, no resolutions shall be adopted in it and the provisions of clauses 2, 4, 7, 8, 9, 15, 16, 18, 19, 21, 25, 26, 28, 30 and 45 shall not apply to it and as set forth in the law.

ELLOMAY CAPITAL LTD.

List of Subsidiaries as of December 31, 2020

Name of Subsidiary	Percentage of Ownership	Jurisdiction of Incorporation
Ellomay Clean Energy Ltd.	100%	Israel
Ellomay Clean Energy LP	100%	Israel
Ellomay Luxembourg Holdings S.à.r.l.	100%	Luxembourg
Ellomay Spain S.L.	100% ¹	Spain
Rodríguez I Parque Solar, S.L	100% ¹	Spain
Rodríguez II Parque Solar, S.L.	100% ¹	Spain
Seguisolar S.L.	100% ¹	Spain
Talasol Solar S.L.U.	51% ¹	Spain
Ellomay Solar S.L.	100% ¹	Spain
Ellomay Solar Spain Two S.L.	100% ¹	Spain
Ellomay Holdings Talmei Yosef Ltd.	100%	Israel
Ellomay Sun Team Ltd.	100% ²	Israel
Ellomay Talmei Yosef Ltd.	100% ³	Israel
Ellomay Water Plants Holdings (2014) Ltd.	100%	Israel
Ellomay Manara (2014) Ltd.	100% ⁴	Israel
Ellomay Pumped Storage (2014) Ltd.	75% ⁴	Israel
Groen Gas Goor B.V.	100% ¹	The Netherlands
Groen Gas Oude-Tonge B.V.	100% ¹	The Netherlands
Oude Tonge Oude Tonge Holdings B.V.	100% ⁵	The Netherlands
Groen Gas Gelderland B.V.	100% ¹	The Netherlands
Ellomay Development Italy S.r.l	100% ¹	Italy
Ellomay Solar Italy One S.r.l	100% ¹	Italy
Ellomay Solar Italy Two S.r.l	100% ¹	Italy
Ellomay Solar Italy Three S.r.l	100% ¹	Italy
Ellomay Solar Italy Four S.r.l	100% ¹	Italy
Ellomay Solar Italy Five S.r.l	100% ¹	Italy
Ellomay Solar Italy Six S.r.l	100% ¹	Italy
Ellomay Solar Italy Seven S.r.l	100% ¹	Italy
Ellomay Solar Italy Eight S.r.l	100% ¹	Italy
Ellomay Solar Italy Nine S.r.l	100% ¹	Italy
Ellomay Solar Italy Ten S.r.l	100% ¹	Italy
Ellomay Solar Italy Eleven S.r.l	100% ¹	Italy
Ellomay Solar Italy Twelve S.r.l	100% ¹	Italy
Ellomay Solar Italy Thirteen S.r.l	100% ¹	Italy
Ellomay Solar Italy Fourteen S.r.l	100% ¹	Italy

1. Held by Ellomay Luxembourg Holdings S.à.r.l.
2. Held by Ellomay Holdings Talmei Yosef Ltd.
3. Held by Ellomay Sun Team Ltd.
4. Held by Ellomay Water Plants Holdings (2014) Ltd.
5. Wholly-owned by Groen Gas Oude-Tonge B.V.

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 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 31, 2021

/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 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 31, 2021

/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, 2020 as 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 Fridrichy

Ran Fridrich
Chief Executive Officer

/s/ Kalia Weintraub

Kalia Weintraub
Chief Financial Officer

Date: March 31, 2021

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Ellomay Capital 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 March 31, 2021, with respect to the consolidated statements of financial position of Ellomay Capital Ltd. as of December 31, 2020 and 2019, the related consolidated statements of profit or loss and other comprehensive income (loss), changes in equity and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes, and the effectiveness of internal control over financial reporting as of December 31, 2020, which report appears in the December 31, 2020 Annual Report on Form 20-F of Ellomay Capital Ltd.

Our report refers to a change to the method of accounting for leases.

/s/ Somekh Chaikin

Somekh Chaikin
Member firm of KPMG International

Tel-Aviv, Israel

March 31, 2021

CONSENT OF INDEPENDENT AUDITORS

To 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 18, 2021, with respect to the statements of financial position of Dorad Energy Ltd. as of December 31, 2020 and 2019, 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, 2020, and the related notes, which report appears in the December 31, 2020 annual report on Form 20-F of Ellomay Capital Ltd.

Our report refers to a change to the method of accounting for leases.

/s/ Somekh Chaikin

Somekh Chaikin
Member Firm of KPMG International

Tel-Aviv, Israel

March 31, 2021
